



First Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

35 Elizabeth II

Chairman
Mr. David Blake
Constituency of Minnedosa



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 3 June, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. D. Blake (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Harper, Kostyra, Mackling and Storie

Mr. Blake, Mrs. Carstairs, Messrs. Johnston, Maloway, Manness, Santos, Smith (Ellice)

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

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

Mr. E. H. Rosenhek, Director of Accounting, Department of Finance

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor for the fiscal year ended March 31, 1985

* * * *

CLERK OF COMMITTEES, Ms. T. Manikel: Before we begin this meeting, we have to elect a Chairman. Are there any nominations?

Mr. Manness.

MR. C. MANNES: I nominate Dave Blake, the Member for Minnedosa.

MADAM CLERK: Are there any further nominations? Mr. Blake, will you please take the Chair.

MR. CHAIRMAN: Good morning. Thank you very much for the confidence expressed in electing me your Chairman again.

Our first order of business will be to set the quorum, which is normally set at 6, if that's agreeable to the committee. (Agreed)

We will proceed this morning with the examination of the Report of the Provincial Auditor for the fiscal year ending March 1985. But before that, I think Mr. Jackson has some new staff he would like to introduce, and possibly the Minister might make a comment. If we finish this morning, can we go into the Public Accounts?

HON. E. KOSTYRA: Yes, we can proceed with that.

MR. CHAIRMAN: Okay.
Mr. Jackson.

MR. F. JACKSON: From the Provincial Auditor's office, I'm pleased to say we have a new audit team serving

the Legislature of Manitoba. I was appointed Provincial Auditor May 1, 1985. The Assistant Provincial Auditor, John Singleton, was appointed July 1, 1985, and Mr. John Both, Director of Public Accounts Audit, was appointed March of this year. So we are looking forward to serving the Legislature to the best of our ability.
Thank you.

MR. CHAIRMAN: Thank you, Mr. Jackson.

All right, we'll proceed with the Auditor's Report now. If we can pass the preamble and go to Page 1.

Page 1—pass; Page 2—pass.

Page 3 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, I propose and I'll serve notice at the beginning of the committee that there will be a number of questions posed throughout this report, some of them may be elementary in scope. But as it's the first hearing of a new Legislature, where there are a large number of new members, I personally think it may be worthwhile to move into a little more depth into some of these areas. Hopefully, the Auditor and his staff and the Minister will understand therefore the reasons for posing those types of questions.

Pages 3, 4 and 5 are all basically summaries of matters of concerns and recommendations that are spelled out in greater detail within the report. I would propose that we best discuss them once we reach those pages in which they are presented in somewhat more detail. So, on that basis, I personally am prepared to pass Pages 3, 4 and 5, although the subject material is something that we will discuss in fair detail once we've hit the detailed examination of those comments further on.

MR. CHAIRMAN: I'm sure that will be agreeable to the committee. Mr. Jackson, do you have any objections to backing off on those or backing up to them if we . . .

MR. F. JACKSON: Fine.

MR. CHAIRMAN: Pages 3, 4 and 5—pass; Page 6 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, under the operating fund assets and liabilities, the total liabilities at March 31, 1985 increased by \$451 million. Can the Auditor quickly take us through that page, through the increases and decreases, and give us a little broader explanation of how that net figure was arrived at?

MR. F. JACKSON: I could provide further comment on each of the matters that are on the page.

The first item, of course, is the excess of expenditure over revenue for the year ended March 31, 1985, as is set out in the statement of revenue and expenditures for the province included in one of the exhibits of the Provincial Auditor's Report.

The advances to and investment in government agencies are advances that were made to various government agencies. The details of that are set out in Section 1-10 of the Public Accounts. What that is — and it's also set out on Page 10 of our report where you have, on the top of Page 10, the advances and investments that were made to the various Crown agencies over the course of the year, starting with Manfor at 44.3 million, and they are individually listed on that page. Now that figure that's arrived at of 87.8 million is reduced by the amount of the Sinking Fund contributions by certain of those agencies to arrive at the net advances to and investments in government agencies shown on Page 6.

The temporary investments and other assets of 101.0 million is shown in Section 2-5 of the Public Accounts. There is a figure there of some \$90-odd million. It's the increase in the temporary investments from 1984 through to 1985. It is the difference between the two totals that are shown at the bottom of the page. The difference there is \$91.1 million. In addition to that, on Page 2-8, there's a change in the Government of Canada and Other Securities to come to the \$101 million.

Security is received from the sale of land and buildings which is commented on later in the report and is the receivable item of \$129 million; then that's offset by the investment that was made in Manitoba Properties Incorporated that are shown at \$323.7 million and that's explained further in our report and also in the Public Accounts as Note 1.

On Page 2-13 under Securities Received from the Sale of Land and Buildings to Manitoba Properties Incorporated, the last item on the page is the Principal Repayments of Serial Debentures which were transferred from the Manitoba School Capital Financing Authority when it was disestablished in the prior year. That's the basis of arriving at the change in the liabilities which are shown on the — not balance sheet — but Excess of Liabilities over Assets, as Section 1-5 of the report.

MR. C. MANNES: Thank you, Mr. Chairman.

Unless there are further questions on this page, I'm satisfied.

MR. CHAIRMAN: Page 6—pass; Page 7 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, I would ask, what is the reason that the debt figures, the direct and the guaranteed debt, how come there doesn't seem to be any great concurrence or agreement with those figures presented in the last Provincial Budget? Has there been an adjustment of figures or is there an accounting difference to explain, what, in my view, seems to be a difference in some cases?

MR. F. JACKSON: I would have to defer to the Department of Finance to relate to the current Budget.

MR. W. FRASER: The only difference that has occurred between the time of the Budget and the end of the fiscal year in this accounting had to do with Manitoba Properties Inc., that it was during the course of that

fiscal year that the government entered into the arrangement with Manitoba Properties Inc., and therefore that is taken into consideration in these figures.

As Mr. Jackson indicated in the analysis on the previous page, there's several hundred million dollars that are affected by transactions with Manitoba Properties and that's the only change from the budget figures presented at the beginning of that year. There has been no accounting change; it's basically that transaction which occurred halfway through that year.

MR. C. MANNES: I can understand the increase under Guaranteed Debt and Indirect Liabilities and that's the heading at the top of Page 7, increasing by some \$206 million; but it uses as the base, \$1,402.6 billion and yet if we look at the budgetary information we're led to believe that our General Purpose debt is — and I don't have my Budget with me right now, it's being brought up — somewhere in the area of \$3 billion or \$4 billion and that our Guaranteed Debt is somewhere in the area of \$3 billion, and I may have those numbers roughly changed.

What is the difference in figures? Are we talking about two numbers that are different? What is the \$1.4 billion roughly dollars, increasing to \$1.6 billion? What specific portion of debt is that?

MR. F. JACKSON: Well, in Section 1-5 of the financial statements in the Public Accounts for the year, at the bottom of the page, under Guaranteed and Indirect Liabilities, are the figures that are related to in this summarization.

On the left hand column, for the '85 figures, is the 1,608 and in the right hand column is last year's figure of \$1,402,000,000.00. The details that substantiate each of those amounts that are shown individually on the Operating Fund Assets and Liability Section, 1-5, are detailed in Section 3 of Public Accounts on Pages 3-11 and 3-11; so on those pages you will find the analysis from one year to the next as to changes that have taken place.

MR. C. MANNES: Mr. Chairman, I'm just looking that up right now.

I asked the Auditor, Page 3-10 and 3-11 of my Public Accounts is basically on exchange values and dollar equivalency. Are those the tables to which he is referring in Public Accounts?

MR. F. JACKSON: Yes, that's the guaranteed debt that is being referred to. The figures that you're seeing are the ones that are appearing on that earlier page that I referred to on 1-5.

MR. C. MANNES: Mr. Chairman, that's fine. We will leave this portion now.

I would hope that other people are going to pose questions, and I may then have an opportunity to come back here once I've had an opportunity to digest. There may be others who have questions on this page.

MR. CHAIRMAN: Page 7—pass; Page 8 — Mr. Manness.

MR. C. MANNES: A question specifically to the trust funds and working capital. I would ask the Auditor, how

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does the government determine what share of the trust fund accounts is used for working capital by the province? What rate of interest is paid thereon?

MR. F. JACKSON: The province maintains specific trust accounts for each and every amount deposited with the province in a trust capacity. The Public Accounts discloses individual transactions summarized for each account in the Public Accounts, wherein it shows the balance at the previous fiscal year, the receipts, the payments, and the transfers that occurred during the year to provide the new balance at the end of the fiscal year. So it's always in a position to know what funds have been used for trust purposes in the course of the year.

MR. C. MANNES: Are all the trust funds used as working capital by the province?

MR. F. JACKSON: No. There is more than one type of trust situation. There is the custodial trust, and then there is the administered trust. The custodial trust tends to be individual securities placed on deposit that the province safekeeps and protects in its vault. Other trust funds are advanced to the province and are used for the general benefit of the Consolidated Fund.

MR. C. MANNES: Those proceeds of trust fund investments, are they all maintained within those accounts, credited to those accounts, or does any portion of that find its way into the Consolidated Fund of the government?

MR. F. JACKSON: There is a detailed record-keeping so that there are no lost funds from a trust situation to the General Consolidated Fund. That is one of the onerous responsibilities of the Department of Finance, to ensure that its trust records are always up to date and accurately reflect its liabilities to third parties.

MR. C. MANNES: In the final paragraph of Page 8, Mr. Chairman, reference is made to . . .

MR. CHAIRMAN: Mr. Kostyra.

HON. E. KOSTYRA: You asked a question with respect to interest payable on trust accounts?

MR. C. MANNES: Yes, I did.

HON. E. KOSTYRA: Mr. Fraser can answer that.

MR. W. FRASER: The interest rate is based on a market interest rate so that the trust funds get whatever the equivalent market rate is at that particular time based on the prime rate.

