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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC ACCOUNTS
Tuesday, 8 April, 1980.

Time: 10:00 a.m.

MR. CHAIRMAN, Mr. D. James Walding (St. Vital): Order please. We have a quorum, gentlemen, the committee will come to order. I would refer honourable members to the Report of the Provincial Auditor. When we adjourned last week we had reached Page 21, having passed Page 20. Are there any questions or other comments on Page 21? Page 21--pass. Mr. Miller.

MR. SAUL MILLER (Seven Oaks): Mr. Chairman, to Mr. Ziprick. The first item, Provincial Judges Court, Public Safety Building, and you indicate there that there has been a change in the backlog. What about the question of the driver's licence, the suspension notices, and so on, and warrant for arrest? Has there been an improvement in the backlog there in the handling of it?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. K. ZIPRICK: Mr. Chairman, we have not updated the audit as such, but the information that we have so far, there's been improvement in general and they're working towards the notices for suspensions and the driver's licence and looking into the whole system. So we'll be following that up during the next audit.

MR. MILLER: Mr. Ziprick, have you found that, in fact, people who are not paying their parking tickets or whatever other summonses they're getting for infractions, are simply accumulating them, not paying them and there's no follow-up? Is that what the problem has been?

MR. ZIPRICK: There are of course some people that are paying promptly, then others there is no payment and the follow-up procedure is delayed. So in some cases when there is a follow-up there's payments. In other cases of course there is no payments and then eventually there will be the warrant issued, but that's a long time. Now we appreciate that even in the most up-to-date situation there is a lot of warrants that will not be able to be served because the amounts involved are relatively small and if the warrants can't be served in the first instance, it wouldn't pay to spend a lot of money trying to enforce a warrant, and that's not what we are suggesting or expecting here.

What's felt is that if everything is moved up into a more current position, then there's a likelihood to be more warrants that could be served and more payments, and there'd be just a better discipline in the whole system. And in any event as far as the time is concerned, whether you do it immediately or some time after, it still takes as much time to do it. So what is suggested, is that it be brought up-to-date. They are working towards bringing it up-to-date. I understand they've made significant progress.

There's also a mechanization on some of the record keeping which would expedite the situation and bring it in a more up-to-date position. So we'll be updating it during our next audit.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: No, okay on that one.

MR. CHAIRMAN: Any further questions on Page 21?

MR. MILLER: Yes. On the Manitoba Lotteries Board I'm wondering whether there has been any change or improvement regarding the deficiencies in the administrative and control capabilities and some of the procedures which resulted from

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lack of staff. Has there been a change in that or is there anything of the . . . I don't know what department this would be - I guess, what? The AG's department?

MR. ZIPRICK: Mr. Chairman, yes, that's right, that's under the Attorney-General's department. There, again, we have not carried out a full follow-up audit on this department or that area, but we were advised that there has been improvements in the inspection staff, and that there's a review being made to strengthen it substantially. Now when we check during the coming audit, we will reassess it again. At the present time, a more updated position will have to come from the department.

MR. MILLER: I notice where it's suggested that the department is requesting additional staff on a term basis and full-time inspectors to be assigned on April 1st. So, you'll be looking to see whether, in fact, this occurs April 1st. That's just a few days ago.

MR. ZIPRICK: Yes, Mr. Chairman, during the next audit we will be looking at all these things to see how much improvement has been made. I've discussed it with the Deputy Attorney-General on one or two occasions and he appreciates the seriousness of this situation and the amount of money involved, and the possibility of something seriously going wrong, if there isn't reasonable discipline in the inspection system.

MR. CHAIRMAN: Mr. Hanuschak.

MR. BEN HANUSCHAK (Burrows): Yes, Mr. Chairman, is it the responsibility of the Provincial Auditor to enquire into the bona fides of the applications for licensing by the Lotteries Board? Do you do that type of a check?

MR. ZIPRICK: We check to see what, you know, the applications, that they come in and they conform with the policy that's set down either in regulations or in board directive. Now, as far as the policy is concerned, either in regulation or board directive, it's a policy that we don't take exception to. It's a policy that's been established either by the government or a body appointed by the government, as we just see that whatever policy has been established, that it's being followed.

MR. HANUSCHAK: The reason why I'm raising this question, Mr. Chairman, is apparently there is some evidence within the operations of the Liquor Commission of some abuse from time to time in the area of occasional permits, you know the banquet permits area, where applications are made for the holding of socials, basically for profit purposes as opposed to the intent for which that piece of legislation was designed, that is, for family, community functions, organizations holding fund-raising functions and that type of thing. So I would ask the Auditor, Mr. Chairman, whether he has seen any evidence of any similar abuse to the granting of lotteries licences because I would suspect that licences are granted to charities, to non-profit organizations, and the like. Has he seen any evidence of anyone conducting lotteries for personal gain, as it were?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, as far as applications are concerned and what the board approves is consistent with the policy, that it's not to be for personal gain; that the rules that are set out are consistent with the law and the intent of the law and the applications that come in are being adhered to. But of course the whole enforcement side of it comes into question through this inspection deficiency, and there we've seen some evidence that although the application comes in that fully declares as to how it's going to be accounted for and taken care of and complies with the requirements in the spirit of the law, but then the actual performance there seems to be somewhat different. This is where we have observed difficulties and this is the area that we are suggesting that needs strengthening.

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MR. CHAIRMAN: Any further questions on Page 21? Page 21--pass. Page 22. Mr. Miller.

MR. MILLER: Mr. Chairman, on Page 22, Financing of School Divisions, this is not a new section, this has appeared before. As I understand it, Mr. Ziprick, what you're questioning here, what you're concerned about is the difference in interest earned between the province and the municipality when they lend out their money - the excess money they have - versus the amount the school boards have to pay and the difference is about half a million dollars, between the lending rate and the borrowing rate. Am I right?

MR. ZIPRICK: Mr. Chairman, that's right, that's one of the elements. But the other element is that there is a distortion of costs. In other words, the school costs get tabbed with interest that really is in effect, in my view, a subsidy to municipalities to some degree and a subsidy to the province's financing to some degree.

MR. MILLER: Well, when you say a subsidy, you mean the moneys earned by the municipality or the province in the fact that they have these funds to lend out on a short-term basis, whether it be 90 days or what have you. So they are earning interest at a higher rate than the school board, which has to borrow 37, or is it . . . I forget, \$78 million. They have to borrow it when in fact that money could be made available to them earlier by the city or by the municipalities or by the province. But of course then the interest earned by the cities or the province would be reduced considerably. So the revenues to the city and the province would drop.

MR. ZIPRICK: Mr. Chairman, the net effect to the taxpayer, we estimate to be about half a million dollars or somewhere in there, but as far as the gain by the municipalities from interest, for money that they are retaining in slow paying to the school divisions, is quite a bit more, and that is of course a revenue that's arrived at purely by regulation, that's a flow of money and not really consistent with the system of paying and as a result, in my view, is a distortion of costs.

MR. MILLER: Mr. Chairman, through you. Perhaps there are two possible answer, one to change the schedule of payment, the other could it be that if the money is known to be for education, payable to the school divisions, even though it is on a date set six months hence or four months hence, that the money should be made available to the school board at the amount owed, plus interest. In other words, any earnings of interest should pass on to the school boards. Would that resolve the problem?

MR. ZIPRICK: Well, if this kind of accounting was established that would take care of the transfer of costs, but it would still not take care of the most efficient method of financing it, in my view. There would still be a substantial cost incurred, financing through the banks in so many school divisions, and the earnings are not likely to be realized to the same extent.

MR. MILLER: When you say there would be costs because of transferring through the banks, if a municipality had its funds, let's say the city of Winnipeg, which because of prepayments in January and other advances, they get considerable funds between January and June and certainly get most of their funds by the end of June, they invest that. They simply then owe the school division the amount that's required plus the interest they've earned. In other words, they don't make any money on the interest earned. Is there really a cost on this? To whom is that cost if the interest is made available to the school board?

MR. ZIPRICK: Mr. Chairman, I just don't follow why you'd want to do that, in other words if the municipality doesn't retain the interest, why would they want to retain the money? Why wouldn't they turn the money over to the school division to pay the costs for the services that have been incurred, and not invest?

