



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

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**STANDING COMMITTEE**

on

**PUBLIC ACCOUNTS**

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34 Elizabeth II

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*Chairman*  
*Mr. David Blake*  
*Constituency of Minnedosa*



MG-8048

**VOL. XXXIII No. 1 - 10:00 a.m., TUESDAY, 14 MAY, 1985.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Second Legislature**

**Members, Constituencies and Political Affiliation**

Name	Constituency	Party
<b>ADAM, A.R. (Pete)</b>	Ste. Rose	NDP
<b>ANSTETT, Hon. Andy</b>	Springfield	NDP
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BANMAN, Robert (Bob)</b>	La Verendrye	PC
<b>BIRT, Charles T.</b>	Fort Garry	PC
<b>BLAKE, David R. (Dave)</b>	Minnedosa	PC
<b>BROWN, Arnold</b>	Rhineland	PC
<b>BUCKLASCHUK, Hon. John M.</b>	Gimli	NDP
<b>CARROLL, Q.C., Henry N.</b>	Brandon West	IND
<b>CORRIN, Q.C., Brian</b>	Ellice	NDP
<b>CÓWAN, Hon. Jay</b>	Churchill	NDP
<b>DESJARDINS, Hon. Laurent</b>	St. Boniface	NDP
<b>DODICK, Doreen</b>	Riel	NDP
<b>DOERN, Russell</b>	Elmwood	IND
<b>DOLIN, Mary Beth</b>	Kildonan	NDP
<b>DOWNEY, James E.</b>	Arthur	PC
<b>DRIEDGER, Albert</b>	Emerson	PC
<b>ENNS, Harry</b>	Lakeside	PC
<b>EVANS, Hon. Leonard S.</b>	Brandon East	NDP
<b>EYLER, Phil</b>	River East	NDP
<b>FILMON, Gary</b>	Tuxedo	PC
<b>FOX, Peter</b>	Concordia	NDP
<b>GOURLAY, D.M. (Doug)</b>	Swan River	PC
<b>GRAHAM, Harry</b>	Virten	PC
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Hon. Harry M.</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupert's Island	NDP
<b>HEMPHILL, Hon. Maureen</b>	Logan	NDP
<b>HYDE, Lloyd</b>	Portage la Prairie	PC
<b>JOHNSTON, J. Frank</b>	Sturgeon Creek	PC
<b>KOSTYRA, Hon. Eugene</b>	Seven Oaks	NDP
<b>KOVNATS, Abe</b>	Niakwa	PC
<b>LECUYER, Hon. Gérard</b>	Radisson	NDP
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<b>MACKLING, Q.C., Hon. Al</b>	St. James	NDP
<b>MALINOWSKI, Donald M.</b>	St. Johns	NDP
<b>MANNES, Clayton</b>	Morris	PC
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<b>MERCIER, Q.C., G.W.J. (Gerry)</b>	St. Norbert	PC
<b>NORDMAN, Rurik (Ric)</b>	Assiniboia	PC
<b>OLESON, Charlotte</b>	Gladstone	PC
<b>ORCHARD, Donald</b>	Pembina	PC
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<b>PARASIUK, Hon. Wilson</b>	Transcona	NDP
<b>PENNER, Q.C., Hon. Roland</b>	Fort Rouge	NDP
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<b>SCOTT, Don</b>	Inkster	NDP
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<b>WALDING, Hon. D. James</b>	St. Vital	NDP

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

**Tuesday, 14 May, 1985**

**TIME - 10:00 a.m.**

**LOCATION - Winnipeg, Manitoba**

**CHAIRMAN - Mr. D. Blake (Minnedosa)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cowan, Harapiak, Hon. Ms. Hemphill; Hon. Messrs. Lecuyer, Schroeder

Mr. Blake; Mrs. Dodick; Messrs. Kovnats, Manness, Ransom, Santos

**APPEARING:** Mr. F.H. Jackson, Provincial Auditor

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

Mr. W.C. Fraser, Comptroller, Department of Finance

**MATTERS UNDER DISCUSSION:**

Report of the Provincial Auditor and the Public Accounts of the Province of Manitoba and Supplement for the fiscal year ended March 31, 1984.

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**MR. CHAIRMAN:** I call the Public Accounts Committee to order.

Normally, we approve the Report of the Provincial Auditor in the first instance; i and ii cover the contents of the report, so we could pass those and move on to Page 1.

Pages 1 to 6 were each read and passed.

Page 7 - Mr. Ransom.

**MR. B. RANSOM:** Thank you, Mr. Chairman.

Before getting into any questions, I'd like to offer my congratulations to Mr. Jackson on his appointment as Provincial Auditor. We look forward to working with him.

I have a question here concerning the allowance for losses which shows, of course, a decrease of \$3.3 million. I gather that comes about as a consequence of the write-off of \$51.3 million of losses related to Manitoba Forestry Resources Limited. In actual fact, there were increases of 48 million losses aside from that write-off. But the question is: what sort of previous losses would be included in that figure of 131.6? Would those losses be for these corporations that are listed on Page 7 of this report? Are there are Crown corporation losses that are included in that figure?

**MR. CHAIRMAN:** A question for the Auditor or for the Minister?

Mr. Jackson.

**MR. F. JACKSON:** Sorry, sir. You mentioned the figure of 131 million, but I don't see that figure.

**MR. B. RANSOM:** Page 7.

**MR. CHAIRMAN:** On Page 7.

**A MEMBER:** 131.6.

**MR. B. RANSOM:** Under heading March 31, 1984.

**MR. F. JACKSON:** Those would be the same figures and the same corporations that losses are being provided for this year as compared to last year, potentially.

**MR. B. RANSOM:** There would be no other Crown corporations than those listed below on Page 7?

**MR. F. JACKSON:** I'm sorry, I didn't bring my prior year's book. It's my understanding that they would be essentially the same organizations.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNESS:** Yes, on that same page, Mr. Chairman, in the Manitoba Beef Stabilization Fund there was an allowance for a loss of \$4.6 million - it's in the table towards the bottom. I'd ask the Minister specifically whether there were individuals under that stabilization program who have ceased farming - or what was the rationale used to bring in that allowance for loss?

**MR. CHAIRMAN:** Mr. Schroeder.

**HON. V. SCHROEDER:** Mr. Chairman, the member is correct in that there always are people who cease farming, but I don't believe that that number is one which relates to those people. I don't recall having written off any loans last year as a result of people not being able to pay.

**MR. C. MANNESS:** I'm sorry, I didn't hear the Minister.

**HON. V. SCHROEDER:** We did not write off any loans last year as a result of people not being able to pay. That's not the reason for an increase in that number of 1.4 million.

**MR. C. MANNESS:** Well, you say you did not write it off; was that then a decision that, in fact, there may be a time in the future some portion of that 1.4 million not coming in? This time it's just a doubtful pay-back.

**HON. V. SCHROEDER:** That's correct.

**MR. CHAIRMAN:** Page 7—pass.

Page 8 - Mr. Ransom.

**MR. B. RANSOM:** I wish someone would explain to me just what happened with respect to the change with the unpaid balance of school division expenditure. It makes reference in this page to a charge of 72.1 million to prior years' deficits. It represents the unpaid balance of school division expenditure as at the end of the preceding fiscal year. Could the Auditor or the Minister give us an explanation of just what was done with that accounting change?

**MR. F. JACKSON:** In previous years, Mr. Ziprick had been recommending that the financing of school divisions be handled much the same way as other expenditures of the province; i.e., expenditures that had been incurred by individual school divisions to finance their operations for the period from January to March. Although the expenditures had been incurred at the school division level, they weren't being reflected in the provincial accounts. Those expenditures had, in fact, been incurred, and Mr. Ziprick, as part of his recommendation to improve overall school division financing and minimize debt financing on the part of school divisions, recommended that the province, in effect, speed up the payments to school divisions. That necessitated a one-time adjustment to bring them on track with the other major organizations that the province funds, such as the hospitals.

So, in 1984, upon the recommendation of the Provincial Auditor, the Department of Finance did make an adjusting accounting entry to bring the school divisions on track. What that meant was for the year ended March, 1984 (sic), a Special Warrant of \$66,996,000 was passed and included in the accounts for March 31st, 1984.

What had happened in the previous year, there was an expenditure of \$72,083,000 that was made in 1984 in respect to the prior year, and rather than have 15 months of expenditures in the one fiscal year, there was an adjustment made of \$72 million as a prior-year adjustment and that appears in the Statement of Accumulated Deficit of the province.

**MR. C. MANNES:** A supplementary question with respect to that. The Minister of Education announced, I believe in January of this year, that school divisions would receive funding from the province beginning in January of '85. Why was the adjustment made in '84, even though the announcement made by the Minister was not effective until 1985, January?

**MR. F. JACKSON:** I believe what was happening there was that the adjustment that was made in 1984 started the payments for the January to March period, so that effective in January of 1985, the payments would continue on a regular basis and that practice would be consistent from then on, starting with the adjustment that was made in late March, I believe, of 1984.

**MR. B. RANSOM:** Did this adjustment have any effect on the apparent deficit? Was the figure that is given for the year end '84 strictly comparable then to the figure for year end '83?

**MR. F. JACKSON:** In the Provincial Auditor's Report for March 31, 1984, there is an explanation in his report

that, on a retroactive basis, the overall effect of the three adjustments that were made was the reduction in the expenditure for 1984 of about \$12 million.

**HON. V. SCHROEDER:** My numbers have been somewhat different from that. There was a press release put out April 5th, 1984. At that time we were expecting the change to have the effect of reducing expenditures charged to '83-84 by \$5 million and increasing revenue credited to '83-84 by \$4.5 million, for an overall \$9.5 million improvement to the 1983-84 numbers, but I don't know where the difference - it could may well be that later on more accurate numbers brought it up to the 12.

**MR. F. JACKSON:** The effect of the expenditure adjustments themselves was the difference between the \$72 million for the period January 1 to March 31, 1983, of \$72,083,000, as compared to the 1984 situation for January 1 to March 31, 1984 of \$66,996,000 and that in itself created a difference of \$5,087,000 of the expenditure side.

**MR. B. RANSOM:** But the bottom line is that instead of a deficit of 428.9, then it would have been about \$440 million without these adjustments.

**MR. F. JACKSON:** Well, the \$66 million wouldn't have gone through the accounts at all for March 31, 1984, and if hadn't gone through the accounts for March 31, 1984, the expenditures for that year presumably would have been somewhat less, by the \$66 million.

**MR. B. RANSOM:** But didn't you say, Mr. Jackson, that this would have the effect of reducing expenditures by \$12 million?

**MR. F. JACKSON:** The combined effect of the expenditure for the current year, plus the prior year adjustment, was an overall reduction for 1984 of \$5 million. Now part of the reason for that is that the \$72 million became an adjustment to the accumulated deficit in a separate statement, and it's recorded separately there for the \$72 million.

**MR. B. RANSOM:** Well, then are you saying that Mr. Schroeder's comment in his press release is the most accurate reflection of the impact on the deficit?