MR. C. MANNES: Mr. Chairman, reference is made in the last paragraph to Canadian Cooperative Implements Limited. Can the Minister or the Auditor tell us what the status is of our advances or our loans to that company, that Cooperative at this point in time?

HON. E. KOSTYRA: There was an agreement commencing April of 1986 to write off the loan over

a three-year period. In addition to the \$3 million advance, the provinces guaranteed a bank line of credit to CCIL with the Cooperative Credit Society. The province is paying interest for one year on the outstanding line of credit, which is \$2.8 million as of March 31, 1985. Those particular funds are under appropriation in the department.

MR. C. MANNES: Could the Minister indicate the total sum of all the advances that the province has made to CCIL over the last 10 years? Does he have that figure ready at his disposal?

HON. E. KOSTYRA: We don't, but we can provide that at a subsequent sitting.

MR. C. MANNES: Thank you.

MR. CHAIRMAN: Page 8—pass. Page 9 — Mr. Mannes.

MR. C. MANNES: Mr. Chairman, the Auditor, in the first paragraph on Page 9, makes reference to the wish that there be a fuller accrual basis of accounting brought forward within the accounts of the province. I would ask the Auditor, given that he is talking about the 1984-85 year, whether or not there have been any improvements or any working towards that goal over the last fiscal year 1985-86?

MR. F. JACKSON: Yes. Elsewhere in the report, I believe I mentioned that there is a committee at work which has been formed by the Institute of Chartered Accountants of Canada to have improved financial statement presentation and disclosure for governments as a whole, at least at the federal and provincial level and the Yukon and Northwest Territories. That committee is composed of government representatives from across Canada, and Manitoba has had a representative on that committee in the personage of the Deputy Minister of Finance. I know that they have been at work for more than two years at this point, and they have come up with what we consider to be recommendations that can significantly improve some aspects of the financial statements. I believe that the Department of Finance is planning on implementing certain of those recommendations for 1985-86 fiscal year.

MR. C. MANNES: Could the Auditor be more specific? What departments of government, which if they went on to a fuller accrual basis, would be able to reflect their activities in a better manner?

MR. F. JACKSON: One of the deviations from the accrual basis is the treatment afforded payrolls. For example, payrolls have always historically been recorded as an expenditure on the day that the payroll was required to be paid. That would mean that for one pay period you could have nine days of expenditure that related to the old year, and only one day that related to the new year; and yet all of that payroll would be charged to the new year.

Now that's a cash basis of accounting; it's not in accordance with accrual accounting. If accrual

accounting had been adopted, then nine-tenths of that payroll would have been reflected in the old year. That is perhaps considered to be an area of refinement that could improve a financial statement disclosure from one year to the next.

MR. C. MANNES: Is that the main thrust of your recommendation, why you as the Auditor would like to see that type of refinement, or are there other areas of government expenditure that also would fall under that type of change?

MR. F. JACKSON: Oh no, that's a for instance, but there's some very basic, more significant, things that are being considered by this committee, one of which is how pension funds should be handled from an accounting purpose.

Historically, of recent date anyhow, the government has handled the expense related to pensions earned on a pay-as-you-go basis, so that it's only after an individual retires that there's any recognition of expense for pension funds.

A matching basis of accounting, which is advocated by the accrual concept, would provide expenses as the benefits are earned over the working life of the individual. That, as you can appreciate, would have a significant impact on the financial presentation of any individual province or the Government of Canada, in effect, as you go.

For example, the Government of Canada takes into its revenues the contributions that employees make in the year that they make them. Now that's part of the Consolidated Fund revenue. They don't pay any expenditures, on a matching basis, as those contributions come into the Consolidated Fund of Canada, and it's only when the individual retires that there's any expenditure incurred.

We would have a great deal of difficulty with that, but we also feel that there'd be a better matching of income against expense if there was some recognition of the employer's side of the pension benefit.

Another area that's being reviewed by the committee — or is going to be reviewed — is a method of handling Capital Expenditures. We consider that recommendations that could be applicable all across the country would be of some benefit.

MR. C. MANNES: The Auditor's response, I guess, begs two questions. Firstly, in the pensions' field. Did I hear correctly, is the Auditor indicating that, from a professional viewpoint, that the auditing profession would prefer to see the government's future liabilities, as they apply to pensions, be taken account of on a yearly basis, to match the funds that are put in place by the individual employee?

MR. F. JACKSON: It's a bit of a technical area. Yes, we would favour generally that there'd be some recognition of the expenses that are being incurred on the employer's portion so that there is a reflection that benefits have in fact been earned for the individual.

It may not, however, be on exactly the same basis as the contributions made by employees. There's some costing implications to that that may create the employer's contributions to be somewhat different than the exact amount made by the employee.

MR. C. MANNES: Would the Auditor be suggesting then that that portion, whether it matched or not, that the government would ultimately be responsible for, would it also then find its way into appropriations for the year in Main Supply?

MR. F. JACKSON: That is one of the considerations, yes.

MR. C. MANNES: Mr. Chairman, we'll maybe move into that in a little bit more detail further on in the report, where I think we have an opportunity to discuss the whole area of pensions; but there's just one other question and that's dealing with Capital.

Mr. Jackson said something about Capital provisions throughout all of Canada. Are you talking about a similar system being brought into place for all jurisdictions or, specifically, what were you referring to?

MR. F. JACKSON: Yes, one of the difficulties in interpreting financial statements from jurisdiction to jurisdiction is if the accounting principles that have been followed have not been similar from jurisdiction to jurisdiction, so what's being recommended is that there be certain standards established so that, in general, the same principles would be followed for each jurisdiction; and, if they're not, there would be a requirement by the Legislative Auditor in that jurisdiction to point out the deviation and the consequences of that deviation. Much the same way as in private practice, the statutory auditor is required to indicate any situation where the commercial firm has not followed generally accepted accounting principles for that particular industry.

MR. C. MANNES: A final question, Mr. Chairman, and it flows in the table under Advances to and Long-term Investments in Government Agencies, can the Auditor tell me, the first line, Advances, in 1985 they were \$2.174 billion, where I might find the detail of that within the Public Accounts.

MR. F. JACKSON: I'll turn that over to Mr. Rosenhek, if I might. I think he might be most familiar with that.

MR. CHAIRMAN: Mr. Rosenhek.

MR. E. ROSENHEK: There is a statement on Page 1-10 of the Public Accounts which summarizes the Transactions in Long-term Investment Advances and Receivables, and I think that will give you a breakdown of what you're looking for.

MR. CHAIRMAN: Page 9—pass.
Page 10 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, I would like to get a further explanation and maybe the Auditor can use, either one of these, and I would propose that he would use either the Agricultural Credit Corporation or the Manitoba Beef Stabilization Fund, and go through this table and tell us in basically layman's terms what the numbers are attempting to depict.

MR. F. JACKSON: The numbers are intending to depict the changes that have occurred in the relative accounts

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relating to advances in investment and the allowance for losses and sinking fund contributions over the course of the year so that one is able to see what's happened with the various Crown agencies as far as those accounts of the Crown agencies and their impact on the provincial accounts are concerned.

For example, what that would mean would be that for the Beef Stabilization Fund there was an increase in the funds that were advanced over the year of \$6 million and that the provision for losses on that agency's operations increased by \$7.6 million over the course of the year.

The net change is the negative situation of \$1.6 million in relation to that agency's accounts as they are reflected in the province's accounts for the year.

MR. C. MANNES: The Auditor talks about the agency's accounts. Each and every one of the agencies that is listed here has its account specified in detail somewhere within the Public Accounts, showing not only the advances in investments received over the fiscal year that is being reported but also over some period of time, maybe since the beginning of that particular account.

MR. F. JACKSON: Yes, that's right.

MR. C. MANNES: And where is that, Mr. Jackson?

MR. F. JACKSON: What we are looking for now is the balance of the individual accounts and the amount of the reserve that has been provided for it. That would be on Page 2-10 of the Public Accounts.

MR. C. MANNES: Volume 2?

MR. F. JACKSON: Volume 1.

MR. C. MANNES: What legislative authority is necessary for the government to make either advances in investments or allowances for losses? Is it simply Order-in-Council?

MR. F. JACKSON: Yes, the Department of Finance can make advances to any of its Crown agencies, and it's generally done, I believe, under an Order-in-Council, and Loan Act authority first.

MR. W. FRASER: The authority is provided in The Loan Act, but it's a non-lapsing authority so that if it isn't utilized in a particular year that it's carried forward. So each year when there is an assessment of what Loan Act authority is required, it is on an incremental basis taking into consideration what unexpired authority is already out there.

MR. C. MANNES: That's probably the advances in investments. What about the allowances for losses? Is that always Order-in-Council?

MR. F. JACKSON: No, that's not an Order-in-Council situation; that's a determination that is made by the Department of Finance and it is based on the last audited financial statements of the agency in question as to what's happened as a result of its operations for the year ended.

We're a party to being auditors of many of those Crown agencies; and, where we are not the auditors, we do an overview audit and have an opportunity to review those financial statements to ensure that an appropriate amount is recorded as an allowance.

MR. C. MANNES: Mr. Chairman, moving to the bottom of Page 10, Manitoba Properties Inc., I would ask the Auditor whether he has access to the list of buildings sold by the government to Manitoba Properties Inc.

I know the first issue that was done, I believe of \$200 million, members in the House were provided with that list. I don't believe — at least I certainly haven't seen that list corresponding to the final or the additional \$190 million or \$200 million issued under that particular investment scheme.

Does the Auditor have that, and can the Minister share with us that list?

MR. F. JACKSON: We have access to all the transactions of the Government of the Province of Manitoba, including such a list as that. Our audit staff has been party to and reviewed the transactions that would be on that list and has had discussions with some of the entities that have been a party to making that transaction list possible.

HON. E. KOSTYRA: Yes, we can provide that information on the additional buildings. The main ones are buildings related to the University of Manitoba, and there are a few other additional buildings that I don't remember specifically, but we will provide that list for the committee.