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MR. MILLER: Mr. Chairman, I'm just trying to recollect. Not every municipality I suspect is in the same position at the same time to make advances. Some collect their moneys early, others don't collect it perhaps until October. So you have that discrepancy as between municipalities. Even the province has certain peak periods when the money flows in. So I am wondering whether a standard procedure could be developed recognizing that municipalities have different cash flow periods, or the inflow of money to the municipal coffers, if they're not all at the same time. Therefore I am not sure how a regulation would cover everybody because regulations tend to cover everybody equally. Because what you're saying is that the schedule should be altered in such a way so that the school divisions will get their money on time to meet their needs which is September to June, irrespective when the year end is for the municipality or when their money comes in from their property taxes. Is it possible to set up this kind of pay system, when the inflow of money varies as between municipalities?

MR. ZIPRICK: Mr. Chairman, I have reviewed the municipal cash flow as closely as I could on the basis of the information that's available. Now the city of Winnipeg gets - the cut-off date is June 30th; after that there is penalties - by and large, as you've mentioned, gets most of its money by June 30th. I think there is maybe the city of Brandon, I am not sure whether they are June 30th, but the rural municipalities particularly are all October 31st, and they basically get most of their money by October 31st, then penalties flow.

Now the way the schedule is drawn up presently the first payment from the municipalities is July 31st, 20 percent, so some of the municipalities have to find some money one way or another although on reviewing their financial statements from what I can see, most of them do not have any difficulty because they still carry investments in the revenue account in Government of Canada bonds and they are there from year to year, so there would only be an isolated municipality that would have any difficulty. But anyway, end of July payment and the end of September payment the rural municipalities . . . their cut-off date has not arrived yet, where the city of Winnipeg's has. Then at October 31st, their cut-off date has arrived, that's when they have received their money, then the next payment is November 30th. And then the last payment, 40 percent, is not until January 31st. Yet at December 31st, after deducting the provision for uncollected taxes in total, there is only about 2 percent of the taxes that are uncollected at that particular point. So that taking a look at the detail, there could be an odd municipality that there seems to be some difficulty in cash collections but there are not very many.

MR. MILLER: You're saying that the first payment of 20 percent July 31st, the money is really there because even though their date for final payment of taxes is not until October 30th in rural Manitoba, so you're feeling is the money is there in any case. I suppose the money is there because they have collected their taxes the preceding October, they've had to pay out 20 percent November 30th, 40 percent January 31st, so they still have money left over from the preceding year which they have invested. Well, are you suggesting or do you feel that the way to do it perhaps would be to have different dates for rural versus, let's say, Winnipeg or Brandon? Would that be one of the ways to do it?

MR. ZIPRICK: Mr. Chairman, that could be one of the ways or you could go on even six or seven months payment starting at July 31st, I agree that to advance the date for municipalities before July 31st could impose some hardships, and by not going up to the end of January would improve the situation. And then of course the Foundation grants are paid to the province, 60 percent of the municipal portion of the Foundation grant is paid by September 15th, and then the remaining 40 percent is not paid until March 15th. Now the Public School Finance Board in the meantime make payments on a different schedule to the school divisions and then the amount of the interest charge is also passed on to the school divisions through a charge to the Finance Board. So there is the two elements from the municipality. Then the province is in arrears, well, the estimate this year is that the interest will run about \$9 million and over a third of that will be applicable to the province's cash flow which would be in excess of \$3 million.

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MR. MILLER: All right, but I want to keep the two separate; the provincial and the municipal. The January 31st is the final payments by the municipalities, but you have quite a stretch there, you've got from February to July 31st, which is what? Six months. Six months, where the school divisions still are operating and still have a monthly payroll to meet and other costs to meet. By that time the final payment is made January 31st, the first payment for the new year is not till July 31st, so you have a six-month period where the school boards are strapped for funds. That's really where it's at, it is in that six-month period.

MR. ZIPRICK: Mr. Chairman, the Public School Finance Board, the foundation levy, they start paying around the 25th of April, the first payment, and that's . . .

MR. MILLER: The Foundation grant, you mean?

MR. ZIPRICK: Yes. And that's 20 percent of the spring term costs that are established for the Foundation grant, so that the school divisions would get their first cash flow some time in April so they'd have to operate from January to, I think around the 25th of April is when the cheques go out from the school divisions.

MR. MILLER: Well, you know, this is something that has to be resolved one way or another, simply, if nothing else, to get this out of this book - I'm now talking to the Minister of Finance so that we're not faced with it annually. I am wondering whether perhaps the province shouldn't consider establishing a monthly cash flow to the school divisions. You see, with the school divisions, their fiscal year is January to December which doesn't fit in with the provincial fiscal year. I am wondering, however, if the province could undertake or could consider increasing its flow of funds to the school boards rather than the first cash flow which is sometimes in April, and the balance of the previous year, March 15, whether they couldn't start making payments in January, because I can see the critical months of the school board are February, March, April, May, June, where there's nothing coming in from municipalities, or very little. There is just the beginning of the Foundation grants coming from the province because I think you indicated that 60 percent of the Foundation grant was paid by September 15. It's well into the fiscal year of the school board. It may be the beginning of the school term but it's well into their fiscal year.

So I'm wondering whether the province couldn't consider paying bi-monthly or even monthly to the school board, rather than after the fact, making advances. Because I know right now they wait for the school boards to set their budgets and then they proceed to wait for the municipalities to set their budgets, establish the mill rate. I'm wondering whether the province couldn't start treating the school division in a somewhat different way and send them advances based on a pretty good idea - certainly not on the previous year's requirements - and then adjusting after June or sometimes in July, so that at least the provincial moneys would come in on time.

As far as the municipalities are concerned, is it possible to set up the percentages paid? In other words, instead of 40 percent January 31, make the 40 percent in September or November so that you're increasing the amount of the cash flow. Because as it is now, the highest percentage is paid January 31, which is for the previous year, the previous year is really finished.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, we've had some discussions with Mr. Ziprick on this matter and we are intending to take some action on those parts of it that we can with regard to the province's cash flow. That part, I think, we can probably alleviate part of the problem.

The other is, causing the municipalities to advance money earlier to the school boards and that involves some discussions with the municipal people in order to try and bring about some solution to that. We've had some discussions in this regard actually about a year ago and I think we probably can see some possibility of bringing about some relief of the problem.

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Advancing the payments earlier than April means shifting fiscal years for the province if you move it ahead to January, February, March, and means shifting the payments, out of the fiscal year, currently would be 1980-81, you'd have to shift back to 1979-80. Now I think maybe at one point in history that was done; January, February, March, there were payments out of that fiscal year and they kept sliding backwards until they got bulked up in April. To move backwards means always shifting back in the other direction, so there's kind of three parts to the problem.

And the case of the regular advance under the Foundation Program, I think we can look after that one directly because it's a direct responsibility. But we appreciate the point that's been made on a number of occasions by the Auditor and of course by the school divisions and hopefully by a year from now that we've solved part of the problem anyway and perhaps we can look forward to a different comment.

MR. MILLER: All right. I'm pleased that the Minister is going to try to resolve this in the way he's mentioned. But in addition to that, earlier on I indicated that perhaps neither the province nor the city should benefit interest-wise through the ability of loaning out moneys which properly are earmarked for the school divisions. If that incentive was removed, in other words, if any interest earned had to pass on to the school board, I suspect that somehow the municipalities would pay on time because there would be no incentive to hang onto the money and earn a few extra dollars by lending out their moneys on short-term basis.

And with interest rates being what they are, I can see that councils and the province are reluctant to part with any moneys on which they're earning 14 percent. If that incentive was removed and any interest earned on moneys owing to the school divisions, or properly belongs to school divisions, had in fact to be paid to the school divisions - they're acting as bankers for the school divisions and passing the interest on to them - it would eliminate a lot of the inducement to delay payments to the very last hour. I recall they used to, literally on the hour, they'd come in just noon on that day or an hour before the bank would close to give the cheque for \$100,000 because withdrawing it earlier meant the loss of a few percent, and you're dealing with, as you indicate, very large sums of money. So I'm wondering if the Minister would consider that as well, requiring the province and the municipal councils to pass on any interest rates earned on the moneys earmarked for the school boards.

MR. ZIPRICK: Mr. Chairman, I'd just like to indicate - I didn't before - that there has been discussions on this fairly recently, I've been involved and I notice that there are serious attempts to correct this, at least substantially alleviate the situation.

MR. MILLER: Pass on the comments for what they're worth . . .

MR. CHAIRMAN: Any further questions on Page 22?

MR. CRAIK: Can I advise the municipalities of your comments?