**MR. F. JACKSON:** Both what Mr. Schroeder said and what I am saying are basically the same thing. I think his press release came out much earlier than the final figures came out, so that there's a variance of what seems to be a couple of million dollars between the two dates. If my memory serves me right, I think that press release was April of 1984.

**MR. B. RANSOM:** Then without the adjustments, what would the deficit figure have been?

**MR. F. JACKSON:** Without the adjustments, \$66 million wouldn't have gone through as an expenditure for 1984; it would have been an expenditure in 1985, from this aspect of the operations themselves. The net effect would be the \$5 million that I referred to earlier.

Tuesday, 14 May, 1985

**HON. V. SCHROEDER:** I must say at this stage I'm a little confused. I had assumed that originally we'd calculated that it would decrease the reported deficit by \$9.5 million and later, when all the figures were in, and when you added the increased revenue and decreased expenditures together that you would come to a \$12 million increase in the deficit, without the numbers, so that the 440 would have been what we would think the number would be.

**MR. F. JACKSON:** That's the figure that I referred to earlier. It was \$12,095,532, but that's the retroactive effect of the three adjustments that were made in 1984, on a one-time basis, for the fiscal year 1984. That's the effect of these three adjustments for '84.

**MR. B. RANSOM:** Does that mean then that the deficit would have shown approximately \$440 million without those adjustments?

**MR. F. JACKSON:** Yes.

**MR. B. RANSOM:** That was my question five minutes ago, whether that would be the case or not and we somehow got off the track indicating that would not have been the case.

**MR. CHAIRMAN:** Pages 8 to 14 were each read and passed.

Page 15 - Mr. Ransom.

**MR. B. RANSOM:** There's a statement here on Page 15 that says "Amendments to The Pension Benefit Act during 1983 providing improvements to pensions, substantially increased the pension liabilities. The actuary established that the cost to implement the improvements for the Civil Service Superannuation Fund, based on a position at December 31, 1982, amounted to \$45.2 million. An estimate for the cost of the Teachers' Retirement Allowance Fund has not been established as yet."

Could Mr. Jackson give us a little further explanation as to how that additional cost will come about and does he have any comment with respect to the Teachers' Retirement Allowance Fund?

**MR. F. JACKSON:** That adjustment came about as a result of the changes that were made for the Civil Service Superannuation Fund and the actuary going through and costing each of the amendments that were made to the plan. One of the adjustments that was made was the decrease in the cost of earlier retirement and it was changed by 50 percent, if my memory serves me right. There is less of a penalty for people taking early retirement between the ages of 55 and 60. That was one of the more significant aspects. There were, I think, two other changes that were made to the plan. Just as a matter of information, I believe, at the time that these amendments were passed, the Civil Service Superannuation Fund was in an actuarial surplus of approximately 65 millions and the cost of these adjustments brought that down from 65 million to around 18 million, if my memory serves me right.

**MR. B. RANSOM:** I was going to ask over what period would that \$45.2 million cost be incurred. It sounds

then from what Mr. Jackson has just said about the Superannuation Fund surplus, that that has come about very quickly. What's the trend then? Are there going to be additional ongoing costs or were those costs that were taken up at one time? Where are we going with this fund?

**MR. F. JACKSON:** All I can indicate, Sir, is that the most recent information that I have seen indicated that there was roughly an \$18 million surplus after, in fact, those costs were recognized by the actuary and that the previous actuarial estimate had come up with an estimate of around the \$65 million. At the time of that estimate and before the amendments were passed, I understood that the Civil Service Superannuation Fund had the actuary go through and do a cost analysis of what each of the amendments to the plan would cost, and that's how the \$45 million was arrived at. It was considered that there were sufficient funds available to cover those costs within the fund.

**MR. B. RANSOM:** What about the Teachers' Retirement Allowance Fund?

**MR. F. JACKSON:** I'm awfully sorry, I don't have information on that at this time.

**MR. C. MANNES:** Mr. Chairman, with respect to the Teachers' Retirement Allowances Fund, could the Auditor indicate whether he has been asked to do any cost analysis with respect to the pending legislation, which will grant to teachers full retirement at age 55 without penalty?

**MR. F. JACKSON:** No the Provincial Auditor's Office has not been asked to do any costing work in relation to that. That would probably be more the actuaries' perspective, in that they would want to determine the individual members, the individual age of the members, and what that would mean on an individual basis, and to how it would affect the fund in total. We don't do that type of work.

**MR. C. MANNES:** Mr. Chairman, the Auditor has made reference to a surplus in the Civil Service Superannuation Fund. Is the determination of that surplus been done by the actuaries?

**MR. F. JACKSON:** Yes.

**MR. C. MANNES:** Thanks.

**MR. CHAIRMAN:** Pages 15 to 18 were each read and passed.

Page 19 - Mr. Ransom.

**MR. B. RANSOM:** There's a recommendation on this page that says, "I again recommend that losses be funded from funds voted in the Appropriations so that the funding of the losses would appropriately compete up-front with the priorities of funding of other programs."

This is with respect to Crown corporations and of course it has become a much more significant issue, judging by the figures given here which show that Crown

corporations for 1979, I gather, made a profit of 8.3 million - if I'm reading that correctly - and 7.1 million for 1980, and then in 1981 lost 4.3 million, and lost 6.3 million in 1982 and then went to a loss of 20.9 million in 1983 and 48 million in 1984.

Has the Department of Finance given any consideration to accepting this recommendation Mr. Ziprick had made?

**HON. V. SCHROEDER:** Mr. Chairman, it is an item that we do have under consideration. There have been some discussions. There are obviously some difficulties in going the whole way with just simply transferring a loss completely onto current account books and we're trying to work out something that would make occasional losses, losses that are on the company books, not on the provincial books and things that should be recovered from the Crown corporation.

**MR. B. RANSOM:** I take it, because it has not been done the way that Mr. Ziprick recommended, is the reason why the \$51 million loss for Manfor that was written off in 1983 never showed up on the deficit for any given year then. It simply is transferred as some allowance that's outstanding, transferred directly to the debt, but it skips one step, in terms of providing a warning to the government and to the public about the losses that are being incurred; and I can understand why the government would have wanted to write that off and put it directly into debt because it related to a number of years when those losses were incurred. But if the change isn't made and a loss, for instance, of the size of \$48 million, isn't taken into consideration in the year that it's incurred, you can be pretty sure that no government down the line is going to be inclined to go back and pick up a loss that's incurred in a previous year and include it into their deficit; so we're going to continue to have these losses. "Swept under the rug" is perhaps a little strong terminology but that, in effect, is what's been happening, is that we're not prepared to face up to the fact that these losses are taking place, so I would hope that the Minister would look very seriously at accepting that recommendation.

**MR. CHAIRMAN:** Page 19 - Mr. Ransom.

**MR. B. RANSOM:** This page also has the statements from Mr. Ziprick. I'll read the statement: "Since the expenditure at arriving at the net amount does not take into account such major operating costs as either the depreciation of capital assets or a sinking fund provision for the repayment of debt, it is not a realistic representation of the net deficit on operations. Therefore, I'm not in a position to agree with the fairness of this presentation."

That statement was made with respect to the separation of operating and capital related expenditures with the bottom line showing the net operating deficit.

I'm wondering whether the Minister of Finance is prepared to go back to the previous system of showing the bottom line as being the combined figure as Mr. Ziprick would have recommended and did recommend?

**HON. V. SCHROEDER:** Mr. Chairman, we showed the excess of expenditure over revenue which included

operating costs and capital expenditures of government and beneath that indicated what the operating costs would be. Certainly Mr. Ziprick was correct in saying that we hadn't taken depreciation into account and that he would have preferred to see the lines reversed.

I, quite frankly, think that there is a benefit to showing the net operating deficit and I wouldn't want to commit myself to any changes.

**MR. B. RANSOM:** There may be a political benefit to showing the bottom line as the net operating deficit, but I fail to see where there is any benefit to the public, in terms of accounting and understanding the requirements placed upon the taxpayers to service the debt. Obviously, the Minister and I remain in disagreement on that issue and he's simply saying that he doesn't plan to make any change, as I understand it.

**MR. CHAIRMAN:** Page 19—pass.  
Page 20 - Mr. Ransom.

**MR. B. RANSOM:** This makes reference to the fact that the Manitoba Development Corporation continued to subsidize expenditure of the Community Economic Development Fund. It says that for the year ended March 31, 1984, this amounted to .8 million. Normally, these subsidies should be provided by the province's appropriation. Again, I take it that this is an example of where an expenditure is being made but is not showing up in the annual appropriations. Does the Minister plan to make any change or has he made any change in this procedure?

**HON. V. SCHROEDER:** I think the rationale for doing it the way we did it was simply the fact that the money was there in MDC. There were other comments made by the Auditor, I believe, with respect to that issue and I expect that that problem will disappear over the next short while when there isn't the money there in MDC and then, of course, the subsidies will be provided from the province's appropriation.

**MR. B. RANSOM:** That may be, but I'm not sure that's a way to deal with a problem of accounting that has been raised by the Provincial Auditor. It seems to me that the principle of it should be dealt with and not just allow circumstances to clear up the matter temporarily, because I suppose at some time in the future, there may again be surpluses in the Manitoba Development Corporation and we'd be back to another system of accounting for those expenditures.

**HON. V. SCHROEDER:** Well, we can certainly take a look at that.

**MR. CHAIRMAN:** Page 20—pass.  
Page 21 - Mr. Manness.

**MR. C. MANNESS:** Mr. Chairman, I'd like to ask a question with respect to Special Warrants, the \$4 million allocated to the Workers Compensation Board. I know we've discussed this in other times in the House, but I refer also back to Page 3, where the Auditor, Mr. Ziprick, indicated that under "Matters of Concern,"

**Tuesday, 14 May, 1985**

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there was non-compliance with the act in setting rates which result in substantial deficits, and a deterioration in the Fund's financial position. Then of course we see where the government, through Special Warrant, has granted \$4 million to the Board. I'd ask the Minister how the Government of the Day could break the law like it has with respect to that Board without coming to the Legislature with enabling legislation to allow that to occur?

**HON. V. SCHROEDER:** I don't know that we've broken any law.

**MR. C. MANNES:** Then I'd ask the Minister what non-compliance means, as indicated by Mr. Ziprick? I refer to Mr. Ziprick's concerns on Page 3.

**MR. V. SCHROEDER:** I thought we were on Page 21.

**MR. C. MANNES:** I understand we'll cover that on Page 43 if the Minister wishes.

**MR. CHAIRMAN:** Page 21—pass.  
Page 22 - Mr. Ransom.

**MR. B. RANSOM:** The Auditor made a recommendation here with which I agree and I have been trying to convince the Minister that there's a necessity for this sort of thing and the Auditor has said, and I quote, "A long range fiscal plan being made available to the Legislature would serve as an effective base for the annual review of the Budget."

I'd like to ask the Minister whether or not his department is giving consideration to complying with that recommendation?

**HON. V. SCHROEDER:** Well, I think we would all like to see a long-range fiscal plan. The question is, how do you develop one that can be seen to be reasonably useful, given the rapidly changing circumstances out there from month to month, let alone from year to year. We've had the discussion in the past.