MR. CHAIRMAN: Page 10 — Mr. Mannes.

MR. C. MANNES: Mr. Chairman, this is one of those situations that I am looking back to Pages 3, 4 and 5, although I can't find it right now, where I thought specific reference was made to Manitoba Properties Inc.

MR. F. JACKSON: Yes, it's also, sir, on Page 3 under Assets and Liabilities.

MR. C. MANNES: Mr. Jackson, you indicated under your list of Summary of Significant Matters of Concern, and I quote — you were talking about, again, the lease-back arrangement for certain government lands and buildings, and you use this quote — "Because these transactions have a material effect on the financial position of the province, we recommend that the province either include statements in the Public Accounts reflecting consolidation of its account and those of the corporations involving this financing arrangement, or include a statement in Public Accounts showing the adjustments which have been made if the province had presented its accounts and those of the corporations involved in this financing arrangement on a consolidated basis. This additional information would provide a reader with information to appreciate the substance of the transactions and eliminate the fragmentation of financing costs under the current presentation."

Could the Auditor tell us specifically what his concerns are. Is it the fact that even though within the

appropriations it appears as if these are government leases even though, in all reality, they are additional servicing costs associated with debt; or is it the situation whereby the costs of administering all of these activities associated with raising the funds are not fully and properly documented?

MR. F. JACKSON: Well, there are several matters at issue here, one of which is, from a financial statement presentation perspective, financial statements tend to mean the most if there is some continuity in the approach that's used from one year to the other so that they can be as comparable as possible. So comparability is one of the concerns.

Secondly, fragmentation of interest costs is one of the other concerns. One of the things that's happened as a result of the incorporation of this entity is that certain of the costs relating to the financing of the operations haven't been, in effect, brought into the Consolidated Fund operations of the province. In particular, that is roughly about \$7.2 million that relate to the financing in interest costs for the Manitoba Properties Inc., for the year ended March 31, 1985 that don't get reflected in the Consolidated Fund operations. They would if a consolidation process would have occurred.

What a consolidation process is geared to do is to eliminate the effect of an operation where the province or any other entity is the shareholder or the main interest in the group and just show its effect, if you will, on third parties. Now, it's appreciated that in this instance there are investors involved that are preferred shareholders. So what you've got is a situation where you want to recognize the technical existence of the entity because there is an entity out there that's incorporated, that is operating, that has taken roughly \$400 million of money from members of the public in Canada and it is being used by the Province of Manitoba, and that is being reflected as a guaranteed debt of the Province of Manitoba. Offsetting that is, we have taken a receivable position on the first \$200 million of shares that were sold and that's \$129 million of an asset, or something like an asset, that's shown on the financial statements.

However, that asset is only a good asset if the province continues to make rental payments on those properties from future appropriations. So the only source of the existence of this entity is future charges, if you will, from future appropriations of the province.

MR. C. MANNES: First question, is it fair that the government within its appropriations indicate that its cost is in the form of a lease-back? Are you in a position to make comment with respect to that? Should it be more justifiably shown as being interest?

MR. F. JACKSON: I understand that there were debates in the House, that it was recognized that that rental payment for practical purposes could be viewed as interest payment on this financing arrangement; but in recognition of the technical existence of this corporation, it's a rental payment. So it's a little of both. Once one recognizes the technical existence of this corporation; we are paying rent. For all practical purposes, we've arranged some financing that the rent is really interest.

MR. C. MANNES: Thank you. I would like to ask a little more in-depth question on the \$7.2 million. You refer to it again on Page 26 under Revenue and Expenditure, and you say there'd be an increase in the excess of expenditure over revenue of \$7.2 million, being \$5.4 million for issuance and administrative costs and \$1.8 million representing the difference between the dividends paid, and so on and so forth. Are you suggesting that this \$7.2 million cost has not been reflected anywhere in the appropriations?

MR. F. JACKSON: That's right. It's a cost that's reflected in the Crown — not Crown corporation — but in Manitoba Properties Incorporated.

What that represents is the administrative costs of the share issuance and the difference between dividends paid by the entity and the amount charged through the province's appropriations.

MR. W. FRASER: Those are certain front-end costs in terms of establishing Manitoba Properties Inc. and although if Manitoba Properties Inc. didn't exist, those costs wouldn't have been incurred and they wouldn't have shown up in the government's books in that event. They will ultimately show up in the government's books because Manitoba Properties Inc. is being managed on the basis of breaking even, so that through the rental payments and the interest payments to MPI on the debt that's held, those costs will be recovered and ultimately, although they may not be recovered in a specific year that they're incurred, the government will reflect those costs over a period of time in their accounts; but they will again be absorbed through the rental costs because Manitoba Properties Inc. is managed on a basis of breaking even so that all those costs have to be recovered, otherwise they'd be put in a deficit position. So it's a timing issue as opposed to something that is not going to ever show up in the government's books.

MR. C. MANNES: From memory, Mr. Chairman, I'm trying to recall what the Minister of Finance of the Day said when he introduced the preferred scheme to the Legislature. He said that we as a province would be able to receive approximately \$12 million benefit on the first \$200 million value of share issuance; and is the Auditor then now telling us really that \$7.2 million of that will really be eaten up in costs of issuance and the other dividend and evaluation, or however he termed it?

MR. F. JACKSON: What we're faced with here to some extent is a different basis of accounting. The province, for all practical purposes, is being on a modified cash basis of accounting as opposed to the full accrual basis of accounting. As a consequence, we approached this on the basis of the province's record keeping where, when an expenditure is incurred for financing, it's charged to the appropriation and the year.

From an accrual basis of accounting that, in fact, would be spread over many years. We don't have concern with the figure that was presented that there would be a significant saving to the Government of the Province of Manitoba through this mechanism.

MR. C. MANNES: Then the question I'll ask the Minister or Mr. Fraser is whether indeed there was a

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\$12 million saving on that first issuance? Or was it really under \$5 million given the fact that the costs of issuance really were not taken into account at that time?

MR. W. FRASER: They were taken into account. Those costs were taken into consideration in determining that figure. The figure on the first \$200 million issuance was a net annual saving of \$8 million. The \$12 million figure relates to the total debt that was financed through MPI which is \$400 million. Okay?

MR. F. JACKSON: Six.

MR. W. FRASER: Yes, because there was \$200 million attached to warrants to those initial \$200 million and 99 percent of them have been exercised. So that \$12 million on that total \$400 million issue is a net figure and incorporates all the costs in it. The \$7 million that's being pointed out here is not apart from that; that's been included in it.

MR. C. MANNES: I ask the Auditor whether or not he's had an opportunity to review the rents that we as the Manitoba Government or the taxpayers of this province are paying Manitoba Properties Incorporated for the value of their buildings, has the Auditor and his department had a chance to review those rents, and are they fair market values? Are they accurate?

MR. F. JACKSON: My understanding of those rents is that they were set to enable the province to reach a break-even perspective on that property transaction so that there would be no taxable income realized by the corporation over its existence. So from that perspective, they are considered to be reasonable.

MR. C. MANNES: Do they bear any closeness to the market value at all?

MR. F. JACKSON: My understanding is that there is some relationship to the market value and that input has been gotten, in some regard, from the Land Acquisition Branch for the pricing. But as far as the market value of the rents go, it's all geared basically to arrive at a break-even non-taxable situation for the corporation over the long term.

MR. W. FRASER: The corporation trades its shares in all the major markets in Canada and has to meet the requirements of the Securities Exchange Commission in each of those provinces and federally. All the requirements, in terms of market values, both in terms of expenditures and in terms of assets, have to stand the test that those Securities Commissions have against any taxable Canadian corporation in the country. So that corporation is operating on the basis of those same standards and has to meet those same tests.

MR. C. MANNES: Mr. Chairman, I realize fully well that the shares will maintain their value because of the fact the government has guaranteed that the rent will be paid. My question was different though. I wanted to know whether or not, and I asked it of the Auditor, whether or not the government was paying fair market

value for all these buildings it was renting. Those are two different questions.

MR. F. JACKSON: We haven't looked at that from a fair market value rent situation.

MR. C. MANNES: Can the Auditor look at that and report to the committee or to the House and give us some indication whether fair market value rentals have been used?

MR. F. JACKSON: There is an immediate concern with that, because some of the properties that are there are for very specific purposes, hence, i.e., the University of Manitoba. I'm not just sure how one would come to grips with fair market value on the University of Manitoba which has such a specialized nature for its operations. One could presumably get ball-park figures from rental agents for space of a similar nature, but that's the best, I think, you could come to.

MR. CHAIRMAN: Mr. Santos.

MR. C. SANTOS: If I may interrupt, Mr. Chairman, this is the point I want to make. Some of those buildings have no market value because they cannot be sold anywhere else, a certain structure which no one will be interested in buying. Who will buy the Legislative Building, for example?

MR. F. JACKSON: A correction, the Legislative Building is not one of the buildings that has been shown on any of those lists.

MR. C. MANNES: Mr. Chairman, this isn't the place to engage in debate with the Member for Burrows; of course, he is correct. But the point being, if market value isn't placed on the buildings that the government is leasing back — I guess I'm concerned about this \$200 million additional share structure. Maybe the government would have run out of buildings that it could have lodged in support of its sale, depending on whether these rental rates were inflated or not, of course, will determine the number that were required to support purchasing.

HON. E. KOSTYRA: Just in response to that, two points: one is that again it was indicated that it's structured on a break-even basis. The second point that relates to a particular point. There are a number of buildings that weren't put into Manitoba properties. If the assumption of the member was correct, then the government would have run out of buildings.

MR. C. MANNES: A final question to the Auditor in this area. Mr. Chairman, can the Auditor tell us what will happen in five years, given the fact that interest rates may continue to drop, and there is a five-year, I guess, option on either the government or the investor to wind up the ownership of their shares? Will the government have to come up with the funds to pay back the investor?