MR. MILLER: Sure, by all means. No, I don't hide behind those things. They're not going to like it, so . . .

MR. CHAIRMAN: Page 22--pass; Page 23. Mr. Miller.

MR. MILLER: With regard to the Post-Secondary Education shared-cost claims, I notice in the first paragraph that there was an amount receivable from Canada, with respect to claims under the agreement - that was the agreement that ended in 1977 - and is between 15 and 20 at the time the report was made. Has that been finalized yet? Because apparently there's some dispute - or not dispute so much, I suppose a difference of opinion - as to what is owed.

MR. ZIPRICK: Mr. Chairman, I haven't checked it fairly recently, but to my knowledge it's not completely finalized as yet. The calculation, as I note in

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there, is quite involved because it takes in the whole of Canada, so some of the finalization is not necessarily within the control of the province of Manitoba.

MR. MILLER: I see. All right. In the next paragraph I notice that in the 1978-79 fiscal year there were payments made of \$9.1 million with respect to two earlier years, 1974-75 and 1975-76. And there was, as well, the year 1976-77 amounting to about \$10.8 million and an advance payment of 8 million has been received. But I notice that later on in the paragraph you indicate that an amount of 11.4 million was established and included in the amount receivable for revenue to be shown in years, 1978-79. Am I right in that? Is that the way it's been done?

MR. ZIPRICK: Mr. Chairman, no, I think that this 11.4 million is an estimate for the total amount that's anticipated to be received in the finalization. See, this agreement, as indicated in the first paragraph now expired March 31, 1977. So that 1977 claim is the last claim and this 11.4 is the estimated recovery for this entire program when it all gets finalized.

MR. MILLER: You mean 11.4 is estimated to include that 15 or 20 million reflected in the first paragraph?

MR. ZIPRICK: Yes, that includes the first paragraph and there's been some more payments made, but I don't think that the whole thing has been completely finalized as yet.

MR. MILLER: Yes, all right. Approximately 15-20 million was estimated for the year ending March 31, 1977, and you say the 11.4 million, which you're showing in this fiscal year, 1978-79, includes or covers off that 15-20 million?

MR. ZIPRICK: Yes, Mr. Chairman, that 15 to 20 million was a rough estimate before that was being considered. Now it's been refined to 11.8 million to be the estimate of the total recoveries when this program gets concluded.

MR. MILLER: What I find strange, is in the same section, one paragraph over another, in one case you say that it's somewhere between 15 and 20 million dollars for the year ending March 31, 1977; and in the very next paragraph, you indicate an amount of 11.4 has been established. So that the first paragraph is really way off in its estimate when you say 15 to 20, when it's only 11.4.

MR. ZIPRICK: Mr. Chairman, there was 9.1 million that came in during the year. Now, maybe we could have expressed it a little better, but this is a continuation from what was said last year, and last year this is what was estimated for this total program. Now for the 1977, there was 9.1 million came in and it brings it down to this remaining estimate now.

MR. MILLER: I see. With the payment of 11.4, will that be all the moneys that are then expected to the date of the termination of the post-secondary agreement?

MR. ZIPRICK: Mr. Chairman, to the best of the knowledge at that particular time, that's what was anticipated would be received. Now it could be a little more or could be a little less, when all these final calculations come in, but on the best information available at that particular time, that's what was expected to be received to finalize that program.

MR. MILLER: That would come in in 1980-81, I assume.

MR. ZIPRICK: Some of it may have come in in 1980 . . . see we're dealing with March 31, 1979 fiscal year. Some payments may have come in 1980 and the remainder will come in - I imagine it will be cleaned up in 1980-81.

MR. MILLER: I see. Okay.

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MR. CHAIRMAN: Are there any further questions on Page 23? 23--pass; Page 24. Mr. Miller.

MR. MILLER: Yes I take it from these comments, because this is a year old now, that the financial information system has been developing. Can you indicate now, Mr. Ziprick, whether since this report was written that, firstly, that the department is on target for 1980-81, that they will in fact move as you indicate here, and that they are meeting the timetables they've established and that you've established?

MR. ZIPRICK: Mr. Chairman, as far as the overall assessment, at this point in time, the review of the total requirements has been made and has been established. There's progress being made in various areas. With regard to the establishing of an accounting system there is, effective the first of April of this year, an accounting system going in which will put the general ledger and other phases of accounting on computer. The Department of Finance could probably be more specific on where this thing stands now.

MR. MILLER: Okay, I'll ask the Department of Finance, are you . . . Mr. Curtis, is the timetable in order?

MR. CRAIK: Mr. Chairman, the program is on time and proceeding quite well; it was one of the major moves that was made by the government and we've been quite satisfied with the progress to date. We had some change-up required, our comptroller was very much involved in the organization of bringing this in, and there was been a change there. Having lost Mr. Anderson, who moved over to the Credit Union . . .

MR. MILLER: When did that happen?

MR. CRAIK: About four months ago - two or three months ago, so there has been a change up there, but it's coming along quite well and we're quite satisfied with it.

MR. MILLER: All right. I notice here where No. 1, it says "Departmental Estimates: The 1980-81 Departmental Estimates will include quantified inputs and outputs. These documents should be refined and made available to the Legislature to display not in the dollar amounts but the particulars of the quantified inputs and outputs." Are you saying, Mr. Ziprick, that it was intended that for 1980-81, the present Estimates we're now dealing with, that we would get more than the typical legislative Estimates that have always been put forward in the House?

MR. ZIPRICK: Mr. Chairman, there was an objectives review program carried out and when this was undertaken that was the understanding that some of these quantified objectives would be included; but the objectives review program didn't materialize as clear-cut as was anticipated, and I think that, as a result, they were not included this year.

MR. MILLER: Okay. Then I ask the Minister of Finance, you were saying a minute ago that things are on target. Was this part of your target to have the departmental estimates put forward in the manner proposed by Mr. Ziprick?

MR. CRAIK: No, Mr. Chairman, we haven't adopted that particular aspect as a target. Mr. Miller will recall, over the years, for the last eight or nine years, we've wrestled with different options, I think in the early 1970s we looked at some various options for presentation of Estimates to present things in a different manner. I think we did a sample department, perhaps, or the former government did a sample department in that regard.

MR. MILLER: There were two departments . . .

MR. CRAIK: We seem to keep coming back to the present things in a different manner and I think we did a sample department, perhaps, or the former

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government did a sample department. We seem to keep coming back to the traditional method. At this point we haven't adopted a target along the lines advocated by the Provincial Auditor; although I appreciate his point in his recommendation, we have not yet in terms of setting forth the estimates gone to that recommendation.

MR. MILLER: I believe it was 1972, maybe 1971, but 1971-1972, in that period, I believe at that time an attempt was made to introduce a new format, more detail and so on, and I believe there were two departments tried. As I recall, I wasn't in the Department of Finance at the time, but I recall there was a feeling of disappointment that the Legislature didn't pick it up and sort of run with it, that they stuck with the old format, maybe because that's what they were used to. It takes time to teach an old dog new tricks. You want comparisons with year over year and there weren't any in this case. So I am wondering whether it is the intention of the government for next year to perhaps try that sort of format, a more detailed format for all the departments and simply change the system entirely, or maybe even experiment with perhaps half a dozen to see whether they can't start weaning us away from the old legislative estimates.

MR. CRAIK: I think as the internal systems develop as a result of this we can probably then move on to looking at gearing it into presentation of more, different information to the Legislature. That could still be a possibility as this develops.

MR. MILLER: I take it, Mr. Chairman, through you to the Minister, that he is not committing himself to doing this but will consider the possibility of this kind of departmental estimate.

MR. CRAIK: I guess at this point it's more or less been an approach of walking before we ran to develop the internal information systems and then we can look at different methods of presentation of the information for the Legislature as well. Keeping in mind the efforts that we have made in the past to look at different systems and the fact that we keep reverting back always to this fairly simplified presentation that we currently have even though it may be considered to be lacking in written information, the estimates process now is a pretty long and detailed process that we do go through.