I've been, in the last several years, attempting to get more public understanding of what it is that the expenditures of the province, of the Provincial Government are for, then trying to get people to provide input to indicate where we can reduce those expenditures, and also as to how to gain fair amounts of revenue.

Any forecasts I've seen have become very very quickly out of date. We attempted, I believe the member was Minister of Finance when we attempted to set up an econometric model, and our government continued along with that project for several years, and then came to the conclusion that we were unable to come up with forecasting that was sufficiently accurate to be useful to us, and we abandoned the project.

So, basically, what we are doing now, as we had done in the past, is we're synthesizing the reports and forecasts of the variety of agencies who are in that business, everybody from the Federal Finance Department to the Conference Board to the Royal Bank, etc., and doing our best in terms of making our own forecast. But to add one more forecast, which is simply a synthesis of other peoples' forecasts, and saying this

is where we're heading fiscally given those considerations, I think is doomed to failure.

**MR. B. RANSOM:** If what the Minister says is true, then that is an extremely unsettling circumstance for any Provincial Government to find itself in. I should think that if it's impossible for us to make any useful projections longer than a period of one year, then we really are in a very difficult situation, that we are simply flying blind and reacting on a short-term basis. It seems to me that that's certainly not a situation that we want to be in. I wonder whether the Minister's assessment of it is correct.

Perhaps, it would be useful to ask Mr. Jackson precisely, or in reasonably precise terms, what Mr. Ziprick and the Auditors have in mind when they speak of a long-range fiscal plan.

**MR. F. JACKSON:** Well, the longer range fiscal plan that Mr. Ziprick envisioned here, he had two concepts in mind - one would be a three-year plan and one was a five-year plan.

He was looking, I think, for a general outline as to what expectations might be without a great deal of precision, and that if, in fact, there was a variance from the plan, then there would be an explanation as well as to what were the circumstances that necessitated the variance from the plan. I understood that he had determined that, I think, Canada was moving in this direction to provide a longer range plan than just a single year.

**MR. B. RANSOM:** I'd ask the Minister or Mr. Curtis whether or not they ever had the opportunity to sit down and discuss with Mr. Ziprick what he had in mind when he made this recommendation?

**HON. V. SCHROEDER:** No, Mr. Chairman, I quite frankly did not. Certainly, on the expenditure side, it is obviously a lot easier to make the forecasts in most areas than on the revenue side. That is you could take a number of areas in the Department of Finance, or a number of areas in things like Land Titles Office or Personal Property Registry or things like that, make projections based on what you know you're doing. You're making investments in terms of equipment and so on, and you can come up with reasonably accurate projections. In some areas, of course, you can't; such as, Social Assistance, because that depends on how the economy is doing and many other factors.

It's the other side, the revenue side, that is very, very difficult to predict. The Federal Government is having to change its forecasts of revenue, even during better times, considerably downward from where was expected. Hopefully, that will turn around and start moving the projections in the other direction, but, no, I didn't talk with Mr. Ziprick about this.

**MR. CHAIRMAN:** Page 22 - Mr. Ransom.

**MR. B. RANSOM:** Did the Deputy Minister have a chance to sit down and discuss this with Mr. Ziprick and understand what he was recommending and come to a rational decision that it couldn't be done, or has it simply been dismissed out of hand?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. C. CURTIS:** Mr. Chairman, I did have brief discussions with Mr. Ziprick. I have some serious problems. The concept is, I think, very laudable, but I have very serious problems about the long-range effect of changing programs, the need to project changing revenues. So I have, I guess, a bias perhaps against putting too much faith in long-term projections.

The projections we've made from time to time have only proven one thing, and that is that they've turned out not to be very accurate.

**MR. B. RANSOM:** I would suggest, Mr. Chairman, that may reflect the fact that government is in a position to fall back on the taxpayers ultimately, either through deficit financing, which will eventually be covered by taxation, it's simply deferred taxation, or by directly going to the taxpayers, as opposed to a business operation that would have to look more carefully at what it's revenue opportunities were and then make adjustments to its expenditures.

Perhaps this is an inherent weakness in the system of government, where the people in charge of expenditures and revenue raising don't look with the same kind of rigour upon the problems that they face, knowing that they can simply fall back on the taxpayers, and that may be an excellent reason - I would suggest it is an excellent reason - to try and comply with recommendations that the Auditor makes, because the Auditor is looking at it from a different perspective.

I think that it is a useful procedure, even though we recognize that it can't always be accurate, but there is some value, as Mr. Jackson has pointed out, in then understanding why things didn't work out as they were expected to work out.

**MR. CHAIRMAN:** Page 22—pass.  
Page 23 - Mr. Ransom.

**MR. B. RANSOM:** Mr Ziprick made the comment here, what he called another dimension of accountability, which dealt with the assessment of the province's economic strength and its manageability of the size of the public debt. He said it was an area that's assuming more importance and concern as the public debt increased. He recommended that consideration be given to establish a formal economic financial management system and that the pertinent data be included in the Budget to ensure the public that continuing deficit financing does not exceed the limits of manageability.

What has the department's response been to this recommendation?

**HON. V. SCHROEDER:** Yes, I'll have Mr. Fraser, the Comptroller, explain the department's response.

**MR. CHAIRMAN:** Mr. Fraser.

**MR. J. FRASER:** In discussing this issue with Mr. Ziprick himself, he indicated that, by and large, the reason that it was being raised was in a policy sense, so that the politicians were aware of the issues and we're trying to find a solution to it. Because he admitted - and I'm

sure that Fred wouldn't differ from that - that in terms of what is a manageable deficit level is really there is no consensus among accountants or economists as to what that is.

Our deficit level in terms of percentage of spending is about less than one-third of what the Federal Government's is and in that range as well, I guess, in terms of the United States, and these governments have been trying to deal with that issue and to find where is the balance where the deficit should not exceed a certain percentage and they have had very little success. They've spent millions of dollars in terms of consultants and economists in trying to come up with models that are meaningful, but because the economy is so volatile, they really haven't come to any substantive issues.

We had Professor Barber analyze this issue and we've had the results of that discussed in significant detail within the government, and again, there's very very little consensus. There's very little evidence anywhere that there has been a working model developed that is meaningful and that can be substantiated.

I think the point that Mr. Ziprick was trying to make is that it obviously is a very significant issue and it's something that should be watched closely by the government and the people and that kind of thing. In terms of knowing what the answer to that is and knowing where that equilibrium is met, there just isn't enough information at this point in time to be able to effectively deal with that.

**MR. B. RANSOM:** The Minister has used the terminology from time-to-time that the deficit is manageable. What goes into making that kind of assessment then, that a given size of a deficit is manageable?

**HON. V. SCHROEDER:** Mr. Chairman, when one looks around and sees what others are doing, what the circumstances are now, looks to see whether an assessment of where we have been in the past would indicate that we can handle the particular proportion that we are handling.

We make that assessment based on things such as, for instance, where we've historically been, and historically we've had higher and lower rates of debt as a proportion of government spending and so on. Certainly one would prefer much lower, but you have to look as well at the other side, the consequences of pulling back on programming in some difficult times. So based on all the information available to us, we feel that certainly at this stage, compared to where others are at, the debt is manageable.

**MR. B. RANSOM:** When we put these two things together, it seems to me that we're really flying blind then, because what the Minister and staff have told us is that they can't prepare a fiscal plan for longer than a year, that's not possible to know any accuracy of where we're going. They can't put together a plan that outlines the manageability of the debt, but that they can determine that as of today the debt is manageable.

But would the Minister and the staff concede then that since they can't predict and can't prepare a fiscal plan, and they can't establish guidelines for the



Tuesday, 14 May, 1985

manageability of the debt, is it not possible then, under those circumstances, that we will arrive at a point where the yearly assessment will be, we can't manage it, and that we're going to arrive at that point without being able to predict it in advance. Indeed, maybe that's where the Federal Government has now arrived, that the deficit may, in fact, be out of control. It's perhaps an overworked phrase but the federal deficit seems to be growing despite all of the projections that staff have made there.

**HON. V. SCHROEDER:** Mr. Chairman, referring it over to the federal scene, certainly, some of their numbers they project ahead five years, some three years. I don't think that means that they're terribly accurate. Exactly where they've arrived - we've got enough problems of our own here so I'm not going to get into that.

Internally, I think, probably under the previous government as well as under ours there are the fiscal framework projections done for members of Cabinet. It's a multi-year, it's a three-year projection. We don't believe that it would be of any benefit to have that kind of thing available outside of government. We recognize that it is very rough. It's not necessarily going to be accurate. It's reviewed on a continual basis.

In many ways, it's based on federal forecasts. Federal forecasts have been known in the past to be sometimes somewhat politically motivated in order to possibly affect the market. People don't want to - even if they assume that things are going very badly - go out there and tell the public that things are going very badly, so they've put on possibly different numbers.

We get them without that filter and use them and by the time we work out our calculations from them, we can be considerably away from reality and rather than passing those numbers out to the public to have business and other groups making their decisions based possibly on our projections that we have taken second- or third-hand from another level of government, we don't think that would be an appropriate thing to do.

**MR. B. RANSOM:** I guess that's the Minister's judgment, whether he thinks they might be useful or not but now he at least is acknowledging that they do a three-year fiscal framework. If it's useful information for Cabinet, why isn't it useful information to the Public Accounts Committee?

The Minister, after all, when he got into government in 1981, made frequent statements about when he got a look at the books and discovered that things were worse than he thought they were. Would he still have been in that situation if there had been a three-year fiscal plan available, and is someone else not likely to be in a better position if they have access to that kind of information?

**HON. V. SCHROEDER:** Well, let's look at a little bit of history. If I had seen a three-year projection in 1981, there is no way that I would have seen a projection that would have forecast the worst recession since the Depression. I would not have seen something in November of 1981, as we were fighting the election campaign, that indicated that expenditures had gone through the ceiling and revenues were falling through the floor. None of those things would have been public

knowledge as a result of that kind of information being available to the public. So, I don't believe it would have been helpful at all to us as an opposition at that time.

Keep in mind when we're making our fiscal framework calculations, they're not that difficult to do. You take a look at the federal numbers, the projections made. We do our own projections on them; maybe take a cut a little bit above and a little bit below and sort of an average and a guesstimate as to where we might be in terms of revenue. We can do our own estimates as to our expenditures, as I indicated previously.

I don't see that that information would be terribly relevant. It's simply one more tool. It's not a terribly accurate one as witnessed by 1981 when, as I say, revenues were going down and expenditures going up. I don't see the relevance of it.

**MR. B. RANSOM:** Will this kind of information be protected under The Freedom of Information Act that the government plans to introduce?

**HON. V. SCHROEDER:** I don't know.

**MR. C. MANNES:** Mr. Chairman, I've been listening with great interest to the discussion that has gone on for the last 10 minutes. I would have only one question for the Minister. When it comes to attempting to project more accurately the revenues and therefore the net deficit, why would it be then, using his analysis or his argument, that there has been a surplus only one time in the last 20 years? What is wrong with governments putting on very conservative estimates towards revenue projections, such that maybe in some cases there may be a surplus?