MR. F. JACKSON: That was one of the possibilities that was considered when we were reviewing this

transaction, that it could be, depending on market conditions, a relatively short-term situation if, in fact, the market conditions were to the benefit of the purchasers; or conversely, if market conditions were to the benefit of the government. Market rates would have to decline significantly from what they were, and they're moving in that direction, so that it, at some point in time, might be in the government's interest to not maintain its operations if, in fact, interest rates dropped to the 6 percent level. But that would be very much then in the interest of the shareholder to have that maintained. We were aware that was a possibility and that was one of our concerns. This is a new type operation and there is a lack of comparability to the financial statements that wasn't there previously. If this was to be only of a short-term nature, then something significant could be lost if there wasn't the consolidation. In any event, that was one of the concerns that we had because it would seem to be awkward to continue to deny the existence of a corporation if it was now in its 52nd year. So that was one of the considerations we had to come to when we are recognizing the existence of these legal entities.

But just in answer to your question, no, I have no crystal ball, and there is no way we can forecast what the market conditions are going to be next year, or even six months from now as compared to five years from now.

MR. C. MANNES: Given that interest rates were up, however, and all the investors redeemed their share, the Province of Manitoba would have to find immediately \$400 million to satisfy that indebtedness.

MR. F. JACKSON: That's my understanding, yes.

MR. CHAIRMAN: Page 10. Mr. Kostyra.

HON. E. KOSTYRA: Are you passing Page 10 and 11?

MR. C. MANNES: No, just 10.

Mr. Chairman, I'll just ask a final question, then we can dispose with 10 and 11. I would ask the Auditor whether or not the government is prepared to accept his recommendation and provide, within either the Budget or the Public Accounts, a more accurate reflection of the Manitoba Properties Incorporated as he has recommended?

MR. F. JACKSON: I might best answer that question by mentioning that the Provincial Auditor's office and the Department of Finance have continuing dialogue to determine what changes are planned for a subsequent year's financial statements so that they can offer us some proposed presentations, and we can offer an opinion as to how we might react to each of those operations. But I think this is a question that should be diverted more to the Minister of Finance because the 1986 statements have not yet been prepared and I know that they are planning on making some moves in this direction.

HON. E. KOSTYRA: It would certainly be our intention to provide for some form of consolidation of the statements of Manitoba Properties Inc. with the Statement of Accounts for the next report.

MR. CHAIRMAN: Page 10—pass; Page 11—pass Page 12 — Mr. Mannes.

MR. C. MANNES: Mr. Chairman, I would ask the Auditor to again give us a brief description of what is being reported here under the title, Excess of Liabilities over Recorded Assets. Before he responds, when he talks about recorded assets, have all the government buildings and tangible assets been given a value? Is this table indicating that our total liabilities as a province, all our indebtedness surpasses those values of assets by roughly 2.2 billion? In other words, we're in a net debt position once we've evaluated the value of our assets.

MR. F. JACKSON: The answer to your question is no. The form of accounting that you're seeing is a specialized form of accounting wherein the equivalent to a balance sheet only reflects claims against third parties as assets. As a consequence, buildings that have been acquired that haven't been disposed of aren't reflected here; the vehicle fleets aren't reflected here; highways aren't reflected here; inventories aren't reflected here. Many many types of assets aren't reflected here. It is only types of assets that represent claims on third parties that are reflected here.

Really what it means is that assets that have the ability to work towards minimization of debt situations are reflected here.

HON. E. KOSTYRA: Mr. Mannes may recall the report that was done by Professor Barber a couple of years ago. At that time, looking at this issue from another perspective, putting some value to highways and bridges and other government assets that at that point, at March 31, 1982, the excess of assets over liabilities would have been \$6.2 billion, if one were to put some level of value to all fiscal assets.

MR. C. MANNES: I thank the Minister for that clarification and also the Auditor, but it begs the question then, specifically, what Crown corporations are we talking about? Are we specifically talking about Hydro and Manitoba Telephone System and also the new one, Manitoba Properties Inc.? Are those the three major areas of recorded assets?

MR. F. JACKSON: No. There is no attempt to consolidate the assets of the various Crown corporations at all into the Consolidated Fund financial statements. So what you're seeing on the asset side of the Consolidated Fund financial statement is only investments for loans made to Hydro, etc.

For example, Hydro is a self-sufficient entity through the rate process, and it's not considered to be one that will create debt to the province over a long term, and may be one that can generate profits for its own future uses or, I understand through some proposed legislation, to the general benefit of the Consolidated Fund.

But the assets that you see here are claims basically against third parties that can be used for the minimization of claims from third parties against the province.

MR. W. FRASER: In fact, it's that whole issue that the Canadian Institute of Chartered Accountants is currently

reviewing, because the general public often tends to equate government deficits with business losses. In reality, there is a far different set of accounting rules.

Whereas businesses set up their assets, whether it's inventories, buildings, furniture, cars, whatever it might be and show them as assets and don't charge them off as expenditures, government in effect only shows cash or its equivalent as an asset. All the building and capital construction is expensed in the year that it's incurred. That was one of the motivations in terms of the Barber study, was to try to clarify that point and make it clear that the accumulated deficits of the government had gone on to substantial investment and infrastructure in the Province of Manitoba, which is not recognized in the financial statements.

MR. C. MANNES: Can the figure at the end of the page, 2.2 billion, be rationalized in the light of any of the common debt figures, whether it's direct debt of the province, guaranteed debt or not, or is it just a separate different accounting approach?

MR. F. JACKSON: It can be rationalized in comparison to other provincial jurisdictions but, as an Auditor, we don't even like to see the term "deficit" used. We like more to see the excess of expenditures over revenue, because the deficit has the same connotation as a business loss does. These financial statements are not prepared in any way on a similar basis to what the commercial operation is based on.

One of the differences that Mr. Fraser pointed out was that in a commercial setting, when assets are acquired, they are not charged off to operations. What he meant in the fullest sense was that they are not charged off to operations immediately, but that they are charged off to operations over the useful life of the entity as they're used to earn revenue. In a provincial setting, almost none of its assets are used to earn revenue. Assets come from the tax base, and may be something entirely different from any of the assets we've acquired.

But again, that's why I mentioned earlier that we were heartened by this committee of the Institute of Chartered Accountants of Manitoba addressing the issue of capital assets and standards for presentation. In our report, we have indicated that we agree that there would be benefit to all concerned if there were schedules of assets that the province owned, and particularly schedules of assets that were acquired during the particular current year, because we feel that would help to provide a reader of the financial statements with more insight into provincial operations.

MR. CHAIRMAN: Page 12—pass; Page 13 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, again a question with respect to direct public debt. How does this number correspond to — and maybe this is a question to the Minister — the figure presented in the Budget on Page A-13 where . . .

MR. CHAIRMAN: What page is that, Mr. Manness?

MR. C. MANNES: A-13 in the Budget.

MR. CHAIRMAN: A-13.

MR. C. MANNES: The debt is shown there as being 5.567 billion. Of course, that's at the end of 1984. But here, it's shown as being 4.421 billion as of 1984, or is it just the fact that sinking funds have been applied?

MR. F. JACKSON: The figures that you're seeing on Page 13 of the Provincial Auditor's Report are substantiated by the Public Accounts on Page 2-18, where an analysis is provided as to the various components of those individual groups.

The figure of \$4.4 for 1984 would be the net figure, less sinking funds, at that point in time.

MR. CHAIRMAN: Page 13. Mr. Manness.

MR. C. MANNES: Could I ask the Auditor, when he says at the bottom of the page that the debentures that are being held with respect to the Credit Union Stabilization are to be cancelled at maturity July 7, 1987, is the government at that time then going to have find \$25 million to pay out to the debenture holders?

MR. F. JACKSON: I'm not sure on that point. Perhaps that could be a question of Mr. Fraser.

MR. W. FRASER: At \$29.5 million, all that is provided to the credit unions is the equivalent of the market rate of interest each year on that \$29 million, and that is voted in an appropriation in the Department of Co-op Development.

The actual \$29.5 million, I believe it is, is held in trust with the Department of Finance, so that the total amount of the loan hasn't been disbursed to the credit unions. All they get is the interest on that money. The interest shows up annually in the Department of Co-op Development.

MR. CHAIRMAN: Page 13. Mr. Findlay.

MR. G. FINDLAY: I would like to ask a question on the Hog Income Stabilization Plan, comparing it to the Beef Income Stabilization Plan.

With the Hog Plan terminating as we go into a tripartite plan at the end of this month, I believe, and the Beef Plan, being ongoing for the next four years, we have in the Beef Plan, written in here, a balance at the end of 1985 of \$15.8 million. Is that an assured loss? Is there no chance of recovering some of that money as the plan ongoes with its formula price and premiums being paid in?

MR. F. JACKSON: I can't say that it is an assured loss. I am aware that the Department of Agriculture is continually trying to establish appropriate rates for its programs, and this program. This is the situation as it exists at this point in time.

We have been recommending that the rates be reviewed to the extent possible, because we have concerns about whether or not there will be an opportunity to recover this \$15.8 million.

MR. G. FINDLAY: Is there another figure that is outstanding beyond that?

MR. F. JACKSON: Not to my knowledge.

MR. CHAIRMAN: Page 13. Mr. Manness.

MR. C. MANNES: A supplementary to Mr. Jackson on that. Would the Auditor like to see the amount that is charged as a potential loss? Would he like to see that number increased?

MR. F. JACKSON: The plan is continuing at this point in time. This amount is reflected on the basis of the operating results of the fund to this point in time. Unless there is an approach to change the concept of providing for losses, there would be no reason at this point in time to increase this amount.

MR. CHAIRMAN: Page 13—pass; Page 14. Mr. Manness.

MR. C. MANNES: Mr. Chairman, I would ask the Auditor, what is the currency loss today of all our loans?

MR. F. JACKSON: I'm awfully sorry, I don't have that information available. Perhaps that would be something that Finance might be able to provide.