MR. ZIPRICK: Mr. Chairman, in my suggestions here I'd like to just point out that I make the observation that the present estimates, in summary form, I think are good and should really remain that way because if you load up the estimates with all this other information, and without having a good summary to work from, then it does become very unwieldy. What I have been suggesting is that each department have a backup to the estimates that would show some of the information in staff man years and other kinds of information that are, by and large, read into the Hansard one way or another through the floor of the committee room. This I think could make it much more effective, in that it would be possible to study the implications of all these various changes, then it would preclude all this necessity for asking all these questions and placing all the staff man years on the record through these kind of questions. I would agree that the very complex kind of an estimate that's going to be voted could create all kinds of problems. What I'm suggesting is that the present estimates and what are being voted have a summary to them of what the programs are and in my view are quite adequate, but what I've just mentioned there should be this backup which would provide all this other information that would be readily available. That doesn't necessarily all have to be placed at the same time, as each department comes in their particular details could be submitted for consideration and then that could be compared with their annual report on their performance accountability afterwards.

MR. MILLER: That's what I gathered this meant, because that's what I think we tried to do in 1971-72. The regular estimates book was still there, the synopsis, in a sense, of every department, but that two departments had an additional booklet. Was that not the way it worked? --(Interjection)-- I see. You're saying therefore, that the present legislative estimates that are tabled should continue to be tabled because they are a synopsis of the accounts, of the spending

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estimates, but that the annual reports or the annual estimates of the department itself, showing the nitty gritty which I think you are correct in saying is elicited during the committee meeting. In any case, what is this program for? How many people are in it? How is it doing? Etc., etc. This type of information could be part of what you call departmental annual reports. I notice here it says "they should be co-ordinated with the estimates and public accounts". You are saying here that not only should they be made available to members in committee, so that perhaps the estimates committee could move a little smoother than it does, and a lot of the information that is sought by opposition members would be made available through the accounts themselves, but you are suggesting that also public accounts have access to them in conjunction with the estimates review. Do I read this right?

MR. ZIPRICK: No, Mr. Chairman, what I am suggesting is that the estimates in summary form, and then of course in Public Accounts, the summary form is compared. Then there is all this backup information that should be submitted in an organized manner as being what's expected to be accomplished with the money that's being voted by the department, then to get a complete cycle of accountability this should be compared with the actual expenditures. Now in the Public Accounts there is only so much detail, whereas in the departmental report there is much more detail and this is where I think that substantial comparisons of this more detailed performance should be made and the differences as to how things went, what was accomplished, should be explained. I don't know just how the Legislature find the departmental reports, but when I look at them by and large they emphasize the accomplishments, where there are problems they are very seldom referred to, so I think they'd be a much more balanced kind of document and provide a complete cycle of accountability if you have the departmental backup and then that backup in accountability displayed of actual performance in the departments annual report. Because if you are going to go beyond the summaries in the Public Accounts, you'd have a great big book of public accounts. There again you would get so much detail that you would not have a pyramid to start from summary form and work down, so that in order to be able to do this, the Public Accounts, of necessity, if they are going to be reasonable at all, cannot go into all these things, but the departmental report certainly could because they are, in my view, for that purpose, to indicate just what the department's objectives were and what they had accomplished and what difficulties they had encountered during the year in not being able to accomplish what was expected.

MR. MILLER: Mr. Chairman, then what Mr. Ziprick is saying is quite different from the kind of annual reports we get. You're, in a sense, if I hear you correctly, you're somewhat critical of the annual reports which have been traditionally tabled in the House, which are issued by the department and of course paint a rosy picture of the great accomplishments, sort of looking back on the year and highlighting the successes; the failures are probably ignored. I can't see a Deputy Minister approving a report which criticizes the department. So I'm not sure really how the annual report will . . . because we do get annual reports. Now sometimes, this year I believe, one of the annual reports came in after the estimates of that department had been passed, unfortunately, so there was no way to look back at the previous year.

But normally the report comes in and the committee dealing with estimates has the annual report. But my own experience is that the annual report doesn't really give you the kind of backup information or background, which you indicate should be available to committee, or to Public Accounts. So are you not in this sense, although you don't say it, are you not being critical of the format of the annual report and perhaps the self-serving approach that's being taken by departments in issuing the annual report. Are you not being critical without saying so?

MR. ZIPRICK: Well, I look at it this way. The annual report is presented to the Legislature; I'm not sure just what role it plays and how useful it is to the Legislature. I don't want to criticize that part. But the part that we try to use it for and establish how performance had gone and where the differences had been and that, we don't find it too useful, just for the reason that you've said.

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I have access to the information and we can go and find the information otherwise, but the annual report for us has only a limited use.

MR. MILLER: Okay, I am pleased that you said it so openly because frankly, the annual reports, my experience is that they are really not of much value. They are a retrospective view for one thing, they emphasize the successes and ignore the failures, if there are any failures. The failures, if they're found, are found during the estimates review itself. So in a sense, are you saying, Mr. Ziprick, that the annual report should be different in format and different in content and different in approach, more an evaluation of objectives and a measurement of some kind, the successes of the previous year?

MR. ZIPRICK: Mr. Chairman, if there is going to be a complete cycle of accountability, that's what is necessary. Now whether it's in an annual report or in an expanded form of Public Accounts, but I would think that if the annual report, it costs quite a bit to make it up and that, and if it's going to serve the purpose, at least that we would feel it should serve, it should be a balanced document that displays the accountability of the department for the money that's been made available to them. It should be in a balanced form that explains the variances, both the good side and the bad side and whatever reasons that these difficulties had taken place. Most of the time we don't find that these are mismanagements, there are odd times that these are mismanagements, but most of the time there are things that arise because of changed circumstances or very explainable kind of situations. I think that this is the way that you really get accountability is when you disclose both the positive side and the difficult side where some programs you run into difficulty of administration for one reason or another.

MR. MILLER: I'm wondering, Mr. Chairman, because I can see that this again will be a paragraph that may appear from now till doomsday, and in order to resolve it, I'm wondering whether Mr. Ziprick perhaps couldn't undertake to examine one or two annual reports and give a critique of how he thinks it might be presented, because he has the ability to go back to the department and check, look at the . . . in a much easier way than any member of the Legislature can, look at the actual operations of that department and give us a critique of whether in fact the report does reflect the actual operations; not just the PR aspects of that operation, but the actual guts of the departmental operations. And perhaps doing that, the department might then be encouraged to start using a somewhat different approach to their annual reports, because right now it is a PR job. It's sent out not just to members of the Legislature, it's sent all over Manitoba and perhaps other provinces and they put their best foot forward and try to show their best face, which is quite different from what you think it should be. And I tend to agree that right now they're self-serving. But if the Public Accounts is going to be able to use the annual report, then it can't be the kind of annual reports we have now.

MR. ZIPRICK: Mr. Chairman, I appreciate what you've said but the Department of Finance and the government is now in the process of establishing a much more effective accountability system. This is one element in this accountability; I am not sure just exactly what route they are going to suggest and take, this is one of the routes, there could be others. The reason that I repeated this is because last year, prior years, I think it was somewhere in 1972 that I first made the observation that the accountability system was not very effective, or not effective at all. And I did it in a fairly general way without any particular study. Well, we still have not done any exhaustive study because I, first of all, don't have the manpower to do that kind of thing and I don't consider it as my mandate to line up the systems. But this is something that we could readily observe and could see that some of the present mechanisms could be changed and employed very effectively to accomplish what seems to be needed.

Now as I mentioned, the Department of Finance is in the process of establishing a management information system, an accountability system. They've analyzed the problems, I've taken a look at their analysis, I think that they're right on. We will be observing as to how the detail evolves to bring this about to obtain this

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cycle of accountability whereby you have your estimates and then you come at the conclusion with the actual expenditures that will be compared with the estimates and the variances explained as to why they occurred and the reasons behind them.

MR. MILLER: All right then, I'd ask Mr. Curtis if he is in a position to respond whether the Department of Finance is working with other departments, because it's really the annual reports of the other departments that are important, whether they are working with the other departments to alter their formats, alter their content, alter the PR aspect of the annual report so that it becomes a document which can be used both in the estimates procedure and in the Public Accounts itself, in examining the previous year's operation of the department.

MR. CURTIS: Mr. Chairman, we haven't as yet been working with the departments with their own reports. We're working more with departments in establishing internal management financial systems, the first part of this review being the objectives review which was carried out the first time this past year. We're working towards internal systems which will pinpoint variances over those objectives. I think it would probably be one of the latter steps to request or work with departments for changes in their own reporting system, their own external reports.

MR. MILLER: The external reports.

MR. CURTIS: Yes.

MR. CHAIRMAN: Mr. Parasiuk.

MR. WILSON PARASIUK (Transcona): Thank you. I'm sorry the Minister of Finance isn't here now, and I know that Mr. Anderson was the controller and I know he was very interested in establishing the financial information systems and frankly, I was surprised that he left. I wonder if there is a new controller and who that person is. Is anyone in a position to answer that question?