**HON. V. SCHROEDER:** I'm sorry, I missed the question.

**MR. C. MANNES:** Well, I'm curious in light of the Minister's argument, why it is that some very conservative estimates or trimming isn't performed on the federal numbers projections of revenue as they apply to the Province of Manitoba. Why isn't it the case that more than one year out of maybe 15 that there isn't or hasn't been a surplus? What is wrong with some years' planning to have a slight surplus and seeing that surplus coming into being?

**HON. V. SCHROEDER:** I think a surplus would be wonderful. Your definition of a surplus is one that pays in the current year for expenditures which will benefit future generations of Manitobans. That's where we get into some differences. Is it really fair for today's taxpayer to pay the full amount of the office building, the highway, the university construction, etc.- not the university construction, that's not on the books in the same way - but the 250 million or so which is sort of a rough estimate of our capital expenditures? Should those expenditures all be made by today's taxpayer for the benefit of tomorrow's taxpayer with no cost at all to tomorrow's taxpayer?

In Utilities, certainly, Public Utilities Boards say no. That cost should be spread over the people who are going to benefit from the investment. Of course, we're not even anywhere near that right now. I would love to get back to the stage quickly where, at least, on a

current account basis, we're not running a deficit; but on a current account basis we have run many surpluses in that period of time.

I'm not sure that it's our method of forecasting that's the problem. It's our method of deliberately deciding that we'll spend more money than we have, which has taken place over a period of years.

**MR. CHAIRMAN:** Page 23 - Mr. Ransom.

**MR. B. RANSOM:** The Minister talks about capital assets and whether or not we pay for those assets in the year that they're built and whether it's fair that we should be paying now, and people will be using them in the future. I'm not sure that the Minister is really even aware of his own department's accounting principles, because if he looks at Page 2 of Exhibit 12 of the Auditor's Report, he'll see that one of the things, one of the definitions of Expenditures Related to Capital Assets, reads as follows:

"... the principal portion of a debt repayment, when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the Consolidated Fund as an Expenditure." So what that policy says is that those capital assets of lasting value that are out there and not included in the Consolidated Fund - and that would include such things as, I believe, hospitals and schools - that when the payment is made, then it's brought into the expenditures under the Consolidated Fund and what the Minister is arguing, that it should be capitalized again. We've already capitalized it once and we're now repaying for it and he's arguing that it should be capitalized twice.

There is an argument to be made for the distinction between capital and operating, but if you're going to do that, then you have to do it the way that Mr. Ziprick had pointed out, that you have to take into consideration the sinking funds and the depreciation, and you have to make a realistic separation. What we're attempting to do now is capitalize some items twice and that makes no sense at all.

**HON. V. SCHROEDER:** Mr. Chairman, if the member would have listened to me he would not have heard me talking about hospitals and schools, which is what that item refers to.

What I was talking about very specifically was highways, and let him discuss that if he wishes. I was discussing office buildings owned by the Province of Manitoba, and there we have the choice. We have the choice; we can go either with the rental of the building as the previous government did, the Lyon Government did, when they told the Mayor of Steinbach to go build an office building and they would fill it up with government tenants, or they can go the other way of building a government building, as we did, in Flin Flon. When you go the way of building the office building in Flin Flon, you show on your capital expenditures a capital expense for that particular year when it's built and that shows a larger deficit, based on the member's definition of a deficit.

The Steinbach proposal shows a smaller deficit, based on the member's definition of a deficit. But in the long run, the Steinbach proposal is going to cost

the taxpayers more money. It'll show a nicer page on your book for your particular government, it'll show a worse page for future governments.

That's the point I was trying to make and that is not refuted by the accounting principles dealing with hospitals, universities and school divisions, which are based, as the member knows, on the basis that we show what we pay in a particular year as opposed to what we spend in a particular year, and those two numbers can be quite different. You can show theoretically that you're spending money on hospitals and schools, etc., when you're actually not constructing any, because of your prior year's commitment, or you can show that you're spending very little at a time when you're actually constructing an awful lot of public buildings.

**MR. B. RANSOM:** Mr. Chairman, the Minister doesn't seem to understand how the accounts are kept. There is every reason for him to make his argument as to how capital items should be considered, and I'm not debating that. I'm debating how the records are kept at the moment, because what we have presently, and if I could locate it in the Public Accounts I could show him where some of the so-called assets related to capital expenditures include payments of principal on such things as hospitals and schools, which have been built some time ago and are capitalized outside of the operating of the consolidated fund, and that as those payments are made by the government, they are then brought into the consolidated fund and they're considered to be assets related to capital expenditures.

My point is that you should not be capitalizing them twice. If they're going to do that, then follow the recommendation that Mr. Ziprick made and account for it correctly. I'm not talking about the philosophical debate, whether it's better to rent or buy or build or whatever, just account for it in a manner that the Auditor finds acceptable.

**HON. V. SCHROEDER:** Mr. Chairman, the member keeps wanting to talk about hospitals and school divisions, which are funded in an entirely different fashion from the office buildings and highways I was talking about.

If he wants to talk about school divisions and hospitals, put them on to the side and we can discuss them. When a hospital is built the province does not borrow the money. The money is borrowed by the hospital board. Then in the next year, the province pays to the hospital a sum of money, which provides for interest and capital, and then makes its calculations accordingly and shows what its capital expenditures on hospitals are for that particular year following as being the amount of principal paid against that particular hospital; so that the principal paid, or the capital investment in hospitals given in a particular year by the government is not necessarily related in any way to the amount of money actually expended on capital in hospitals in that particular year.

That's not the case with a government office building. When we build the Flin Flon Provincial Office Building, that money — (Interjection) — Well, then quit saying that I'm - what the member is agreeing to is that I am right when I talk about Flin Flon; I am right when I talk

Tuesday, 14 May, 1985

about highways. I was not talking about hospitals and school boards. School boards and hospitals are done in the way I've just described.

**MR. B. RANSOM:** The Minister is talking about them, because it's included in his definition of expenditures related to capital assets. The principal portion of debt repayment is included there, which is different from the way that office buildings and highways are handled. There's never been any argument about the way office buildings and highways were handled, but the way the other payments are made is different, and that, I believe, is the basis for the recommendation that Mr. Ziprick made.

**HON. V. SCHROEDER:** The time the capital expenditure shows for a hospital and a school board is the one and only time. It doesn't show it twice and I'm not suggesting that it should show it twice and I'm not suggesting that we should change our method of accounting.

The capital expenditures shown for schools and hospitals are not completely accurate for the particular year, in terms of what is being built in that particular year, but they are absolutely accurate for the particular year, in terms of what is being spent by the government directly on capital expenditures for hospitals. True, it had been done in a previous year, but it is being spent in that particular year as a grant to the hospital or school board.

**MR. B. RANSOM:** Well, the Minister is saying then that he agrees that the principal portion of debt repayment, when it's going for such things as hospitals and schools, that when you're making the repayment of the principal portion that that should be considered as a capital asset for government, and that it's somehow in a different category than an ongoing operating expenditure would be?

**HON. V. SCHROEDER:** Mr. Chairman, clearly expenditures on infrastructure that provide for an asset at the end of the day are different from expenditures on ongoing programming which, at the end of a given year, leave absolutely nothing, other than possibly a better society.

**MR. B. RANSOM:** Mr. Chairman, we already have the asset. What we're doing is paying for it. We already have it and we've paying for it here with these principal repayments, and the Minister is telling us that that is somehow different than paying for the operation of a facility.

How is it any easier for the taxpayers to carry that kind of expenditure than it is to carry an operating expenditure? It's quite different from making the argument that we continue to pay for a highway for 30 years after it's built or an office building.

**HON. V. SCHROEDER:** The member says we already have the asset. Now we're back again off of provincial buildings and highways and so on, and onto schools and universities. I think the simple answer is, where do those assets show? I don't believe that they do show as assets or as expenditures or anything else

until they're shown in the particular year in which we make the payment for the asset, and on a hospital it may be over 20 or 30 years, and during that 20 or 30 years that's the way it comes on the books.

If the member wants it done in the same way that we do hospitals or the same way we do highways and government office buildings, I'm not so sure that in year-to-year, as long as we're having an average kind of building program, that it would make any difference, except that it would be dollars that are used for current construction as opposed to dollars used to repay the principal portion of loans on construction done 10 years ago.

**MR. B. RANSOM:** Mr. Chairman, I don't intend to belabour the point of what should be included where, from a political point of view, but we are talking here about how the accounts of the province are maintained and there was a recommendation from the Provincial Auditor that it be handled differently. Does the Minister intend to accept the recommendation of the Provincial Auditor or does he not?

**HON. V. SCHROEDER:** Mr. Chairman, I don't understand the Provincial Auditor to be suggesting that we handle it differently on that issue.

**MR. B. RANSOM:** I'd like to ask the Minister if he has been able to find time to sit down and read the Report of the Provincial Auditor; whether he has personally had time to do that, or whether that responsibility is delegated to the staff?

**HON. V. SCHROEDER:** I have quickly gone over it some time ago and I hope staff has gone over it - in fact I know they have.

**MR. CHAIRMAN:** Page 23 - Mr. Manness.

**MR. C. MANNES:** Mr. Chairman, I don't want to belabour this discussion either, but I just would like to ask the Minister, when he talks about assets that have a life for many years, and therefore should have a cost that is passed onto those in the future who come forward and gain some benefit from that particular asset, whether he is totally convinced that the right schedules of total depreciation are being used? I'm thinking particularly of schools, which I believe are becoming obsolete in a time of shorter duration than probably was planned because of changing demographics or whatever reason, and whether or not, using his argument, we will find people, 10 or 15 years down the road, who are not only paying for new schools, new assets, provincial assets that are being built at that time, but are also finding themselves paying for existing facilities that are obsolete because of the nature of the change in society, but are having to pay for that type of facility and therefore paying not only on the new, but also on the old? Is he confident that in some of these so-called government assets that have value for extended period of times, that the right schedule of longevity is being used?

**HON. V. SCHROEDER:** We don't have a depreciation schedule per se, say for a school. What we have is over the life of the debt is when we're . . .

**MR. C. MANNES:** That's right, but if you vary that?

**HON. V. SCHROEDER:** Well, is the life of the debt too long for the school then is the other side of the question.

**MR. C. MANNES:** That's right.

**HON. V. SCHROEDER:** I really would have to say I don't feel qualified to answer that question in either way. I think of schools that my children are going to, one was built 60 years ago and another one was built 25 years ago, and they both seem to be in fairly good shape. There seem to be lots of kids coming through the suburban factory and they keep getting more into the schools. In fact, there's complaints that there's too many kids in the schools.

**MR. C. MANNES:** Mr. Chairman, I'm just trying to make a general point and I'm seeking information, because it seems to me - and I don't disagree with a lot of the Minister's argument with respect to paying for an asset over its proper length of time - but I would think that if you're in a position of influence in deciding the proper schedule, the proper lifetime of a facility, that it's very incumbent that one not necessarily accept the long-standing traditions of the life of a facility.