MR. W. FRASER: In this year's Budget, on Page A-8, there is a schedule which shows foreign exchange fluctuations as of March 31, 1986, on the assumption that those rates would be used.

Now, what has happened there, of course, is that with the Canadian dollar sinking vis-a-vis the U.S. currency and a number of other foreign currencies, there is a substantial figure there shown, \$1.088 billion as the potential if all that debt was redeemed as of March 31.

Indications are that over the life of that debt, that the Canadian dollar will be stronger vis-a-vis those currencies but one of the things that the Department of Finance has done to safeguard against some massive impact on the accounts in future years, if the recovery of the dollar did not happen, relates to a discussion that was carried on earlier in terms of accruing expenditures.

One of the things that we commenced accruing in the current year is foreign exchange losses. What used to happen previously is that when the debt matured, if it was a 10 year debt, or 15, or 25, that the exchange rate at that point in time would be used and if there was a gain or loss, it would be taken in either as revenue or as an expense. Because of the significant number that currently exists, what we are doing is amortizing those losses on an ongoing basis and recognizing a portion of them, that portion which relates to — if it's a 20-year issue, the remaining portion is amortized over the remaining life of that issue — but whatever has matured up to that point in time is taken into expense and included in the public debt figure in the current year. That is an accounting change that has been brought about and is consistent with the thrust of the study that Mr. Jackson referred to earlier about accruing these expenditures and about what the Canadian Institute of Chartered Accountants is recommending.

MR. C. MANNES: Mr. Chairman, I understand that, but the part that is amortized from let's say this point

forward, does it show up at all in the appropriations of the government for that year, or will it ever? Is there any decision now to show it as a cost to government, that portion on a yearly basis?

MR. W. FRASER: Yes. Each year, the foreign exchange figures as of March 31 will be averaged and there will be a recognition of any gain or loss in any of those currencies, which will be averaged over the remaining life of those issues and the portion which relates to the current year will be taken in as expense under Public Debt.

MR. C. MANNES: Then, Mr. Chairman, Mr. Fraser is telling me that Finance appropriation No. 9, under Main Supply, Public Debt Statutory also includes provision for currency loss.

MR. W. FRASER: The terms are greater of this particular year. In the Estimates for this year, yes, but not in the Public Accounts because that's a change that has been brought in since those Public Accounts were issued in '85, so it's an accounting policy change that's been brought into the Estimates for the upcoming year, for '86-87. Those additional expenditures are recognized in the estimate of Public Debt.

MR. CHAIRMAN: Mr. Ernst, the Member for Charleswood.

MR. J. ERNST: Mr. Chairman, to determine the accrual mentioned earlier by Mr. Fraser, it indicates in the Auditor's Report that the foreign debt is rated annually. In that accrual process, do you change it every year, in terms of its accrual based on the rate of value or do you pick some arbitrary number?

MR. W. FRASER: No, it's based on the market rates, as of March 31, and looking at it on a three-year average basis because, to avoid any temporary, major swings that may be not any indication of the long-term trends of those currencies, and most of that debt is very long term; so that what may happen in the space of a couple of months may not be particularly relevant over the 20-year life of that, so it's an average, a three-year average based on the market rates as of March 31.

MR. J. ERNST: That's three years past.

MR. W. FRASER: Right.

MR. J. ERNST: You can't tell, obviously, what's going to happen in the future.

One other question, Mr. Chairman, if I may, with respect to foreign debt. In the time that the debt is incurred, is there any buffer, any cushion, any potential for change in rate at the time the debt is incurred? For instance, do we, in borrowing the money, decide that while we're going to get \$100 million at 8 percent, we know that with the exchange rate, it's going to cost us something in the future that we'll get on a discounted basis?

MR. W. FRASER: There's a break-even analysis prepared on each issue before it's contemplated, taking

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into consideration both the interest rate and the potential foreign exchange losses, as a basis for determining whether the borrowing is going to take place and where it should take place and the relative benefits of the various currencies. So that analysis is factored in.

MR. J. ERNST: I remember that the city did their borrowing at one point in the foreign market in foreign exchange dollars and factored in a change, an anticipated buffer, if you will, that was going to occur between an anticipated change in foreign investment rates. I gather that's not done with respect to the provincial borrowing.

MR. W. FRASER: There are two aspects to your question. The first is in terms of determining the benefit of borrowing in that particular market as opposed to the real cost that would have to be paid borrowing someplace else, taking into consideration both the interest factor and the foreign exchange, that there'll be a marginal difference between those rates, and in looking at whether to borrow, it's assessed whether that margin is sufficient to cover any anticipated changes in foreign exchange.

MR. J. ERNST: Okay, I understand. Thank you.

HON. E. KOSTYRA: I'll just ask Mr. Fraser to outline what the costs would have been if some of those borrowings — if we take one year, if they had only been on the Canadian market rather than the mix that the Department of Finance has engaged in terms of its borrowing — what the additional costs would have been to the province or to the taxpayers if it was only in Canadian borrowing.

MR. W. FRASER: That analysis is currently being done; it's done periodically. The last time it was done there was a benefit, in terms of the mix that we had, but there's an analysis currently being done which should be ready in the next few days.

HON. E. KOSTYRA: At the next committee?

MR. C. MANNES: Mr. Chairman, that sword can cut both ways, of course. We may be better off if we hadn't had any American debt or maybe Japanese debt also. But I would ask the Auditor or the Minister or Mr. Fraser, why there's a discrepancy between the Direct Public Debt, as shown on Page 14, of \$5.471 billion and the Direct Public Debt shown within the Budget on Page A-8 of \$6.495 billion. I hope there's a ready reason for that. I question why there should be a difference in two different sources.

MR. W. FRASER: On A-9 under 1984, it shows for the province the total Direct and Guaranteed Debt of \$5.853 billion. That figure ties in to the Public Accounts. If you turn to Page — the '85 figure of \$6.502 billion. If you go to Page 3-7 in the Public Accounts, at the top you'll see Direct Debt Payable and Guaranteed Debt Payable, coming down to a figure of \$7.421 billion, but from that you have to deduct a Sinking Fund that are held against it and those figures are contained on Page 3-

16. The aggregate of those Sinking Funds is \$920 million and if you take that from the \$7.421 billion, you'll come to the figure that's in the Budget.

MR. C. MANNES: Mr. Chairman, the Minister also is having difficulty reconciling those two figures, because they're titled the same, Direct Public Debt. I understand what Mr. Fraser has just told me, that he's taken, within the Budget, his figures from the Public Accounts. But within the Auditor's Report on Page 14, there seems to be some difference.

MR. F. JACKSON: The figures that are shown here relate to the direct public debt. The direct public debt is illustrated and detailed on Page 2-18 of the Public Accounts. It seems to me that one of the factors that is involved is that the guaranteed debt is included in that Budget material over and above the direct debt.

MR. C. MANNES: No, that's not true because on Page A-8 it's direct debt payable in, and then there is another breakout right below that of guaranteed debt payable in. So we won't belabour it, Mr. Chairman, but I thought there might be a readily apparent explanation for that.

MR. W. FRASER: There are so many different sets of figures but they do tie together and if I can just follow your question, that figure on Page 3-7, okay, the Direct Debt of \$5.471 million is the same figure that shows up on the Auditor's Report on Page 14 as Direct Debt.

Now there seems to be some confusion in looking at the Budget, because there are different years. Some of it is projections for 1986-87 and so on but if you follow the year of the Public Accounts, you can trace those numbers back from the Auditor's statement to the Public Accounts.

MR. CHAIRMAN: Is that all right, Mr. Mannes?

Page 14—pass; Page 15—pass; Page 16 — Mr. Mannes.

MR. C. MANNES: At the bottom of the page under Operating Fund Assets and Liabilities, Mr. Chairman, is the statement: "Included in the guaranteed debt are amounts serviced from the Consolidated Fund which are essentially the same as Direct Debt."

I guess my question to the Auditor is, why are these accounted then under guaranteed? Who makes the decision as to where they are accounted?

MR. F. JACKSON: Well one of the factors here is the recognition of Manitoba Properties Inc. Manitoba Properties Inc. shows up in the financial statements as guaranteed debt because, at this point in time, it is guaranteed debt technically. If that scenario that you suggested earlier was to come to pass, it would have to be funds that would be borrowed to pay off the preferred shareholders. To our way of thinking, that's very similar to guaranteed debt, but technically not direct debt at this point in time.

MR. C. MANNES: So the Auditor is saying that his department would prefer to see it as guaranteed?

MR. F. JACKSON: It's shown as guaranteed debt at this point in time . . .

MR. C. MANNES: Oh, you prefer to see it as direct?

MR. F. JACKSON: . . . and it is guaranteed debt at this point in time.

MR. C. MANNES: Right, right.

MR. CHAIRMAN: Pages 16 to 18 inclusive were each read and passed.

Page 19 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, two-thirds of the way down, Commitments and Contingent Liabilities is the heading. There is a statement in the last paragraph: "Manitoba's share of the public housing program subsidy related to these housing operations amounted to \$15.3 million."

My question is: is that significantly increased from the last number of years? I see 1984 listed here.

MR. F. JACKSON: I've got last year's book, let me just see if I can pick that out.

MR. C. MANNES: Yes, reference is made to last year within the text.

MR. F. JACKSON: But the prior year's book gives me the year before.

MR. C. MANNES: Right, the year before that, yes.

MR. F. JACKSON: It was \$15.4 million for the year ended March 31, 1983, no significant change.

MR. C. MANNES: Thank you.

MR. CHAIRMAN: Page 19—pass; Page 20 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, the Auditor indicates that the cash projection is done in Paragraph 3, and he's talking now about the province's commitments to have in place monies that will match the funds that have been invested by employees or on behalf of employees, either who are part of the Civil Service or part of the Teachers' Association. The percentage of the total payroll that would have to be directed to that matching would increase from 1.5 percent, which was a 1978 figure, to 7.2 percent in 2002.