MR. CHAIRMAN: Mr. Curtis.

MR. CURTIS: Mr. Chairman, there has been no replacement for Mr. Anderson. We anticipate in time that we will fill the position. The functions that Mr. Anderson did carry on for the department have been distributed within the department and I think working reasonably well. It's not an easy task to find someone with the background that Mr. Anderson had developed over the years with the province.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Well, my comment is that his leaving did seem somewhat precipitous then, and since we haven't yet bulletined, as far as I can tell, for a new controller, it would strike me that there is a vacuum that exists within the government in this respect and I guess that's something we will have to take up when we get to the Finance Minister's estimates. I do think it's something that I don't want to get involved in debating with the staff, but I do comment that I think there is some vacuum there and all doesn't appear to be as rosy as in fact is being presented to us right now with respect to the systems. I think there are some very large difficulties in place and that perhaps explains why Mr. Anderson left and why indeed that position hasn't been filled yet.

I would like to comment on Page 24, The Auditor says that the Legislative estimates are now satisfactory. Was there a time when they weren't satisfactory in your estimation? I haven't been involved in these particular reviews that long. No. 2 on Page 24.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Yes, now, and as far as I am concerned, has continued to be satisfactory. Changes were made on a sample basis in two or three instances and

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probably one of the reasons why the changes were found not to be too satisfactory is because they were maybe overloaded with detail, without having the summary. So that it's always been in a summary form for quite a number of years. Now going back to, I don't know, I'd have to go back to some period of time when there was just really one-liners, and there was not even any indication of the program, and as a result it was very condensed, I would say that that's too condensed even in a summary document. But I'm not sure how far it goes back and when that change was made.

MR. PARASIUK: Okay. You see, I'd come across statements in the Auditor's Report which are value judgements, and that's fair enough, I would expect the Auditor to in fact give us his judgements on this. But I find the estimates unsatisfactory even as a summary and there are some contradictions with the estimates summary that we receive right now. You will have a department which possibly has an expenditure of \$1.3 million, taking up the pages in the estimates summary.

And if you look at the Department of Health, for example, specifically - and I don't have the estimates book in front of me but I'm just commenting from memory - I think something like 30 to 34 million dollars, health-oriented expenditures is summarized in two and a half pages and over \$500 million of health expenditures is summarized in five lines. And you have a situation where the Minister of Health will say, "Well, we may be folding the Health Services Commission into the Department of Health because after all the Executive Director of the Health Services Commission really is acting as Deputy Minister," and you'll find that if you look at the estimates book, it wouldn't reflect that at all. And there is that type of confusion that exists.

There are certain large expenditures that are really not even broken down, and it might have happened before, I don't really care. I'm just saying that there are those contradictions in the estimates summary at present. MHRC is another example. I think those create some problems right now and I'm wondering if the Auditor would just comment on the observations I have raised in this connection.

MR. ZIPRICK: Mr. Chairman, I appreciate what Mr. Parasiuk is saying, there are summaries and I think what I am indicating is that it's desirable that there continue to be summaries. Now it's the departmental backup that really would explain what you are really looking for and what I'm really looking for and I continue to make the observation that within the present context of the summarized estimates as they are and that particular public document, it's very difficult to determine as to whether the money was actually spent for what the Legislature had voted for, because the summary is quite general and of necessity it has to be general unless you really get involved in a lot of detail, but I appreciate that this backup would not necessarily constitute law but would certainly be a useful document to indicate what was intended to be accomplished with the money voted.

Now I don't know to what extent you'd have to enlarge the summaries to display the kind of information that I have in mind and I've seen attempted at other places. I've seen an estimate from across the line from one of the states, that the detail backup can be quite effectively put together and can be very very useful and displays very effectively what's transpiring, what changes are taking place in the program and what direction the whole department is moving.

MR. PARASIUK: Has the government given you any reason why they haven't been able to provide these more detailed backups which conceivably could come out in the form of appendices? You know you can have a summary document and you can have your appendices. Presumably, one has to provide a fair amount of information through the decision-making process in order to arrive at the summary in the overall governmental estimates process, which usually takes place towards the end of the calendar year. So that this information does exist. It just hasn't been deemed advisable yet to put it forward in appendice form. Has the government, in fact, ever given you any explanation as to why they haven't put it forward?

MR. ZIPRICK: Mr. Chairman, no, I've had no specific explanation although I know, not just in this jurisdiction, but in other jurisdictions, that that's an area that there's some apprehension as to what may happen when you display so

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fully and so openly all the information. I can appreciate the apprehension. My own feeling is that that apprehension, to the extent that it may exist, is not founded and will prove to be of no validity. I can understand that it's a process that may take some time evolving, but I think it must evolve if there is to be the kind of evaluation and decision review at the legislative level that would normally be expected and as I indicate, what should normally be expected of the Auditor to carry out to determine that the money was actually spent for the purposes they were voted by the Legislature.

MR. PARASIUK: Yes, I can sympathize with what the Auditor is saying. I think that politics ends up being a bit of a hide-and-seek game where the party in power in a sense tries to avoid the embarrassment of being held accountable for problems, and that's part of the adversary system in the Legislature at the same time. We probably don't give sufficient kudos for governments actually achieving some of their objectives if they in fact state them.

I think it's possible right now, and I think that information in fact exists and it exists virtually in exactly the same form that you suggest, Mr. Ziprick. --(Interjection)-- That's right. And I'm asking you if you've ever seen a Minister's estimates book? Each Minister has provided to him by his department a very detailed description - if the department is any good - a very detailed description of everything that you're asking for, Mr. Ziprick. And what you have in the estimates process, be it in this committee room or in the Legislature, is a particular game where the Minister sits there with his estimates book and acts learned - because he's got it all there for him - and the opposition asks supposedly probing questions. I just wanted to ask you if you've ever seen this and why in fact you couldn't recommend that the Minister's estimates book be in fact tabled? In fact, maybe we should require some procedures in the Legislature. I think if one is reading from certain documents, that if one is reading from those documents that they be tabled. And if the Minister then starts reading from his Minister's estimates book, then perhaps that document should be tabled for the rest of the members of the Legislature. Or conversely, if he won't table it, then he shouldn't be allowed to read it in the Legislative Assembly, then that person would have some difficulty, I think, getting through his or her estimates.

MR. ZIPRICK: Mr. Chairman, yes, I am aware of those books. We get copies of them. We use them. That's what makes it possible for us to carry out the audit into any depth.

Now I think that last year, if I remember correctly, I did suggest just exactly what you are now suggesting, that a little bit of dressing up of the Minister's book by taking some of the abbreviations out here and there and dressing it up and making it into a form of document, and that would be a very suitable backup to this. Now, admittedly, it may be not quite far enough in line with what we're talking now and what the Department of Finance are looking at and that is, to have in there output indicators so that you could measure performance on the basis of outputs. There is very limited quantified output indicators in there as yet. But for the most part, those books would go a long way towards . . . And my experience, as a matter of fact, I think two years ago, I made an attempt to study the Hansard in the estimates review and by and large I could see a reproduction of the biggest part of the Minister's book except, that it's in a very disorganized manner and there's no way that we could follow it. So really, rather than working from Hansard, we are working from the actual books themselves.

MR. PARASIUK: This is a follow-up on that. You see, whenever a party is in government, they usually complain that the estimates process is taking too long. I can recall sessions that we've had here or sessions in the Assembly where the government members of the committee have really become somewhat disgruntled with the opposition, saying, "You're taking too long, you're dragging it out too long." They in fact act as if it's the opposition that in fact is causing the estimates process to take some time. If in fact this is some type of elaborate stage show where one in fact goes through the process of trying to find out what exists already, is only known by one side or one-half of the actors in this whole stage, then don't you think the estimates process could be speeded up and be made much more efficient if the material that the Minister has is presented to all

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members of the Legislature? And don't you think then that we could have a much speeded up estimates process and possibly a better discussion of the actual programs, rather than in a sense always fishing and being deflected and fishing again and then being deflected?

MR. ZIPRICK: Well, Mr. Chairman, I think I state that in the last paragraph in that section, and it is where I point out, "As stated in my previous report, appropriate information systems would facilitate the review of the estimates by eliminating the need for recording many of the particulars in Hansard. They would also provide effective accountability to the Legislature and the government, resulting in improved efficiency and economy and effectiveness in government operation and enhanced public confidence."