I'm generalizing, but I think that we have to realize we're in a state when things are happening very quickly and government buildings, all of sudden over a few years, don't find themselves being utilized fully to the same extent it was comprehended when they were first planned. I think that all these types of things have major implications on the taxpayer of the future, who certainly I think is maybe prepared to pay for the benefit that he's receiving from an existing facility, or the benefit he'll receive from a new facility, but not both.

**HON. V. SCHROEDER:** I think that's a fair comment and we should, in using arguments about having people on capital projects paying for the portion that they are using themselves, keep in mind that while it shouldn't be today's taxpayer who pays for tomorrow's use on capital, it should also not be tomorrow's taxpayer who pays for today's and tomorrow's use.

**MR. CHAIRMAN:** Page 23 - Mr. Ransom.

**MR. B. RANSOM:** There's a recommendation here from the Provincial Auditor that appropriate modifications be made with respect to the Jobs Fund accounting, mostly for purposes of accountability to the Legislature. What has the department done with respect to that recommendation?

**HON. V. SCHROEDER:** Well, the indication from the Auditor is that administrative control has been effectively maintained including estimating job creation results through the creation of the Jobs Fund Committee and supporting Secretariat, who are rather pleased with that because there was a lot of question about whether or not there was control of the Jobs Fund.

Now, we're talking in terms of the legislative side, that would be an area that would be more appropriately addressed to our House Leader or Attorney-General. I'm not sure that there is any legislation proposed but,

certainly, the real concern that there was not that kind of administrative control over estimating job creation results has now been eliminated by the report.

**MR. B. RANSOM:** Mr. Chairman, I just asked the Minister what he's going to do, if anything, about a recommendation that the Auditor made. Now, why can't he just answer that question; either they've done nothing - they don't intend to do it - or they're going to do something.

**HON. V. SCHROEDER:** Mr. Chairman, I would remind the member that this particular committee is not only for the opposition. It is for all members and all members have heard a lot of harangues over the last couple of years about how we had no administrative control over the Jobs Fund; over how when we were estimating the numbers of jobs created that we didn't know what we were doing. Now we have the Provincial Auditor's Report saying they were wrong. We have the right to raise that in conjunction with discussions on the Jobs Fund. I think that to suggest that the member opposite can raise issues here and we can't is to misinterpret the function of this committee. Members opposite have made many of these kinds of statements, I believe misleading statements, in the past. They enjoyed getting headlines in the newspapers saying that we had miscalculated Jobs Fund results, but somehow they start squirming when we demonstrate that we have administrative control over the Jobs Fund; that we are able to calculate the results in terms of job creation results. I think that's important.

I think it's important that the press who were reporting the other side of it continuously recognize that there is this side of it. Yes, the Auditor is suggesting there should be legislative changes. I've told the member that's not something that I've been involved with.

**MR. B. RANSOM:** Mr. Chairman, the Minister can talk about whatever he wants and he does at great length and very often irrelevant to the issue that's being raised, but he can determine his own relevance. He was prepared to pass this page, as a matter of fact, so were all his members. I raised a specific question with respect to a recommendation made by the Provincial Auditor. The Provincial Auditor is not making this recommendation to the Government House Leader or to the Attorney-General. He's making it with respect to the fashion in which legislative estimates are put together.

My very simple question to the Minister of Finance was what were they going to do in response to the Auditor's recommendation?

**HON. V. SCHROEDER:** Well, Mr. Chairman, I've indicated to the member - he likes to pick out one little part, a minute part - I would say for any Manitoban - of the paragraph and raise that issue and try to leave the impression with the press that overall there's a problem with the Jobs Fund. Yes, I would have left it alone had he not attempted to raise the mole hill into a mountain and leave the mountain out of the picture entirely. But it was his question that forced me to put into focus the statement of the Provincial Auditor. I've indicated that on the mole hill portion, we have not taken action from my end.

**MR. B. RANSOM:** Mr. Chairman, the Minister has a very curious and defensive attitude towards the function of Public Accounts and the Provincial Auditor's Report.

The Provincial Auditor raises concerns that he has with the way government finances are maintained. We, in opposition, look to the Provincial Auditor to protect the interests of the taxpayers. When the Provincial Auditor makes a recommendation, I don't regard that as something trivial that doesn't deserve attention. Unlike the Minister, I take the Provincial Auditor's recommendation seriously. I don't treat the Provincial Auditor's recommendations in the fashion that the Minister has when he made his infamous comment about he prepares the books for the people not for the Provincial Auditor.

Well, the Provincial Auditor happens to be here to protect the interests of the people. When the Provincial Auditor makes a recommendation, then I expect that it is perfectly legitimate for members of the opposition to inquire what the government has done with respect to that recommendation. That is all that we're doing in this case. If the Minister doesn't wish to deal with it, that's fine. If he wants to make a half-hour speech on all the things that the Provincial Auditor didn't raise, then he can do that too. What I'm asking is a question related to a recommendation, very simple.

**HON. V. SCHROEDER:** Well, there the member goes again. If he wants to make a half-an-hour speech on what the Provincial Auditor didn't raise, then he can do so is what he says.

The Provincial Auditor did raise the fact that there was a change in the basis of approval of expenditures in the Estimates. I'm quoting, "Certain job creating expenditures were approved in a separate appropriation designated Jobs Fund, distinct from the department's responsible for delivery and without program particulars. The government has explained that this was done in response to the need to co-ordinate government programming efforts to address the unemployment problems of the province. We have reviewed the implications of using this basis of approval. We feel that administrative control has been effectively maintained including estimating job creation results through the creation of the Jobs Fund Committee and supporting Secretariat." He goes on.

Now, surely has to do. The member says he has concerns with how finances are maintained. He has every right to be concerned with how finances are maintained, but the Auditor has made it very clear that from the perspective of the Provincial Auditor's organization, administrative control has been effectively maintained without the legislation.

He continues, "However, on the legislative control side, this cross governmental approach could complicate understanding of program delivery and could impair the Legislature's ability to fix departmental responsibility for programs."

He indicates, "I recommend that appropriate modifications be made to attend to the aforementioned concerns."

I've indicated that is something that one would look to our House Leader, to our Attorney-General and, I should add, to the Chairman of the Jobs Fund to see what is being done in terms of the appropriate

modifications. I do not think that it's fair to leave on the record the suggestion that I'm making a half-hour speech about something the Provincial Auditor didn't say, or that we have no concerns with respect to how the finances of the province are maintained. The Provincial Auditor indicated here that we do have administrative control. For that we do not apologize.

When the member refers to another issue, the issue of current and capital and the issue of which number comes on top of the other, which was the issue raised by the Provincial Auditor. That's something entirely different. I mean, if the Provincial Auditor had raised something with respect to us not having properly maintained books, that would be a different issue. But what the Provincial Auditor said is he wanted a particular number at the bottom of the page rather than second to the bottom of the page. He didn't suggest that the number wasn't there. If somebody wanted our total current and capital expenditures, that number was there, very clear for anybody to read. He also wanted to tell us exactly where to put that number.

**MR. CHAIRMAN:** Page 23 . . .

**MR. B. RANSOM:** Unless he's got any more he wants to say.

**MR. CHAIRMAN:** Page 23—pass; Page 24—pass.  
Page 25 - Mr. Ransom.

**MR. B. RANSOM:** The Auditor - and you'll forgive me, Mr. Chairman, for raising this concern that the Auditor has. The Auditor is concerned that there is a lack of progress about the original role that was set up for the Information Management Division that had concern for procedures relative to a government-wide computer processing disaster recovery plan.

I'd like to ask the Minister if he knows whether or not this group and the Information Management Division is addressing that question?

**HON. V. SCHROEDER:** We expect to have that matter dealt with, finalized during the coming year. Was it three or four months ago IMD was restructured again and brought back? The portion that's not dealing with the InfoTech project has been brought back into the Department of Finance and we've - I believe recently - gotten it back on track.

The Treasury Board recently approved the reorganization and the Information Management Division is now under the Comptroller's Division of the Department of Finance.

**MR. CHAIRMAN:** Page 25—pass.  
Page 26 - Mr. Ransom.

**MR. B. RANSOM:** The Auditor makes reference here to processes related to a move recently made by the government to reduce the differential between government managers and those in other organizations funded by the province. It's in reference to compensation. What was done to reduce the differential?

**MR. CHAIRMAN:** Mr. Jackson.

Tuesday, 14 May, 1985

**MR. F. JACKSON:** . . . (inaudible) . . . implemented recently, one of which was to improve the remuneration level for the Senior Officer series: Senior Officer I and II. They've also increased the salary level for the Senior Officer VI and they've implemented a new Senior Officer series, Senior Officer VII which has a higher salary level than those previously.

Those steps are moves in the right direction as far as we're concerned. There are still significant differences between what some of the senior executives of Crown agencies and other corporations make, as opposed to our internal civil servants, but I think that's a difficult thing to address all at one step.

**MR. B. RANSOM:** So after the government making much two or three years ago about holding down the compensation that was paid to senior officers, they now have increased the compensation paid to senior officers and have added another category over and above what existed. The action to reduce the differential has been to move the senior officers of the Civil Service up towards what the outside agencies were getting rather than vice versa.

**MR. F. JACKSON:** I'm not sure that there is a direction specifically to move them up to what the others were getting. I think that they had an extensive review of what remuneration requirements were generally and had concluded that this was necessary just for an appropriate level for senior civil servants.

**HON. V. SCHROEDER:** I was just going to say that I don't believe that there's any serious likelihood of moving in the direction of trying to reach the compensation levels of some people in outside agencies and hospitals and so on. Also it's my impression, although I don't have statistics, that there has been considerable compression, even with the new Senior Officer VII levels, as between the money earned by MGEA members and the people at the top of the managerial groups in the Deputy Ministers' class.

**MR. B. RANSOM:** And has that compression come about because the government held down the percentage increase of the senior officer categories, while they allowed the general government employees to employ larger percentage increases?

**HON. V. SCHROEDER:** Yes.

**MR. B. RANSOM:** There is reference here to performance evaluation systems on this page. My question to Mr. Jackson would be, is he aware of the numbers of people in the Civil Service who have been let go in any given year for failure to measure up in the job, and people who have been let go because of incompetence?

**MR. F. JACKSON:** I'm sorry, sir, no I don't have that information.

**MR. B. RANSOM:** Would the Minister have any knowledge of that, having been a Minister responsible for the Civil Service Commission?

**HON. V. SCHROEDER:** I'm sorry. You addressed a question to Mr. Jackson so I wasn't paying attention.

**MR. B. RANSOM:** There is reference made to performance evaluation systems within the Civil Service and I'm just wondering if the Minister could give an indication of the numbers of people that would have been let go for incompetence in any given period of time, where evaluation has shown that someone simply wasn't doing the job and needed to be let go?

**HON. V. SCHROEDER:** There were not a great many I remember approximately half a dozen or so instances where employees did not work out and that would have been over about, I believe, an eight month period or so.