Has anybody in government or has the Auditor himself done an estimate of what that might mean in appropriations in that year 2002 under various assumptions or compounding increases in the total expenditures of the Province of Manitoba?

MR. F. JACKSON: That hasn't been related to appropriations specifically. What this was done for was to get an appreciation of the consequences of the pay-as-you-go option where, in effect, according to these figures, we're deferring that expenditure into future years. It was considered important to the Audit Office and to the Department of Finance to put a handle around that so that we could appreciate how significant that might become. We thought that would be of consequence to the fund management of the province

and as a result of that, the Department of Finance, through their Treasury Department, played a lead role in having that study undertaken.

What is our concern is that there has been some enrichment to the pension funds in the last few years, and these figures that we're seeing here now are out-of-date according to the actuaries. That's one of the things that can be considered in the course of coming to grips with which course of action the province should be taking as far as, first of all, accounting for the expenses of the employees' pension fund; and secondly, the funding thereof, because if significant changes are made to either of those things the relevance of these figures may change. We were making a recommendation that these figures should be updated unless there's some new change in the accounting for the expense, or the funding for the expense.

MR. C. MANNES: Did the Department of Finance review figures with the Auditor during the debate associated with the Teachers' Retirement Allowance Bill last Session; and, secondly, has the 7.2 percent of wages figure that's used within this text, has it changed at all a year later; in other words, as of today?

MR. F. JACKSON: Well, the 7.2 figure was based on a 25-year projection that was done by The Civil Service and Traffs actuary. That was based on actuarial assumptions with no significant increase in the number of people in the pension plan. That was done to provide some landmarks for the Department of Finance to have an appreciation of how this aspect of operations could be changing and creating demands for additional cash over the years. The actuary has not done a new projection in light of the amendments that were made to the pension plan, I think, two years ago.

MR. C. MANNES: Mr. Chairman, I did some rough calculations and today I would say the 12,000 teachers in Manitoba are commanding a global salary of \$400 million, and maybe I'm a little high, but if that figure appreciated by the year 2002, which is roughly 15 years away, if it appreciated up toward a billion dollars, what you're saying is that in the year 2002 the government, under our present system, would need to have \$72 million under the appropriation within the Estimates to match the pension requirements of the teachers.

MR. F. JACKSON: Yes.

MR. CHAIRMAN: Page 20—pass; Page 21 — Mr. Manness.

MR. C. MANNES: Mr. Chairman, I have no questions on Flyer Industries or Manitoba Hydro-Electric Board, but there's the final section there talking about commitments for future service. Yes, the Auditor points out that the government exceeded its authorized commitment authority of 220 million, which is spelled out, I suppose, under some portion of The Appropriation Act. I think it came about because of the additional spending in support of Manitoba Properties Inc. Could the Auditor tell us what rights legislators, people in Opposition, or indeed the people in the Province of Manitoba have, when the government ignores, either

innocently or for whatever reasons, the Statutes of the Province of Manitoba? What rights do citizens outside of government have to bring the government to task when this occurs?

MR. F. JACKSON: The only rights that I'm aware of is through the members of the Legislature in the full sense, and that means members of the Government and members of Opposition. One of the things, as I understand it, that Legislatures require of their Legislative Auditors is to be made aware of any instance when the legislative authority granted by the Legislature has been surpassed, or that funds have been used for purposes other than what they were intended. We hold that as two of our prime objections in our office and intend to make that information available to the Legislature. The course of action, from that point on, is dependent on the action taken by the Legislature itself.

MR. C. MANNES: I accept that, Mr. Chairman, but obviously the Auditor will make the government, certainly the Ministry of Finance, aware immediately of any shortcoming, but the ordinary member, to coin a phrase, of the Legislature may not know that until he reads the Report of the Provincial Auditor. Is there not some encumbrance upon the Auditor to make all the elected members aware of the circumstances in question at the very same time?

MR. F. JACKSON: There's provision in The Provincial Auditor's Act that if there's a situation of such consequences that could cause concern to the Legislature as a whole, there could be a special report of the Provincial Auditor. I've considered that aspect of our act and I've taken that to be a situation that would be such that there would be an emergency debate in the House, and it would be such that corrective action would have to be taken forthwith. I've never considered that the exceeding of a particular expenditure was of that kind of nature. If the House saw fit to direct me otherwise, of course, I'd respond, but some of these things tend to be more technical than anything else, so I wouldn't consider that type of situation to be something of an emergency situation.

HON. E. KOSTYRA: One point, and then a question to Mr. Jackson arising out of the questioning and comments. The Appropriation Act for this year will be amended accordingly (1) to deal with the problem, but I would ask Mr. Jackson, in view of his explanation, as to whether or not he considers this a technical matter, rather than a serious breach that would cause him to look at that provision for a special report.

MR. F. JACKSON: I think what we're faced with here is that The Appropriation Act came in prior to this situation developing. There was some urgency to the finalization of this transaction and it was just something that was different from the ordinary course of events and it wasn't appreciated, initially, of the ramifications of this particular transaction in respect to the extent of the authority already provided for commitments. I did not view this as being an extremely serious situation because of the way it developed.

MR. C. MANNES: Well, Mr. Chairman, I certainly accept that and, not only that, but the impartial and discretionary powers that the Auditor must have in cases like this, and I certainly don't take major issue with this, although we're going to be coming to another specific area where, I think, some of the revisions of the statutes have been broken and where I might like to press on the same path, but certainly, with regard to this specific issue, I have no problem.

MR. CHAIRMAN: Page 21—pass; Page 22—pass; Page 23—pass.
Page 24 — Mr. Mannes.

MR. C. MANNES: Mr. Chairman, I think I see the Workers Compensation Board covered here in a line estimate, or in a line figure. I think it's also covered in greater detail further on, and, if so, we will leave it until that time.

MR. CHAIRMAN: Page 24—pass.
Page 25 — Mr. Mannes.

MR. C. MANNES: In the text, under Clarifications of Operating Results — and there are only two pages devoted to revenue and expenditure, Mr. Chairman — the Auditor, in numerous cases throughout the report, has made reference to advances to Crown agencies in that how, in his view, they should be handled in a different manner.

I'm wondering if the Auditor can again enunciate what it is he's referring to.

(Mr. Deputy Chairman, C. Santos, in the Chair.)

MR. F. JACKSON: In determining the expenditure appropriations for the year, losses of subsidized Crown agencies aren't considered. In our view, losses of Crown corporations are very much a part of the operations of the government in that if the operating results of those Crown corporations show significant losses then we view that as a loss of the agency. But, more than that, we consider that it impairs the ability of the agency to repay the investment or the advance that the government has made to that agency.

So, in our view, certain of these programs that are pursued through Crown agencies are not competing in the same way as other programs when the Budget and the appropriations are set. In our view, some of them should be. I'm not referring, of course, to Crown agencies that, through their rate base, are self-sufficient, but that other Crown agencies that are operated for profit and to carry out social aspects should be more akin to other programs the government is running.

We would expect that the management of these Crown agencies should be able to project, with some degree of reasonableness, what their operations are going to be and what they're going to result in for the coming year, and that those figures could be built into the Estimates in the same way as other programs are. That's our view.

MR. C. MANNES: As an example, Mr. Jackson, are you saying that if a year-end of one of the Crown corporations was December 31, in two instances, if the forecast net profit of that Crown corporation was known

a year ahead and it was going to be negative, that that therefore being a loss, that that loss should then be dealt with in appropriation during that current fiscal year? In the other situation, where a loss was not budgeted but arose unexpectedly, that that loss should be dealt in the next appropriation year? Is that correct?

MR. F. JACKSON: Yes, that would be a fair way of handling it.

MR. C. MANNES: Okay. I would ask the Auditor, then, what response he has received from the government, as he's asked the Minister of Finance and that department to treat Crown corporation losses in that manner? I would also ask the Minister whether the government is prepared to bring about that change.

MR. F. JACKSON: I'll defer it to the Minister of Finance.

HON. E. KOSTYRA: The government is reviewing this matter. We have it under study, and other issues related to Capital Supply of the Crown corporations in the Economic Committee of Cabinet, and I would expect that at some point during this year to review options with respect to this issue.

MR. C. MANNES: Mr. Chairman, the Minister is rather vague. I would ask whether or not there is a specific undertaking to make a decision by the year-end whether to proceed on this or not. Or is it just all exploratory at this point in time?

HON. E. KOSTYRA: At this point, I cannot give a specific undertaking if we haven't had the benefit of that review. So I cannot give a specific undertaking that it will be resolved in the manner that has been identified by the Auditor by the end of this year.

MR. C. MANNES: Will that review be made public to members of the Opposition?

HON. E. KOSTYRA: In terms of the decisions of the government with respect to looking at the various options, yes, and identifying the options, I would think that is something that could be provided to members.

MR. DEPUTY CHAIRMAN: Page 25—pass; Page 26—pass.

Page 27 — Mr. Mannes.

MR. C. MANNES: Under Special Warrants, Mr. Chairman, and I refer also to Page 62 where they are broken down in some detail, could the Auditor tell us why 1.5 million, Special Warrants, were devoted or directed towards legislation?

MR. F. JACKSON: I'm sorry, I don't have that detail of the specific warrants. There is a summary of that in the Public Accounts where greater detail might be available.

(Mr. Chairman in the Chair.)

MR. C. MANNES: I see. Mr. Chairman, my question is answered.

Also, on Page 27, the second point, the Department of Agriculture, \$6 million to provide for a one-time writedown of interest rates.

Mr. Chairman, I would ask the Auditor whether it's his terminology that's a one-time writedown or whether, indeed, that's what the government has said to you?

MR. F. JACKSON: That was a one-time writedown in consideration of the program that was advanced to affect a significant reduction in the loan accounts of the farmers. It was a one-time situation; there is no continuing legislation to do that again.