MR. PARASIUK: Okay. I'm wondering if the Auditor, since he does have some Minister's estimates books from previous years, if in the future to in fact justify these types of statements, that it is possible - and it really only requires will, because I think often people come back with the argument that this might be too expensive, it's too time-consuming, etc., etc. - if the Auditor would be prepared to, next year, or even this year, table some of the past Minister's estimates books so that we could in fact see whether what the Auditor is telling us is in fact true?

MR. ZIPRICK: Mr. Chairman, no, I would not be prepared to do this. I think that . . . I point this out to the committee of a Legislature, and if the system is to be along the lines where the Minister's books will be made available, that should be decided by the Legislature and be part of the system. I don't feel that I want to impose any kind of a system and it's not my duty to impose any kind of a system. Besides, it would probably be not accepted because I don't feel that I should be imposing systems on the Legislature. I'm recommending, and if the Legislature in its wisdom wants to accept them and carry it out, fine. If not, I'll just continue to keep pointing out the problems.

MR. PARASIUK: Well, in view of the fact that the Auditor indicated that he has access to Minister's estimates books, which he finds very useful, which provide information that he is recommending that we all have as members of the Legislature in order to facilitate the estimates process, we do see the amount of time it takes and provide for a better informed discussion on the estimates, is the Minister of Finance prepared to table the past estimates book of the Minister, and if he's prepared to facilitate what remains of the estimates process at present in this current Session, by tabling, for example, the Minister's estimates book for the Department of Education? We're just coming into the Department of Education. It obviously is a large and complex department and probably the estimates process would be greatly facilitated if the Minister of Education tabled the Minister's estimates book. Is the Minister of Finance prepared to undertake to do that?

MR. CHAIRMAN: Mr. Craik?

MR. CRAIK: Well, Mr. Chairman, I think that would be ministerial discretion as to what information the estimates book, or otherwise they may wish to table. It would be an individual choice. The members will probably recognize and, perhaps we should recall though that the estimates process does get into a lot of detail in the examination in the House. I rather like that second suggestion that the Member for Transcona had, of the Minister not bringing in an estimates book. I'd be prepared to attempt that one.

MR. PARASIUK: Yes, I'll just ask individual Ministers then, if it would be their intention - I'd just like to ask the Minister of Finance, if he's prepared to table his Minister's estimates book, when we come to the Department of Finance and when we come to the Department of Energy?

MR. CRAIK: Well, Mr. Chairman, with all the intricate notes, and sketches, and doodles that I have in my estimates book, it would take a translator to find

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out what's in there. So I don't think it would be very helpful to the member for me to make that kind of undertaking.

MR. PARASIUK: I'd be interested in the doodles, but I could appreciate the Minister's comments and then I'll ask him if he would undertake to table the Deputy Minister's estimates book, which is really the carbon copy of the Minister's estimates book, and I know that the Deputy Minister doesn't doodle; he has to be a serious civil servant, he can't undertake frivolous activities like doodling and I'm wondering if the Minister would undertake to table his - I guess he wouldn't.

MR. CRAIK: I think fundamentally, Mr. Chairman, on that question, there's maybe a distinction that has to be drawn between the sort of executive role of government and the legislative role. A lot of the information that may be contained in a Minister's book, perhaps more so in some departments than others, perhaps more so, in the case of Finance than in most departments, the fulfilling of the executive responsibility in government would be opened to serious challenge if that kind of information was simply all tabled, because it often contains information regarding things that are being carried on, on a day-to-day basis, that are administrative that would be of no assistance in either the short or long term, in the public interest. Because you're often carrying on, say, negotiations and you have available internal information on negotiations you're carrying on with other jurisdictions, there's all sorts of things that are contained and such. Really, you would have to classify it as being executive-type information, rather than targets-and-goals-type of information which is what the Legislature, I think, preoccupies itself with.

MR. PARASIUK: Well, I would respectfully differ with the Minister of Finance with respect to his last answer, in that I've seen the Minister's books and they certainly don't contain that type of daily ongoing material that might come through in the form of a few extra sheets that are handed to the Minister.

Secondly, because often the estimates books are prepared for the Minister in advance of the actual date of the estimates being considered in the Legislature; and I would agree with the position taken by the Auditor, in this respect, that the Minister's estimates books would provide a good start in meeting some of the suggestions put forward by the Auditor in his report on Pages 24 and 25. I do think that there is a certain - I wouldn't call it naivety - possibly false expectations - that I think should be clarified with respect to the extent to which you can get very very clear outputs for government activity, especially in a number of areas. Where it's possible, I think it is important to establish outputs; but at the same time I think we should recognize that there are certain areas of a government activity where it isn't that easy to establish outputs, and that doesn't make that category of activity then, sort of a secondary or second class category of activity. I think sometimes when you get caught up with the whole question of accountability, you get carried away with, you know, in a sense, hard programs or hardware programs. You say, yes, you know, here we are but we can - highways, bridge construction, that type of thing is good, clear, hard-type of programming in terms of outputs; and then you have your social service-type of programming, which often doesn't give you that type of clear definition of outputs.

There's a tendency, even in the political process, because the politician thinks that the public is more aware of those hard programs, to accentuate the hard programs and de-accentuate the soft programs. I caution the Auditor in terms of not making that distinction, of not indicating that often very valuable programs, that society thinks are valuable because of their value systems, are difficult to quantify and yet indeed are very important for society. Often it's difficult as well to create outputs of one program against those of another type of program.

You know, we had a debate in the Legislature just a day ago or two days ago about the relative merits of the so-called outputs of a \$5 million flood protection system for Carman versus the merits of the outputs of padding the gymnasiums where we just had a death. How do you make those types of measurements? I think we do run into some difficulty there.

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MR. ZIPRICK: Mr. Chairman, I appreciate what Mr. Parasiuk is saying and whatever is said here is said in the context fully appreciating that this kind of situation exists, and you put in quantified outputs where they're reasonably useful. Other places, you don't look for something that's not useful and would just clutter up and create misinformation. But just the idea of stating that this is a program that is operated on this-and-this basis and the whole motivation of it is this way, without having any quantified relationship, in itself clearly demonstrates just what the objectives of the programs are. I think that the whole thing is put in this light because I fully realize that you cannot over-simplify all these operations and make them into mathematical equations that will facilitate accounting. That's not the idea, the accountability is not accounting; it's a matter of indicating what's expected, what you anticipate in the best possible way, then carry on and see how it's working, and how it's been accomplished.

MR. CHAIRMAN: Mr. Filmon.

MR. GARY FILMON (River Heights): Yes, Mr. Chairman. I have a number of comments to make on remarks by the Auditor and comments made in this Committee.

Specifically, on the matter of the annual reports, I can recognize the concerns of the Auditor and also the Member for Seven Oaks, when he indicates that the reports might be a little more factual, and, not to say they're not factual, but that they don't always show all the information and they tend, perhaps, to ignore some of the warts and the problems that departments have. I think there's a dual role there and I'm a little troubled as to which way it should go. But it seems to me that there's a need for an annual report that is totally positive, upbeat, almost promotional, you might say, because you have to recognize that the distribution is to other governments, to potential investors, to people interested in the province for very positive reasons. I think that there's a need for that, and a report of that nature should still probably be produced by the departments. But if the concern is that we're not giving the Legislature an opportunity to assess the accountability, the financial accountability of the department, then that has to be addressed, I think in some way, by a revision to the estimates process. That ties in with the second comment that has been discussed here and that is, whether or not the information that's currently being provided through the estimates process gives an opportunity for each member of the Legislature to assess how we're doing.

It seems to me, that in business, what is done is that you look at this year's budget versus last year's figures and last year's budget, and then you know whether or not you budgeted properly last year and whether or not you met your objectives financially. By looking at last year's budget and last year's actual figures - mind you, we do have a problem, don't we, we don't have last year's figures by the time we're looking at this year's estimates. So there has to be some reconciliation to that, but those are the kinds of things that you want to look at.