**MR. CHAIRMAN:** Pass.  
Page 27 - Mr. Ransom.

**MR. B. RANSOM:** Under the item, Personnel System the Auditor says that in last year's report, we indicate that a number of critical systems problems were negatively impacting on the utility of reports generated by the Personnel System. Has that problem been taken care of?

**HON. V. SCHROEDER:** My understanding is that we should have the problems, in terms of the critical systems, resolved by the end of March of 1986. A commission did reassess the present system with the help of the various departments.

**MR. CHAIRMAN:** Page 27—pass.  
Page 28 - Mr. Ransom.

**MR. B. RANSOM:** Under the heading of Departmental Expenditure Estimates, the Auditor noted that the system provides a satisfactory level of control and accountability internally, but that he had for many years recommended that the information be made available to the Legislature. Does the government intend to follow that recommendation or not?

**HON. V. SCHROEDER:** We have sent out requests to all the departments to have that information provided over the course of the next three years. There's a number of departments coming on stream next year and the second and the third year, so it should be completed by the third year.

**MR. B. RANSOM:** I think the Minister is referring to the Supplementary Information as opposed to the Departmental Expenditure Estimates. The Departmental Expenditure Estimates are much more detailed and the government has not seen fit in the past to make those available to members of the Legislature.

**HON. J. COWAN:** I think in this instance, however, the Auditor is talking about the Supplementary Information around which his comments are based. If you read on it's saying that we are already submitting the Supplementary Information in support of the Estimates, and hopefully others will be also providing this data reasonably soon.

The Minister has indicated that we're working on a three-year phase-in plan, so that's the type of information that was being addressed in that particular instance.

**ION. V. SCHROEDER:** My understanding of it is - and the Auditor is here - that it was the Provincial Auditor's Department's view that the reports being provided are satisfactory and that we weren't expected to go to that other level.

**MR. B. RANSOM:** I'll ask Mr. Jackson whether or not my interpretation is correct, but my understanding is that detailed information that individual departments prepare, that is referred to as the Departmental Expenditure Estimates; and that is what the Auditor is referring to in his first paragraph here, under Departmental Expenditure Estimates.

Yes, he says that information is satisfactory for the department, but he has recommended, "that the aforementioned information be made available to the Legislature to assist it with its work"; and goes on to say that, "six departments are already submitting supplementary information," which is separate. I just would ask Mr. Jackson to confirm that we're talking about two different things: one, the detailed Departmental Expenditures, which are not provided and have never been provided; the other, supplementary information which is provided by a few departments and which the Minister has agreed will eventually be provided by all departments.

**MR. F. JACKSON:** It's my understanding that the Provincial Auditor was desirous of having, when this was written, the supplementary report provided to all departments to help the legislative members come to grips with more information that would eliminate some of the many questions that are asked in Hansard in an attempt to get that information.

I think there was a feeling that the books that were prepared at the full departmental level were almost more cumbersome than perhaps helpful.

**MR. B. RANSOM:** Can Mr. Jackson tell me what is referred to in the Auditor's Report on Page 28, under Departmental Expenditure Estimates in the first paragraph, is that the supplementary information or is that the detailed Estimates of Expenditure?

**MR. F. JACKSON:** It's Mr. Nichol who was working most closely with Mr. Ziprick when the report was written on this aspect. Mr. Nichol has advised me that it was the former Provincial Auditor's expectation that the supplementary information would be the material that should be provided to assist the legislators to better understand the overall Estimates.

**MR. B. RANSOM:** Mr. Chairman, I suggest then that the report doesn't read correctly, because it refers to the aforementioned information, which is the detailed Expenditure Estimates of the departments and I think if Mr. Jackson or anyone else wishes to go back and look at previous Auditor's reports, they'll see where he recommended that this information be made available.

I think it happens to be a little detailed and I doubt that it would receive much scrutiny, but I think that's what the recommendation was directed at.

**MR. CHAIRMAN:** Page 28—pass.  
Page 29 - Mr. Ransom.

**MR. B. RANSOM:** In this case, we're dealing with the annual reports and the Auditor had said that, "We understood the accountability requirement to include a comparison of actual expenditure with the planned expenditure as provided for in the Estimates." Then he goes on subsequently to say, "None of the departments complied with the accountability requirements." That was, I believe, a directive from the Premier that they should do that and that they should tie in some results to the actual Expenditure Estimates. I believe the Minister has given some assurance that this is going to happen.

Can he give us a target date that's been established for when we can expect all departments to provide annual reports in this way and, indeed, if he would further undertake to see that every department provides an annual report?

**HON. V. SCHROEDER:** As the member indicates, there were instructions which went out from the Premier's office to departments to improve the consistency and quality of information in their annual reports and there was an insistence that annual reports be provided, including comparison of actual expenditures to budget and explanations of significant variances, but I don't have the letter before me. I'm not sure that there was a date, whether they were to comply for '85-86 or '84-85.

I understand that a second letter went out following some discussions with respect to especially the variance problem. It is specific in terms of asking for that information for '85-86, so that would be the year.

**MR. B. RANSOM:** Will all departments we asked to submit an annual report even though their acts may not require one. I think immediately of the Attorney-General's Department. Indeed, we discussed yesterday in Crown Investments Estimates that there's an example of a department that's been in existence for three years approximately now and has not yet filed an annual report. Should we not have annual reports from every department?

**HON. V. SCHROEDER:** I don't see the rationale for not having them from those who haven't provided them, but I don't know that we have ordered specifically the four, who are not filing them now, to provide them. That's something that we should take under consideration.

**MR. F. JACKSON:** Just for clarification to that earlier discussion we had on departmental expenditure estimates, etc. My memory comes back to me and there was a discussion, subsequently, with Mr. Ziprick and the concluding sentence in this second paragraph is, "When these matters are attended to there will also be a satisfactory level of accountability publicly."

What he's referring to there, I think, Sir, is the supplementary levels of information, coupled with the improved departmental reports. So, in that paragraph he's taking the two things and combining them and saying when these two things are attended to, he considers that there'd be a particular level.

You're quite right. In earlier reports, he was expecting that the detailed expenditure estimates be provided to

Tuesday, 14 May, 1985

all members. I think in the past year, according to my recollection of our discussions, he changed his mind on that perspective and felt that they were far too voluminous and rather than providing too much information that would be not used, he thought that the best first approach would be to supply supplementary information that the people could get their teeth into.

**MR. CHAIRMAN:** Page 29 - Mr. Ransom.

**MR. B. RANSOM:** At the bottom of the section concerning departmental annual reports. Mr. Ziprick said, "The accountability process would also be assisted significantly if, as I recommended for many years now, the Public Accounts Committee would review annually on a selective basis the departmental administrative operations with senior officials using the departmental annual reports as the basic documents for the reviews."

I interpret that to mean that every year we'd bring two or three departments before this Committee and we would question senior management of that department about their operations. It's quite a radical change from the way that the Committee has operated up until now. I'm wondering if the Minister has any reaction to that recommendation?

**HON. V. SCHROEDER:** I don't recall that recommendation having been discussed in the past. It seems to me that it's basically the same actors in this committee as there are in the estimates review committees of the House. I can't think of any questions off hand that you could ask here that you couldn't ask in the regular committee and the regular estimates review. You would have the annual reports available, so maybe I'm missing something.

I suppose the one difference would be that we ordinarily don't have the Provincial Auditor's staff present when we're doing the estimates reviews, but other than that, I don't see the need for it.

**MR. B. RANSOM:** The Minister is quite right. The questions would be the same, but the person providing the answers would not be the same. What we're talking about here, what the Auditor's talking about, as I read it, is that it would be senior officials of the department that we would be talking with - the Deputy Minister - about their annual report, basically questioning about what has been done as opposed to what is expected to be done based upon the spending estimates. I would see that as quite a different approach and quite a radical departure from the way that the committee has operated until now.

**MR. CHAIRMAN:** If I might have the leave of a Chairman's comment, I think that stems from recommendations made at the last couple of Public Account Chairman's Conferences in conjunction with the Auditors-General. — (Interjection) — A lot of work there, Mr. Minister.

That was the recommendation that some other provinces are providing; in fact, some other provinces in the Public Accounts Committees call in the heads of universities, and other organizations that are funded by government and put them through the process of

accounting for their expenditures over the year. I quite different from the process that we've collected here. I think that's what the Auditor was getting at. Page 29 - Mr. Schroeder, do you want to comment on this?

**HON. V. SCHROEDER:** No, other than to say that I have not thought it through and so I would not be able to provide a response today.

**MR. CHAIRMAN:** Page 29—pass; Page 30—pass. Page 31 - Mr. Ransom.

**MR. B. RANSOM:** I assume at this point, Mr. Jackson on Page 31, where the Auditor said he's commenting on review of government control over compensation by Crown agencies; he said, "During the course of our recent audit of the agency, I reported this matter to the Minister responsible for the agency and was advised that this level of compensation was necessary in that instance because of extenuating circumstances."

I would assume that was a reference then to the compensation for the Chief Executive Officer of Manfco

**MR. F. JACKSON:** That's right.

**MR. CHAIRMAN:** Page 31—pass; Page 32—pass. Page 33 - Mr. Ransom.

**MR. B. RANSOM:** There's an issue raised here and the Department of Health, where civil servants, doctors employed by the province also had private medical practices. This is related to the question that I raised in the Legislature a couple of weeks ago about civil servants accepting compensation for their professional work outside of government. I raised it in relation to another issue of an economist writing an article in the paper.

Here, the Auditor said that the officials have indicated that appropriate systems are being established for monitoring the performance of Civil Service duties in relation to the private practices. Can either the Auditor or the Minister or the Deputy Minister indicate not or what's being done in this case, but what the government policy is in respect to professionals hiring out their services outside of government?

**MR. F. JACKSON:** In reference to this particular comment, there were two issues that we considered needed to be addressed. In the first instance, the government had adopted generally a conflict-of-interest policy for civil servants generally. In this instance the department had not yet formally implemented that respect to this issue.

Secondly, there wasn't an appropriate monitoring system in effect to determine what the level of outside remuneration was for the private practices.

It's our understanding that both of those issues are being addressed and that a resolution is expected in the near term.

**HON. V. SCHROEDER:** I understand, for instance, the Department of Finance there is a requirement that where professionals are involved with outside interests there is an obligation to make those interests visible



o the department, so that there can be assurance that here is not conflict of interest.

I know, as a former employee of the Attorney-General's Department, that in fact there were people who were doing all kinds of legal work that certainly in my view never conflicted with their duties, everything from transferring properties, real estate work to estate work and so on. Of course not appearing in the courts of the province and the not using the facilities where there are any kinds of discretion that the Crown has and of course management must know and keep an eye out to make sure that people are performing their regular duties and that there are no conflicts.

With respect to the particular comment of the Auditor, I am informed that the Department of Health has indicated to government that it will be monitoring that particular situation more closely in the future. I don't know anything about the particulars.