MR. C. MANNES: I would ask the Minister, the point below that, the Department of Employment Services and Economic Security, \$11 million to cover underestimated social allowance expenditures. Why were these areas, or this area, so poorly forecasted? What, in essence, was the explanation? Obviously, they are covered within that same page, but . . .

HON. E. KOSTYRA: Those presumptions are made on a number of factors, the obvious anticipated levels of people that might apply. Also, those formulas under some of those are tied to the cost of living, which requires some projection in terms of the actual costs to all people that would benefit by those programs. So it's a matter of those assumptions being made, and there would be some shortfall due to both factors, the level of applicants and the level of payments.

I would just point out that the total payments under those programs are, I think, in excess of \$200 million, so we're talking about a variance factor of about 5 percent or so.

MR. C. MANNES: Is it almost entirely due to the fact that there are more people on welfare than were forecast to be during consideration of the Main Supply?

HON. E. KOSTYRA: I indicated that it was a variety of factors. One would be that there would be more applicants. A second factor would be that there would be higher benefits paid, based on what projections were being made for increases in those payments, because some of them are tied to a formula dealing with the cost of living. So it would be a variety of those factors.

In fact, I can give some figures on that. Part of it was due to a 6.1 percent increase in the level of support payments, and the caseload increase was 4.7 percent overall. How that can be reconciled against the projections, I don't have that information, but that's what the end result was.

MR. CHAIRMAN: Page 27—pass; Page 28 — Mr. Mannes.

MR. C. MANNES: Oh yes, one question, Mr. Chairman. In the first paragraph, under General Comments, the central management system of government has been taken away from the Department of Industry, Trade and Technology and returned to the Department of Finance. I would ask the government or the Auditor why the change, because there seems to be an indication here that the former department had failed in some respects. Is that true?

HON. E. KOSTYRA: Well I can give an explanation, as I understand it, for the changes over the past number of years with respect to Information Management Division when it was previously in the Department of Finance. — (Interjection) — it was moved to the Department of Industry, Trade and Technology when that department was first formed as a separate Department of Industry, Trade and Technology when the Premier had indicated a further thrust in the area of technology.

The Information Division, as it was at that time, was engaged in a central function on information systems for the government. It was their view that there could be some economic opportunities arising from the government's activity in that area. In fact, that was the case, through the efforts of that division, the development of the Infotech Centre in St. James.

At the same time, it was recognized over time that its ability to service as a central function akin to Treasury Board was being put under some difficulty because of this double thrust, one being an economic development thrust and, secondly, being an overall government service function or monitoring function with respect to information management.

As the result of a review of that and comments, I believe, by the Auditor in his last report, it was decided to split the functions and return the monitoring function back into Finance and leaving the economic development function with the Department of Industry, Trade and Technology.

MR. CHAIRMAN: Page 28—pass; Page 29 — Mr. Manness.

MR. C. MANNESS: Mr. Chairman, I would ask the Auditor whether he's had any more success in convincing the government that they need a public, multiyear financial plan because in your summary of recommendations, you indicate that that would be of considerable assistance to legislators, whether or not the Auditor has had any more success in convincing the government of the need of this type of plan than his predecessor.

MR. F. JACKSON: This is again something that we're in the process of updating, but I'll defer to perhaps Mr. Fraser or Mr. Kostyra for a first answer.

HON. E. KOSTYRA: As I indicated to the member in the sitting yesterday, it is the government's intention to look at this area very seriously and to come up with some decisions later this year with respect to multiyear planning.

MR. C. MANNESS: Can the Minister indicate his bias on the issue? Does he feel that conceptually it's a proper thing to do, to share whatever information, however limited and however certain or uncertain, with people outside of government?

HON. E. KOSTYRA: I see a significant benefit in having a multiyear budgeting process being put in place. I'm not certain whether or not the same can be accomplished as easily on the revenue and deficit side, but I certainly believe that there would be a great deal

of benefit in looking at multiyear budgeting, particularly as it relates to the range of organizations that interact and rely on government for ongoing support.

MR. C. MANNESS: The Auditor has talked about three or five-year lengths of forecast. Can the Minister indicate whether he is supportive of those terms of attempting to again forecast expenditures and revenues?

HON. E. KOSTYRA: I'm not quite certain what you mean. Are you asking me am I in favour of three-year or five-year forecast? I wouldn't say at this time. I don't have an opinion as to whether a three-year is possible or a five-year.

MR. C. MANNESS: I would ask the Minister then, as a representative of the government, what has taken so long, what has been the reluctance up to this point to accommodate those of us who are not in government, who do not have access to the projections provided either by the Government of Canada or indeed that have been determined internally? Why has the government been so reluctant up to this point in time to share that information with people outside of the Treasury Bench?

HON. E. KOSTYRA: I guess the reluctance has been that it is a developing area in terms of the way governments throughout Canada, both federally and provincially, look at the expenditure and revenue system. So I think it's an evolving area. I'm only aware of a few governments that have attempted to do much in this regard. I think the reluctance has been in terms of making those longer-term projections and then not having them fulfilled over time.

MR. C. MANNESS: Mr. Chairman, I can see the difficulty associated with forecasting revenue accurately. But, nevertheless, I don't see how governments can be held to task, although I guess a perfect model may be where the Federal Government had led provinces to believe that it would be able, through transfer payments, to spend a certain degree of money in support of post-secondary education and health expenditures for some years in the future, and then because of the reality of the wealth production within the nation, that cannot be done. They then had to haul back to some degree. Is that what the Minister is concerned about, and is that one of the reasons he feels that governments over the last five years have not shared that information with Manitobans?

HON. E. KOSTYRA: As I indicated, there has been that general reluctance from governments throughout Canada for the reasons that are stated. I guess compounding the fact is that when one reviews the last decade, we've had some pretty dramatic circumstances that have affected all areas of economy and society in Canada, including government activities, both in terms of expenditures and revenues. So I think that may have caused some additional reluctance, but, as I indicated, we intend to look at this in a serious way and to come up with some intelligent options later this year.

MR. CHAIRMAN: Mr. Santos, do you have a question on this page?

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MR. C. SANTOS: Just one moment, Mr. Chairman, and maybe speculate why the reluctance. I suppose it is tied to the nature of our political system and the interfacing period of budget accountability between the federal and provincial level of government. Most provincial spending, public spending is dependent upon the budget of the Federal Government. Since the budget cycle is also determined to a certain extent by the electoral cycle, you cannot really hold a particular regime of government accountable when you know that, let's say, in the provincial setting — (Interjection) — The member will be assuming that the Legislation will be sitting there as permanently accountable people. But these are changing — (Interjection) — we're willing to sit longer than the member would want.

MR. C. MANNESS: Well, Mr. Chairman, I'll defer my desire to move into a philosophical debate with the Member for Burrows, although I can say there are people outside of the Legislature of Manitoba who would like to see that information. I would therefore ask the Minister whether or not he has any idea what percent of the provincial expenditures will be consumed by the public debt 3 years, 5 years or 10 years hence, given that the Federal Government has attempted to lay before the people of Canada some estimate of where their fiscal position will be by the year 1990.

HON. E. KOSTYRA: Mr. Chairman, no, not at this point.

MR. C. MANNESS: Mr. Chairman, I would then ask the Auditor whether he has attempted to do any projections on his own and arrive at any figure, and if he has, whether or not he can share that with us.

MR. F. JACKSON: No, it would be totally inappropriate for me to even attempt that without greater certainty of what is happening at the Canadian level and what is going to be the thrust of the administration over the next two years. I have not sufficient knowledge to even attempt that.

MR. C. MANNESS: Then again I would ask the Minister, how does an ordinary citizen of this province attempt to do that for the next number of years?

HON. E. KOSTYRA: Well, as I indicated, we are looking at developing those kinds of multi-year plans that the citizens, the government and the Legislature can look at. I mean, one can have all kinds of projections based on the fact that revenues will increase or change, which are decisions that are taken on a yearly basis. One can also make some projections on the basis of expenditure growth at a level of inflation, above a level of inflation, or a so-called restrained level of something less than inflation. One can make those projections with adding on additional new programs over and above maintaining existing ones at a cost-of-living rate, so one can come up with, I suppose, a variety of projections that will be subject to specific decisions in terms of the assumptions that go into it.

MR. C. MANNESS: Moving on, Mr. Chairman, still on Page 29 dealing with the Jobs Fund, the recommendation indicates that the Auditor would like

to see the government more adequately specify the use of this fund. I would therefore ask the Auditor whether he is something like the Opposition and would like to see not only a greater accounting, but a greater opportunity when those of us in the House are considering the expenditures related to this appropriation, would have a greater insight into the goals and objectives, and also the total amounts of money that will be directed into certain programs with specific criteria in place, or does he have some other wishes and desires as reflected within his recommendation.

MR. F. JACKSON: No, my recommendation is basically along the lines that you had suggested; that when the main vote is there, there would be considerably more supplementary information, much along the lines as what's being prepared by certain other departments at this point in time. So that you have a better appreciation of what programs are being advanced, what the objectives are, at the time that the Estimates are being considered. I think that there's a reasonable degree of accountability after the fact and we don't have a problem with that, it's the recommendation to provide the members with more information when they're considering the vote in total.

MR. C. MANNESS: Mr. Chairman, the Auditor indicates from his report that his recommendation requesting the government do that has not been fully adopted. Can the Minister tell me why the government has been so reluctant to accommodate the Auditor and those of us in Opposition who have been asking for that for some period of time.

HON. E. KOSTYRA: Well, I certainly understand the concern that has been expressed by the Auditor and by the member. I think one has to recognize that this area of expenditures is significantly different and was put in place for particular reasons that have to recognize that there is a need for greater flexibility in this area in order to meet changing needs and what opportunities may exist in terms of job creation and economic development; that this area, unlike most other areas of government expenditure, that there has to be a greater flexibility in terms of the spending estimates.