I'm amused by the reference to the game-playing in the estimates process, and I think that taking away the Minister's estimates book would be another game that we'd play and wouldn't solve the problem. If the objective is to make the best decision possible through the estimates process, then I think you have to give the people who are making that decision the most information you possibly can, the most useful information you possibly can. I can recognize the Minister's concern in getting into the executive responsibility and role in providing his whole book. But we went through a somewhat similar situation on city council, where the chairman of the committee had a 600-page book and, particularly in Works and Operations where you're dealing with two-thirds of the manpower of the city and 60 percent of its budget every year. You get into all the details of the man hours, the staff man hours of involvement, the materials component, the equipment rentals, the overhead factors and all those things that you had that weren't in the estimates, and there was a great urging for that. Quite frankly, I was only too happy to try and comply, and over a period of a couple of years, we did bring that in. Now, we didn't have all of the so-called executive information which may be slightly philosophical and more set out into statements of objectives and what the intentions of the programs were, but we could get down to the staff man years and the components that went into all those.

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It's interesting though, that it didn't necessarily result, in my view, in better decision-making, because then what tended to happen was that people got mired into the details of arguing whether or not you needed 10 new shovels this year or whether you'd make do with 5; or whether or not you could get an extra out of that IBM Selectric typewriter in that department or whether you had to renew it. It seems that the more details you give, the more some people are wanting to zero in on details and argue those kinds of small policies and ignore the overall policy decision, such as whether you went into a maintenance management program that capitalized the value of maintenance expenditures on roadways versus going into renewals, reconstructions, or those kinds of things; or whether you got into evaluation costs and benefits of your snow removal programs, and all those things. You ignored them and you zeroed in on the details.

I am suggesting that it's not exactly going to solve all of the problems of the estimates' process in the Legislature to go into more details, but I, for one, can see that in working together, perhaps the Deputy Minister in the department, the Minister, and the Auditor can bring you more of the detail out of the Minister's estimates that may help you to avoid having to grope for questions, but be able to zero in directly on your questions, but I can assure you it won't shorten the process. You're not going to get the estimates through in a lesser period of time. You're going to find that you spend so much time on the details to get through the estimates that you tend to lump everything together into one decision and "bang", you spend 90 percent of the time on meaningless detail and 10 percent on the really important policy decisions and you whip those through without even giving them their due considerations.

There are problems, but I can certainly suggest to you that the way to solve the problem is to make the information available and whether or not the members of the Legislature make use of that information in considering the estimates is certainly up to them.

MR. CHAIRMAN: Mr. Hanuschak.

MR. HANUSCHAK: Mr. Chairman, I'm wondering whether the Auditor has any comment to express on the merits or the advisability of having a common fiscal year end for all departments and agencies of government, which by statute must file a report, because I am sure that the Auditor is aware of the fact that the fiscal year periods vary from agency to agency. I would suspect that the majority do end their fiscal year on March 31, but there are a number of exceptions to that. There are some that operate on a calendar-year basis.

The Department of Education, for example, and I am well aware of the rationale for that, I am sure there is some justification for it, it tables its report on the year ending June 30, I believe. In a case such as that, I feel it does create a bit of a problem because even though it does report the activities of that particular agency or branch or department for a 12-month period, but there's an overlap of whatever funds may have been appropriated to that particular branch. What I mean by that, if I may use the Department of Education as an example, I would suspect that the next Department of Education report that we receive, which I don't think has been tabled yet in the House, but it will be the one for the year ending June 30, 1979. Now that will cover a portion, nine months of that year will be out of the appropriation which has been audited and which is referred to in the Auditor's Report and Public Accounts presently before us, but it will also include a 3-month period which has not yet been audited, because there's no way - the fiscal year just ended a week ago.

So my question to the Auditor is, would there be any merit in standardizing the fiscal year for all departments and agencies of government that the Legislature must review in order to get a handle on government's expenditures?

MR. ZIPRICK: Mr. Chairman, all the departments are now financially on fiscal year March 31. All the large Crown agencies are on the fiscal year-end March 31. The December year-end is used municipally and the school divisions end the fiscal year, that's why the public school finance board has it's fiscal year end in December.

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Now I am not in a position to comment as to whether it would be desirable to have municipalities and school divisions change their fiscal years, but as far as government agencies, where the impact on the government in any consequence, all their fiscal year-ends are March. Now for example, the Manitoba Forestry Resources fiscal year-end is the end of September. Now it's a corporation that's in the business of pulp and paper and its fiscal year in March makes it very difficult to check inventories that are out, and so the more desirable period is September in the fall when it is possible to do a good cut-off, but essentially it's operating outside the government and the only thing that it does receive is an advance which can be readily accountable to the government within the government's fiscal year.

So as far as I am concerned, basically all the various larger agencies are now with fiscal year March 31. The only other things, there are the pension funds, and the pension funds are December because they're tied up with the salary reporting systems to the federal government and the earnings, and that facilitates the overall provincial-federal reporting of pensions. If they were March 31, and I think at one time the Civil Service Superannuation Fund was March 31, but it shifted from March 31 to December just to facilitate this other requirement.

MR. CHAIRMAN: Mr. Blake.

MR. DAVID BLAKE (Minnedosa): Mr. Chairman, I just want to make one or two comments in relation to the Member for Transcona's remarks on the estimate book. I think that the Member for River Heights kind of probably hit on the solution to speeding up the estimates when he mentioned cutting down the number of shovels, I think that would probably speed it up more than anything. But I think the more detail you provide, the more opportunity for maybe nitpicking and smaller arguments that you get into. I think there was an example when the government changed, that in the first year of estimates, the opposition were armed with all the previous estimate books and the previous program books, which provided them with a great deal more detail than they might have now, and I don't think it really added that much to the discussion and the estimate process in that particular year. While it may be beneficial to get a little more detailed information, I don't really think it would speed up the process of the estimates that much.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, you know we have to separate the annual report from the kind of information that I think Mr. Ziprick is talking about. The annual report and I agree with Mr. Filmon, who agreed with me, that it is an upbeat document and it's a PR document sent not only to the members of the Legislature but to the public generally, and I wouldn't want to deprive them of that particular instrument. But I think that the point Mr. Ziprick makes is with regard to having information available to members of the Legislature when they are reviewing the estimates, because what we are basically dealing with are a few short words, particularly in Health for example, see four lines cover \$5 or \$6 million, not as a lump sum payment but made up in bits and pieces totalling \$5 or \$6 million.

Mr. Blake says it didn't speed up the estimates in 1978, because we had our House books from the previous year. I say to Mr. Blake that if in fact the information was available to the House it would have shortened the estimates, because what was happening was that former ministers with House books were going back to their old House books and trying to get answers from the Minister, which would compare to their old House book, and since that wasn't available in the printed estimates, an attempt was made to check off almost line by line, but doing it the hard way - How much is the Minister going to give to this organization? How much is the Minister going to give to that organization? What about the other organizations? Why is there a drop here? - after the information comes out and it was a long arduous nitpicking process, I agree with him. But if on the other hand, we had the information year over year, if this year it had been introduced then we wouldn't have it this year yet, but for next year we could look back on the old one and see that there has been a change in the programs, there has been a change in emphasis of programs, there has been a change in the flow of grants, either they have been frozen or reduced or eliminated or increased, we'd have that.

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Right now we have to stumble on it. We have to ask the right question. It's not - and I can't fault the Minister - nobody asks him, he doesn't say it. You know, you didn't ask me, I didn't tell you.

I think what Mr. Ziprick is suggesting is that kind of information should be available in the House as an appendix to the printed estimates themselves. He's not suggesting an estimate book of this size or legislative estimates of this size. I think it would facilitate the work of the Legislature, I think it would speed it up.

The point Mr. Filmon makes on the number of shovels, there is a danger of that and you can go too far on this sort of thing and I suppose there are some people, I don't care how many shovels, frankly, they ever used and I am not the kind to ask that kind of question, but there are people who maybe would like to know this kind of information. I am suggesting they ask it now anyways. Only now they are dragging it out bit by bit, and that is what takes time. You get a member who has a particular penchant for detail, that kind of gory detail that I am talking about, he's going to ask it anyway. The only think is that it's going to take time, it slows down the entire mechanism, it turns a lot of people off, I think it turns the Minister off too, it turns the questioner off, it doesn't make for an easy flow within the estimates procedure itself.

So I would urge the Minister and the government to consider seriously, not necessarily tabling the House book that the Minister uses, but the kind of information whereby by looking here at this new book and last year's book, a member can say there is a change, there's a change in emphasis, instead of either stumbling on it through estimates or asking enough questions so eventually that information comes through.