**MR. CHAIRMAN:** Page 33—pass.  
Page 34 - Mr. Ransom.

**MR. B. RANSOM:** The Auditor points out a problem with Legal Aid services where there hasn't been an adequate amount of funding provided on a year-to-year basis and that they were constantly coming back for supplementary authority. Has anything been done to clean up that situation?

**HON. V. SCHROEDER:** For fiscal 1982-83, Legal Aid billings and operating expense invoices received but unpaid amount to \$601,000; for 1983-84, they went up to \$631,000, after a special warrant of \$865,000 was passed to authorize additional expenditures. So up until this stage I don't know that anything's been done. To a large extent, one makes estimates in this area and then the system is one that responds to demand. If people need the services, you can very quickly increase your expenditures above what might have been initially anticipated.

**MR. B. RANSOM:** So it's uncontrolled then. There are no limits placed upon it?

**HON. V. SCHROEDER:** You have the criteria for qualification for Legal Aid but beyond that, if an individual qualifies, it's similar to say the Tax Credit Programs, regardless of how much you budget, whoever qualifies is entitled to, in this particular case, the service.

**MR. CHAIRMAN:** Pages 34 to 37 were each read and passed.  
Page 38 - Mr. Ransom.

**MR. B. RANSOM:** With respect to internal audits, the Auditor had said that for the past two years he'd recommended the establishment of internal audit functions in the teaching hospitals. Has anything been done with respect to that recommendation?

**MR. F. JACKSON:** I understand that in one of the teaching hospitals the position has been established; that's my understanding. I don't believe that there was a position established at the second teaching hospital. I believe it was the Health Sciences Centre that established a position.

**MR. CHAIRMAN:** Page 38—pass; Page 39—pass.  
Page 40 - Mr. Ransom.

**MR. B. RANSOM:** This comment was with respect to Manitoba Housing and Renewal Corporation and their budgeting practises. It said although improvements had been made, improvements are still required. Mr. Jackson perhaps could indicate at this point whether or not there have been further improvements in the budgeting practises of MHRC?

**MR. F. JACKSON:** My understanding was that the improvements that they were making was to improve the ongoing communication between the various directors and the general manager. It's my understanding that the expectations for the Budget reporting have been made more definitive and that they are bearing down and getting more of the expected type of reporting being received.

**MR. CHAIRMAN:** Page 40—pass; Page 41—pass;  
Page 42—pass.  
Page 43 - Mr. Manness.

**MR. C. MANNES:** Mr. Chairman, I'd like to ask the Minister, continuing along the lines of my questions previously posed with respect to The Workers' Compensation Act, he said that he felt the government was not breaking the law. I wanted to ask him what was meant then in the Auditor's Report when he said, "The financing is not in compliance with Section 66.1 of The Workers' Compensation Act"? How differently then would he interpret that comment by the Auditor?

**HON. V. SCHROEDER:** I think it's a matter of legal opinion, but if you read Section 66 of The Workers' Compensation Act, it states that the board shall every year assess and levy upon, etc. It's an obligation on the board as opposed to on the government.

**MR. C. MANNES:** Well, is the Minister indicating then that the board is breaking the law?

**HON. V. SCHROEDER:** I don't think it would be appropriate for me to provide a legal opinion. My insurance is not in effect.

**MR. C. MANNES:** Mr. Chairman, I believe that the Minister in charge of the Compensation Board has indicated in the House that he is bringing forward recommendations that will ultimately find their way into the House as legislative changes. Can he indicate when this will occur to correct this obvious non-compliance of the law?

**MR. CHAIRMAN:** Do you want Mr. Lecuyer to answer that, Mr. Schroeder?

**HON. V. SCHROEDER:** Sure.

**MR. CHAIRMAN:** Mr. Lecuyer.

**HON. G. LECUYER:** I'm sorry, I wasn't paying attention. The member will have to repeat the question?

**HON. V. SCHROEDER:** When are you going to comply with the law?

**MR. C. MANNES:** I asked the Minister in charge of the Compensation Board when he was going to have that board comply with the law?

**HON. G. LECUYER:** As the member perhaps knows already, because it's been mentioned a number of times, it hasn't been officially announced that there is going to be a review of the act and rather than to piecemeal amend the act for a number of changes that have been proposed for a variety of sources and we have indicated that we do not intend to proceed to any amendments in that particular regard presently.

We do not intend to, in any way, continue - the member uses the word "disregard" the law. We consider it a temporary aberration that what occurs presently, as is the case, I might mention for the members' information, with practically, if not with all of the Compensation Boards across the country presently.

Now we have indicated the alternative to that and I don't imagine that is what the member is suggesting, that in order to comply with the exact wording in the act presently would have required assessing a fee increase of 70 percent, and we felt at this present time that would be more than too onerous a burden to impose on the employer groups, that the route to go would be to pursue, through a number of successive years, a reasonable rate increase, hoping that during the same interval there would be growth in employment and payrolls, thereby increasing the revenue, with a lower rate of assessment increase.

As I said, the alternative was to impose a 70 percent increase in assessment rates and that, indeed, would have been difficult to absorb at the present time when the economy had not fully recovered.

**MR. C. MANNES:** Mr. Chairman, I'm cognizant of the alternative. I suppose my question though is more general in nature, and to either of the Ministers, how long is the government going to take to change the legislation or comply with the stipulations of the statutes? Surely, when the Auditor highlights this particular flagrant abuse of the law by some board of the government some action has to be taken, just for the sake of showing people in public that the government or its boards are not going to break the law; how long will this continue?

**HON. G. LECUYER:** Well, I guess what I could say briefly is that I've replied to that. As I said, I don't enjoy any more than the member who's asking the question the fact that this is the situation, and it certainly is my desire, as it would be, I presume, the desire of anyone else responsible for the Compensation Board to have it function in entire compliance with the law. But, as I've indicated, we are proceeding with a review of the act and there are other provisions in the act that need to be changed and we feel that it will be part of that process, so it may be that it will be another year before that provision is fully complied with or changed.

In the meantime, we do intend, as has already been announced to the employer groups when I met with them, what the situation was, and that we would

continue to strive to come back or to reach full compliance with the letter of the law, and that we propose to do so with a number of successive reasonable rate increases, having also advised that that presently the rate assessments in Manitoba are still the lowest in Canada.

**MR. CHAIRMAN:** Page 43—pass.  
Page 44 - Mr. Ransom.

**MR. B. RANSOM:** How many vacant positions were there in the Auditor's staff at the end of April this year?

**MR. F. JACKSON:** At the end of April this year? believe, four.

**MR. CHAIRMAN:** Pages 44 to 63 were each read and passed.

Page 64 - Mr. Ransom.

**MR. B. RANSOM:** I almost hesitate to raise this because of the Minister's sensitivity to it, but maybe he'd like to consider changing the policy because we here have the accounting policies of the government, the statement of the policies and their application, under Section 3, Assets and Liabilities, it says "Expenditure for the Acquisition/Construction of Physical Assets, together with inventories and other deferred expenditures, are not considered to differ from any other service to the public, and accordingly treated as operating expenditure of the year in which the expenditure is made."

It seems to me that that statement is inconsistent with the way that the Minister is approaching physical assets. Does he see any inconsistency in that statement and his approach to the management of the accounting system?

**HON. V. SCHROEDER:** Mr. Chairman, what that paragraph refers to is the difference in accounting between what we do and a private corporation would do. We're showing the whole thing as an expense in the particular year in which it was incurred, as compared to a farmer showing, for instance, or a business or corporation the depreciation amount for that particular year. It's just a matter of saying how you're setting up your books, as opposed to . . . In fact, the statement itself indicates that it doesn't negate the difference between physical assets and money spent in the current year.

It's an accounting statement, it's a statement that indicates how we set up our books. If we were to do it in the other way, we would simply show a different set of numbers for the particular year. One would just use the depreciation on a particular asset which was created rather than the full amount. Maybe I'm very sensitive, but that one doesn't bother me too much.

**MR. B. RANSOM:** Well, it's interesting here then. I don't believe that this statement of accounting principle and practices has been changed by the Minister. I think that statement has been there all for the entire period that he has been the Minister. Yet the presentation of the information has changed. The bottom line that should still be, according to this statement, that it's treated as operating expenditure.

Tuesday, 14 May, 1985

**HON. V. SCHROEDER:** Well, Mr. Chairman, even when the Member for Turtle Mountain was Finance Minister, I believe he had a statement, a listing in the financial statements in the Public Accounts indicating what were the capital expenditures and what were the current expenditures, so that's something that's been continuing on for some time. He may not have done it in the same way but certainly he acknowledged, even though this statement was in the accounts, that there was a difference at that time. It may be that we've set up the numbers in a different way to the eye, but not in terms of the practical effect.

**MR. B. RANSOM:** Well, I just point out to the Minister that the statement itself, of course, makes reference to the fact that they have been singled out because the statement refers to expenditure for the Acquisition/Construction of Physical Assets, indicating by definition that there has been a distinction, but that they have always been treated as operating expenditures and I gather, because this statement is still here and still in place, that whatever the presentation of the government, they are still being treated as operating expenditures.

**HON. V. SCHROEDER:** Yes, we can kick that around for hours. The statement which has been in effect for many many years is this does not negate the fact that the government has substantial holdings of physical assets such as buildings, highways, education and health facilities which may tend to appreciate in value over time. You can pick out your portion of the statement, I'll pick out mine and kick it around.

**MR. B. RANSOM:** Well, I was just asking a rather specific question related to this statement of principles. Perhaps Mr. Jackson can answer it because with this statement of principle still in place, does that, in fact, still mean that the expenditures for Acquisition/Construction of Physical Assets referred to here are treated the same as operating expenditures of the government?

**MR. F. JACKSON:** On the summary of Revenue and Expenditure, Exhibit 9, Page 61, the total expenditure of the government is shown as \$3,226,104,237.00. That expenditure item includes all expenditures of the government, capital and other. So to that extent the definition that we were referring to is still being followed. What's different is as indicated by Mr. Schroeder and yourself is that as was the case last year, there's an excess of expenditure over revenue shown. That's the amount that moves forward and gets transferred to the accumulated deficit statement for the year.

What the matter being raised in the Provincial Auditor's Report was the emphasis given to the bottom line. One was described as net operating deficit. I don't think anyone had any problem with the Expenditure Related to Capital Assets being highlighted. In our understanding, there are other jurisdictions that continue to highlight that and they have schedules supporting it of the actual expenditures that were incurred on an annual basis and with some further information that's recommended sometimes as to the longevity of certain . . . etc.

**MR. B. RANSOM:** In your opinion, Mr. Jackson, is the presentation in Public Accounts consistent with the statement of principle here?

**MR. F. JACKSON:** In my view, to the point of excess of expenditure over revenue, it's completely consistent. It's completely consistent with the expenditures being all included in the expenditure item.

I have trouble appreciating net operating deficit because what I think is generally understood by net operating deficit is really the commercial sense of a net operating deficit. I don't know what a net operating deficit in a government really is. I think that the key words are excessive of expenditure over revenue or excessive of revenue over expenditure. That's my understanding of the generally accepted approaches used by government in Canada, but I understand that there are governments that wish to highlight the expenditure side relating to Capital Assets and I think Alberta is one of the provinces that does that.