The main areas are reported through the Estimates of the Fund and, as the Auditor indicated, there is a full accounting mechanism for the expenditure; but, by nature of the area, there has to be some flexibility in terms of being able to meet the changing needs of job creation and economic development. So it's for that reason that the government has not responded specifically to the report of the Auditor in this regard.

MR. C. MANNESS: Mr. Chairman, the members of the Legislature today have less opportunity to pass judgment on that portion of funds which is directed towards capital expenditure than was the case three years ago before the advent of the Jobs Fund. I'm thinking, particularly, in those Departments of Highways and Natural Resources from which a significant portion of the Jobs Fund financing was taken.

Is there less of an opportunity today for members of the House to pass prior judgment on the spending of those funds?

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HON. E. KOSTYRA: There are no programs of support under the Jobs Fund at the present time for the two departments that the member identifies.

MR. C. MANNES: Mr. Chairman, then let me change the departments to Economic Development; Housing, Urban Development and Human Resources; and Community and Capital Assets, which, of course, isn't a department, but are there in the global scheme of things. Again the question is very specific. The members of the Legislature have a lesser opportunity today to pass judgment on some of the proposals of capital expenditure that used to be contained within the various departments which are now part of the Jobs Fund than they did some years previous.

MR. F. JACKSON: I feel that the provision of the supplementary information that we've suggested would go a long way to meet the interests of all the members of the Legislature in this particular area. It's not as though the information isn't available, and it's not as though we don't appreciate the need for flexibility, but with the timing that the Estimates are coming down, I would think that the plans are pretty well in place and I have a great deal of difficulty myself understanding why there can't be an appreciation that these figures might not be still final, but at this point in time this is the thrust of the Manitoba Jobs Fund.

MR. C. MANNES: Mr. Chairman, I'm sorry to belabour this, but I can understand the government wanting to have flexibility associated with projects that are very labour intensive and wanting to direct the resources to the needs as they develop through the fiscal year.

However, having occasion to drive around the province and see Jobs Fund signs on church reconstructions, rink facilities and a whole host of projects that are capital in nature which the members of the Legislature, by the way, have never had an opportunity to give prior input let alone approval.

What the system, that you are recommending, and the government up to this point in time is not accepting, would that cause those of us who do not sit in government a greater opportunity to have at least not only prior knowledge but to make some judgment as to whether or not those types of activities should be considered?

MR. F. JACKSON: I think it would.

HON. E. KOSTYRA: There's a whole range of support programs of a capital nature that are not detailed to the extent that the member is suggesting that ought to be done here. If one looks at projects that are supported through various government departments, they are not portrayed in the Estimates or in fact in the detailed Estimates as to what specific projects are being undertaken under various programs, and that's true in a whole range of departments. So we somehow use the example of the Community Assets Programs as against other government expenditure.

I know of other areas where that detail is made, those decisions on the detailed projects are made during the course of the year and are not portrayed up front in the Estimates that are tabled with the

Legislature nor in the detailed Estimate books that are being developed for various departments.

MR. C. MANNES: Well, Mr. Chairman, I'm not going to argue with the Minister, but I'm well aware when we go into Highways Estimates we are given a listing of capital projects; when we go into Education, the Minister lays before us the projects that will be considered for the year forward; in Natural Resources and Drainage, that used to be the matter. So, certainly, in some of those major areas I find that what does occur is different from what the Minister has just suggested, although there may be other departments where that doesn't occur.

I guess the final question I have to the Minister: is it the government's intention, then, that they will not accept the recommendation of the Auditor within this Jobs Fund area and that, indeed, they will not provide additional supplementary information to members of the Legislature?

HON. E. KOSTYRA: In terms of the specific recommendations, we believe there's still a need for a great deal of flexibility in dealing with job creation and economic development.

In terms of the information that's provided when those Estimates are reviewed, I'm certain that the Minister responsible will provide the information as has been the case in the past.

I would also just point out that the areas of concern that are being expressed are areas that have been progressively over the last two years and I think, indeed, will be the case this year when the review is done in the Committee of Supply of the Jobs Fund Estimates that there is less of the kind of projects that the member is expressing concern about; in fact, indeed little.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: It is inconceivable, going into a year, to have that number of dollars to spend when you don't know where you're going to spend it. From a straight business point of view, it is inconceivable that a government would. You must have some idea of the thrust of that expenditure when only this year — I can see you can't forecast three or four years down the road — but, to me, it would be like you needed to have a significant figure for Jobs Fund, but didn't know where to put it so you just put it in there with no particular question.

MR. E. KOSTYRA: It is conceivable, if one recognizes that during the year there are a number of opportunities where companies may review options for expansion or location in the Province of Manitoba. Those companies tend not to come six months in advance to the government saying that they're making those plans, so it is very conceivable. In fact, the case has been over the last few years that opportunities like that have arisen where there has been a need for flexibility so that Manitoba could maximize on those opportunities.

MR. CHAIRMAN: Mr. Storie.

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

To both points raised by the Member for Morris and the Member for Portage la Prairie, the detailed Estimates of the Department of Education do not provide specific project approval. The Minister of Education, along with several other Ministers, as is tradition, provide supplementary information indicating the project. There's a substantial difference to what happens in those kinds of projects and what happens in the Jobs Fund. In most cases, there's a two-year preparation period for planning, defining the need and planning and design of buildings, etc.

In many cases, as the Minister of Finance has indicated, the Jobs Fund Projects are initiated by outside groups, whether they be businesses or corporations looking for assistance in the development of major projects in the province, or come to us by way of application for programs sponsored under the Jobs Fund, such as, CareerStart, Manitoba Jobs in Training Programs, approval of which is ongoing.

The project approvals, obviously, in this fiscal year did not occur until a long time after the initial process for the preparation of Estimates. There needs to be that flexibility largely because the initiative for support under Jobs Fund programming comes from outside, from other sources. So, in reply to the Member for Portage la Prairie's concern, it's not a lack of planning, but a desire to remain flexible and when you're dealing with few dollars you want to remain as flexible as possible. It is also practice for the Jobs Fund's Estimates to be debated in Supply, detailed questions can be asked and are asked, so there is an avenue for review. That's not saying that additional information can't or shouldn't be provided at some point. Obviously, it cannot and will not always be up-to-date because of the nature of the programs that are funded under the Jobs Fund.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, the Jobs Fund has been in operation for three years now. Do we just throw away the applications every year? There is a flexibility required, I grant you, because I have experience, as the Minister has, in a portfolio, that people do come in and present themselves with having an interest in the Province of Manitoba. That flexibility was always used and those were looked at individually.

As I've mentioned, there must be some way to be more detailed about what the Jobs Fund is going to do in the following year or next year because you have a lot of applications on file, or else the people that tell me that they've applied are not telling me the right thing. There is a better way to have more accuracy supplied to the Legislature because there are applications on file because the Jobs Fund has been in operation for three years.

MR. C. MANNES: Are you on Page 30?

MR. CHAIRMAN: 29—pass; Page 30—pass; Page 31— Mr. McCrae.

MR. J. McCRAE: Mr. Chairman, on Page 31, the Auditor identifies a couple of points with respect to the Civil Service Commission, one of them being the necessity

of hiring senior managers from outside the Civil Service seems to be an indicator that there's a problem within the Civil Service and that some of our managers' skills require enhancement. The Auditor recommends that a management skills framework model needs to be developed on a priority basis, and I'm wondering just what progress has been made.

MR. F. JACKSON: My understanding is that the Civil Service Commission has moved this up from a relatively low priority to quite a high priority and is working with despatch on this particular aspect of our recommendations.

MR. J. McCRAE: Mr. Chairman, the recommendation is that the development of such a skills model be assigned to a task force consisting of senior members of the Civil Service Commission, the Department of Finance, and the Premier's Office. Has that task force been set up yet, or does the government propose to go ahead with the setting up of that task force?

MR. F. JACKSON: I can't be positive on that aspect of operations.

HON. E. KOSTYRA: There is a group within the Civil Service Commission, along with the Clerk of Executive Council, and some of the departments that have formed a group to deal with this.

MR. J. McCRAE: The next point, Mr. Chairman, has to do with these performance appraisals, and the Auditor makes the point that this has been mentioned for several years running and I've seen, in my experience, the usefulness of these performance appraisals. I think they're worth looking into. I wonder if there is any progress can be reported on that.

MR. F. JACKSON: Many of the departments in government are making use of performance appraisals, and both staff and management are benefiting from their use. What we found disturbing was that the Civil Service Commission wasn't playing the lead role here to coordinate and assist the departments as a whole. We understand, as well, that they're putting more emphasis on this recommendation, but I'm sorry I don't have a progress report as of today's date.

MR. J. McCRAE: Mr. Chairman, I wonder if the Minister could expand on that.

HON. E. KOSTYRA: I don't have the details, but there is progress there and we might review some of that when we look at the Commission itself in terms of detailed Estimates. There has been progress, but I'm afraid I don't have the details, no access to the staff here to provide the details of how progress is being made. If the member agrees, we could have that discussion when we review the Estimates of the Commission if that's acceptable?

MR. J. McCRAE: It's acceptable to me, Mr. Chairman. One other question, Mr. Chairman. Last year the Auditor recommended guidelines be expanded to assist officials respecting conflict of interest and that, while

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the Commission has informally communicated its advice to departments, it's now being recommended that there be a formal communication respecting equitable conflict-of-interest practices within departments. Can we hear more about that?

MR. F. JACKSON: To our knowledge there hasn't been any formal communication as of today's date.

MR. CHAIRMAN: Page 31 — Mr. Manness.

MR. C. MANNES: Yes, Mr. Chairman, 31 passing is fine.

MR. CHAIRMAN: Page 31—pass.

MR. C. MANNES: I do though have a question on Page 32. I think though that, maybe the hour being what it is, we rise.

MR. CHAIRMAN: The hour is almost 12:30 p.m. Committee will rise, and reconvene Thursday morning at 10:00 a.m.
Committee rise.

COMMITTEE ROSE AT: 12:31 p.m.