**HON. V. SCHROEDER:** Just to continue along. I was trying to find this thing when the member raised this. Look at the bottom of Page 65, "Payments made by the government for the purposes of acquiring property or physical assets are classified in a separate category of expenditure called expenditures related to Capital Assets and are defined as follows." It goes on, "Expenditures for property of all kinds, both real property and chattels purchased or self-constructed for use by government that are deemed to have an economic life in excess of one year," etc.

Those definitions have also not changed. They have been within the accounting policies of the province for a number of years. Clearly, that has to be read with the particular paragraph the member read previously.

**MR. B. RANSOM:** Mr. Jackson, can you tell me whether or not there is a move across the country for auditors, accountants, to seek a uniform system of presenting government accounts?

**MR. F. JACKSON:** Yes, it's my understanding that there's a separate Committee of the Institute of Chartered Accountants of Canada which has representatives from many different governments in Canada, including, I believe, Mr. Curtis, of the Province of Manitoba. They are currently at work coming up with objectives for government accounting in Canada. They've established some basic objectives and goals, I understand, but none of that has been released publicly to provide anything definitive at this point in time.

**MR. B. RANSOM:** I have a question to the Minister. Has the Minister considered establishing an account, for instance, that would deal with the construction of highways, provide money for the construction of highways where the annual cost would consist of interest cost and a depreciation cost, and that there would be a sinking fund based upon that to provide for repayment?

**HON. V. SCHROEDER:** No, Mr. Chairman.

**MR. CHAIRMAN:** Pages 64 to 68 were each read and passed.

That completes the Report of the Provincial Auditor for the fiscal year ending March 31, 1984.

Mr. Ransom.

**MR. B. RANSOM:** Just before we pass that, Mr. Chairman. Yesterday I asked the Minister of Finance in the Legislature whether he would have any objection to having a footnote placed in some of the other financial reports, such as, Manitoba Mineral Resources, Manitoba Oil and Gas Corporation, Manfor, a footnote similar to that that appears in the McKenzie Seeds Annual Report, which shows the cost to the taxpayer, to the government, of their equity in that corporation.

I'm wondering, if the Minister has no objection to that, if the committee could give direction to the Provincial Auditor to put the similar sort of footnote, at least into those three Annual Reports?

**HON. V. SCHROEDER:** I have no problem with that.

**MR. F. JACKSON:** Just a clarification. We could be helpful to the various boards to have that information, but the financial statements of each of the Crown agencies are really the responsibility of the board of that Crown agency. If they didn't put it there, after getting this kind of direction, we would have it in our Auditor's Report.

**MR. B. RANSOM:** Are you saying, Mr. Jackson, that when we review the report of each of these corporations that we should pass a motion in the committee directing them to have that included?

**MR. F. JACKSON:** That's what was done for A.E. McKenzie. If the Minister saw fit, perhaps, he could provide direction to the Minister of Crown Investments and/or such other appropriate Minister.

**MR. B. RANSOM:** He is the Minister.

**MR. CHAIRMAN:** For the Provincial Auditor, for the year ending March 31, 1984—pass.

We now move onto the Financial Statements, Volume 1 for the year ending March 31, 1984. Volume-by-volume? No. 1—pass.

Volume No. II, Supplementary Information for the fiscal year ending March 31, 1984 - Mr. Ransom.

**MR. B. RANSOM:** Two questions to raise, Mr. Chairman. One is sort of a representative question that I would like to ask. It's on Page 112 of Volume 2, Hugh Munro Construction Ltd. of Winnipeg received \$5,081,419.91 worth of compensation from the government, I assume basically for engineering construction work. I would like to ask if the department would undertake to find out how much of that represents untendered work - and I'm not raising any allegation or anything against this construction company? There are several listed here, and I know that quite a lot of construction work is let on an untendered basis. I would like to know, with respect to this one, how much of that work is untendered and if we could have some of the details of the work and how it was handled?

**HON. V. SCHROEDER:** Yes we will provide all the information we can get hold of. The Treasury Board, as the member knows, approves the contracts on a

weekly basis and we should have no difficulty coming up with that.

**MR. B. RANSOM:** I suspect you never see a lot of these.

**HON. V. SCHROEDER:** Maybe not.

**MR. B. RANSOM:** The other question has to do with expense accounts, primarily ministerial expense accounts. It's my understanding that in some jurisdictions there is open access to those expense accounts that members, perhaps even members of the public, could eventually have access to them. They seem to be the sort of thing that raise a lot of interest or the part of people, and there have been situations in B.C., for instance, where allegations of high living at the public expense led to the resignation of a minister and I suppose there's probably had been more than one case.

What is the situation here in Manitoba with respect to any member of this committee, for instance, seeking to find out the details of a minister's expenses for any given period of time? If Mr. Jackson could answer that or the Minister?

**MR. F. JACKSON:** Excuse me sir, I was talking to my associate for a moment. What was the question?

**MR. B. RANSOM:** I just would like to know what the present situation is here in Manitoba with respect to any member of this committee finding out the details of the expenses of a Minister of the Crown?

**MR. F. JACKSON:** At this point in time any question for any specific minister would be directed to the Department of Finance. If the Minister saw fit details of a particular member's expense accounts could be determined.

**MR. B. RANSOM:** It's my understanding that in the past, as we've gone through the accounts in Volume 2, especially, that it's possible to ask for the details on any of these payments that have been made. Is Mr. Jackson saying then that that same principle would apply to the expenses of a minister?

**MR. F. JACKSON:** My understanding.

**MR. B. RANSOM:** That would strictly be the money that's paid to the Minister and not for any expenses paid on his behalf by someone else, such as, the Deputy Minister? Would that be correct?

**MR. F. JACKSON:** Travelling expenses for a particular Session could be paid by either a Deputy Minister or an Executive Assistant or anyone in the Minister's office. Hotel expenses could be paid direct to the hotel, as opposed to being paid to a Minister. There is a schedule of expenditures relating to MLAs and Ministers already in the Public Accounts, but that relates to reimbursement of expenditures.

**MR. B. RANSOM:** Well what I'm interested in getting then would be the total expenses related to a Minister's

**Tuesday, 14 May, 1985**

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activities that would include items that were billed directly, items that were billed on an expense account, items that were paid for through the expense account of a Deputy Minister, or another person. Is it possible to identify those sorts of costs, No. 1; and then I guess I'd ask the Minister whether he would regard that as information that would be made available through this committee?

Can we have that, whether or not it's available first, Mr. Chairman?

**MR. F. JACKSON:** My understanding of the present system as it exists, that information would only be available through a manual search. There would be no computerized approach to securing all of that information. We are dealing with information in the past and my answer stands, as far as what the situation is at present. Will you have difficulty with that?

**MR. V. SCHROEDER:** I have no difficulty with the answer. Every year we file the return indicating expenditures paid to Ministers and to go beyond that and start looking at expenditures made by departmental officials on government business, I could take it back to my colleagues. But I have certainly no wish to make any changes to existing policy at this time.

**MR. B. RANSOM:** I don't have any specific request at this point in time that I'm interested in, but it does seem to me to be something that should be available to members of the committee, other than going through the route of filing an Order for Return, for instance. It seems to me that if there is a specific request made, that it should be treated in the same sort of way as we would treat a payment made to a corporation or an individual that's listed and that we can go through and get the details.

Now I realize that the direct payments are listed here, but we all know that those direct payments, in some cases, bear very little resemblance to the actual costs incurred by a Minister, and in other cases they may resemble almost the total costs incurred by the Minister.

So perhaps the Minister could give that some consideration and may wish to make a request for a limited period of time with respect to one or two Ministers to test out whether or not that kind of information can be retrieved without great cost and effort.

**MR. CHAIRMAN:** Mr. Kovnats.

**MR. A. KOVNATS:** Thank you, Mr. Chairman. On Volume 2, Page 95, I would just like to question a couple of items there. It's CanPark Services Ltd. of Toronto, Ontario for \$14,311.68 and CanPark Services Ltd., Winnipeg, for \$10,180.00. Can the Honourable Minister, or whoever, advise me whether that's consulting services, equipment sales or parking charges?

**HON. V. SCHROEDER:** I can undertake to get you the full information on those items. We don't have it available right here.

**MR. A. KOVNATS:** While that information is coming, would the Honourable Minister advise when he gives

me that information, whether these items were tendered, if in fact it was equipment?

**HON. V. SCHROEDER:** Yes.

**MR. A. KOVNATS:** Thank you.

**MR. CHAIRMAN:** Volume 2 - Supplementary Information - Mr. Ransom.

**MR. B. RANSOM:** As appears on Page 247 of Volume 2, Professional Fees of \$75,132.68 related to the Garrison Diversion Opposition; and also Wages and Other Assistance of \$61,904.32 as separate from Salaries.

I would like the Minister to undertake to give me the details of the Wages and Other Assistance, the details of the Professional Fees. I think those two would be satisfactory. I'd like to know to whom and in what amounts.

**HON. V. SCHROEDER:** Yes, Mr. Chairman, I'll make that available.

**MR. CHAIRMAN:** You'll make that information available to the Committee? Volume 2 - Supplementary Information, Public Accounts for the year ended March 31st, 1984—pass.

Mr. Schroeder.

**HON. V. SCHROEDER:** I'd like to distribute the object code information in the Public Accounts. The revised object code structure was approved in '83 and implemented in the accounting system on April 1st, 1984 and I'm providing some documents to summarize the reasons for the changes and the results, for information.

**MR. B. RANSOM:** Last year we raised the question with the committee as to whether or not it wouldn't be advisable to have the committee meet fairly soon after the report of the Auditor is made available. This report, I think, was dated the end of October and was in everybody's hands in November or thereabouts and here we are considering the report for fiscal '83-84 and we're already through '84-85 and almost two months into '85-86.

Now it seems to me that it would be desirable to consider this report at the earliest possible opportunity. Does the Minister have any wish to try and call the committee together at an earlier date?

**HON. V. SCHROEDER:** I could see that being done if the Legislature is in Session. If not, I'm not sure that there's any real benefit to be achieved by having it six months earlier.

**MR. CHAIRMAN:** Any further questions to the Minister? Mr. Ransom.

**MR. B. RANSOM:** Well, I would just say to the Minister that, by the same token, you could argue that it wouldn't matter if we delayed it another year, then.

The purpose of making information available is for people to use it; and to properly understand it is the

**Tuesday, 14 May, 1985**

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reason, I believe, as to why we have the committee, so that we can ask questions and get an understanding of it. So the earlier that it's made available and the earlier it's discussed, it seems to me the more useful that it would be; and that's the only reason that I suggest that we consider looking at it at the earliest opportunity.

**HON. V. SCHROEDER:** Well, I am thinking in terms of looking at it, at the earliest reasonable opportunity.

Obviously when the Legislature is in Session it's more convenient to be holding the meetings than out of Session, so we have those two competing interests.

**MR. CHAIRMAN:** That concludes the Public Accounts Committee rise?  
Committee rise.

**COMMITTEE ROSE AT:** 12:46 p.m.