Mr. Ziprick indicated that he read through Hansard a couple of years ago and lo and behold it was pretty well all there, and that is the year you were talking about, but it came out in bits and pieces and it came over days and weeks. Mr. Filmon wasn't here, but you were, Dave. So it was all there and I suggested if we had this information it would move a lot faster, in a much more constructive way and there would be far greater accountability to the public and to the Legislature generally, as to the actual direction the government is taking. It isn't just dollar accountability, you vote two million, did they spend two million and one, or did they spend \$1.00 less than two million? It isn't just that sort of dollar accountability, which is an accounting accountability. No one ever suggested that there is any misappropriation of funds or anything of that nature, I am not concerned about that. It is the accountability of the program itself.

I recall in the last year and the year before, to my surprise, comparing the right-hand column was less than the left-hand column, and after considerable discussion back and forth, back and forth, with my levelling charges, the Minister responding, it turned out that the previous year had been underspent by a considerable amount, which accounted for why there has been no increase this year. Now, if I had known that I could have saved an hour of my time and one hour of the Minister's time and zeroed in on how come there was an over-expenditure, and that is the end of the discussion.

But that isn't available to us, so we have to sort of hunt, fish, prod, hope, and I guess, you know, being human the Minister's back gets up, and he says it is enough already, and recovers a little as the hour gets later, 11:00 o'clock, 11:30, everybody gets a little cantankerous, and the information just isn't available, which makes both sides of the House dig their feet in.

MR. CHAIRMAN: Mr. Blake on a point of order.

MR. BLAKE: . . . if this information were available, would you then be prepared to go back to the limitation of hours of debate on the estimates. Is this what you are thinking, if that information were available to cut down the time then you would . . .

MR. MILLER: Mr. Chairman, in response to that, I can speak only for myself. I would be willing to entertain it, yes. I would be willing to entertain it, if in fact we had this year, next year, we had a couple of years, at that point in time I suspect, my own guess would be it would move faster. We would deal with policies rather than with numbers as we are now, half a staff man year,

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quarter of a staff man year, I mean it is nonsense. We deal more with programs and policies and accountability in that respect, and at that point I personally, myself, would seriously consider saying, okay, there are so many hours, that is what we deal with, but the information is here, you don't have to spend three days just getting the information from which you then launch your criticism or whatever it is.

So I would urge the government to seriously consider looking at this, it is a little late for this Session perhaps, although not entirely. I think maybe some of the departments that we haven't dealt with, that information might be compiled and given to the opposition, and we can see how it works. But certainly for next year that could be introduced as a matter of policy and I tell you I think the government would look good if it did that. I have to be very honest and tell you that, I think it would improve the Legislative proceedings, I think therefore it would look better to the public and we have to be concerned how the public views the operations of the Legislature.

MR. CHAIRMAN: Any further questions on Page 24? Page 24--pass; Page 25.

MR. MILLER: We just talked about that.

MR. CHAIRMAN: Page 25--pass; Page 26 - Mr. Miller.

MR. MILLER: Mr. Chairman, the very last line, "It should be in place by March 31st, 1980, is it in fact in place?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Which page?

MR. MILLER: Page 26, the very last line. I don't want to read the . . . it should be in place by March 31st, 1980.

MR. ZIPRICK: Mr. Chairman, yes observations are being methodically monitored and followed up.

MR. CHAIRMAN: Any further questions on page 26? Page 26--pass. Page 27. Mr. Miller.

MR. MILLER: On page 27, the computerization of the general ledger and the revenue, is that on track?

MR. ZIPRICK: Mr. Chairman, I referred to that previously and that's one of the items that's gone into effect commencing with April 1st, 1980.

MR. MILLER: So it has met the April 1st target? Fine.

MR. CHAIRMAN: Any further questions on page 27? Page 27--pass; Page 28--pass; Page 29--pass; Page 30--pass; Page 31. Mr. Parasiuk.

MR. PARASIUK: At the bottom of the page and over on to page 32, we have the Manitoba Development Corporation, we have Flyer Industries, we have the --(Interjection)-- Let me deal with this one first because at this particular stage we've just lost the senior management of Flyer Industries. We have a very severe statement here by the Auditor. You are saying that the financial management of the Corporation is now substantially out of control when this is taking place, when we have a situation whereby Flyer Industries really should be doing very well because of the decreased value of the Canadian dollar and the fact that the bus orders are very high. In this situation, I'm wondering if the Auditor has kept up with what's happened there and whether in fact he feels that the removal or the termination of the contract of the senior executive officer of Flyer Industries will in fact correct this matter.

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MR. ZIPRICK: Mr. Chairman, at the time we reviewed the situation, the difficulty with regard to the management information system was in a very bad state. We had found it very unsatisfactory the year before and it was in the same condition, if not worse, and because of it, there was no way that we could determine just what the financial situation was with regard to . . . they had large numbers of orders, but not having a costing system, not knowing what the costs would be, there was no way that we could determine what the position would be. The reporting to the board that we found was very superficial and in the first instance the budget that the board approved was to be a profit in excess of \$2 million, well then it was scaled down to half-a-million-dollar loss, and then there was concern that it would be much more, so we were not in a position to assess the situation at all.

We brought all this information to the attention of the government and the government had undertaken to . . . the Department of Finance put their senior people in and there were other senior people involved to evaluate the whole process and correct it. We have been advised that there has been quite a few changes but as a matter of policy, we don't want to work so close that we're working over peoples' shoulders. The government has undertaken to correct it, there is progress being made, the financial statements will be finalized in due course and what the result will be, well, I'm not quite sure at this point. We'll then assess the whole position again to see what action was taken and what this particular deficiency had created.

MR. PARASIUK: Yes, so what you are saying is that despite the fact that the market situation for Flyer buses improved tremendously, despite the fact that we were in a position to really have a profitable undertaking in the sense that the drawback with Flyer was sales, that the management of Flyer did not really know what the marginal cost of an additional bus was and what the marginal return of an additional bus would be. If they had such a poor accounting system, how were they making their bids and were there bids being made on the basis of some system which would project a profit or were they just in a sense bidding without having any base to fall back on when they made their bids?

MR. ZIPRICK: Mr. Chairman, that was one of the main difficulties. As far as we are concerned, they were making bids on estimates of costs and from what we could determine these estimates were proving to be not too reliable and when you're bidding on that basis, sure, you may acquire quite a number of contracts, but it's a question of, will you make money? And I think that the result that was becoming apparent was just indicating that, so that there was two elements. One element was that there was not a realistic costing system to determine just what it does cost per bus, and then bid accordingly, and the other, the operations in themselves we found didn't seem to be organized in a way to produce an efficient result. Now there I don't want to get too involved because we are not experts at that and our observation was just from the point of view that an accountant has expertise and that is the organization of inventory supplies and that sort of thing.

MR. PARASIUK: Well, you know, just to pursue the whole question of accountability here, the way in which this type of corporation operates, is that you do have a board of directors of Flyer, conceivably the staff who are the technical people provide estimates to the board. The board, I thought, had a cross-section of business people on it who understood the type of system that the Member for River Heights was talking about just a few minutes ago, that I think is somewhat understood in the system of both business and public administration, and I would have thought that this board of qualified people would be in a position then to determine whether in fact they were getting good technical material from the technical staff or not. Did you take these matters up with the board?

If I can recall the way you operate, you do take up your problems, or the problems that you raised, with the board, usually with the board chairman; they are seriously discussed and people make adjustments accordingly. The board is apprised of what is going on and should conduct the investigation. The Minister responsible also receives a letter, a copy of the letter that you send to the board. So it's not as if this is happening just within a vacuum then. You have

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the Minister responsible who is involved in this and you have the board, appointed by the Minister, that are responsible and that is who ultimately is accountable, because the staff are in a sense reporting to their board; the board is reporting through the Minister here. Did you have meetings with the board? Did you have meetings with the Minister? Have you had meetings over the course of the year? Because it strikes me that again the action on the part of the present senior executive officer of Flyer is again somewhat precipitous and we're left now with a situation where it would appear that there doesn't seem to be an ongoing management structure for Flyer Industries, yet we do have Flyer with tremendous potential, given the American market, we have it providing potential in terms of jobs, we have it providing potential in terms of employment, in terms of technological developments, and I'm wondering what role the board and the Minister played in this process of accountability.

MR. ZIPRICK: Mr. Chairman, the first time we got involved with Flyer Industries was I think about three years ago when there seemed to be some serious difficulties developing. We had taken a look at the situation in the management information and the reporting to the board and the whole management system was absolutely unsatisfactory. That led to substantial tenders or bids at that time that we felt that were not based on any kind of realistic cost. The whole matter was reviewed at that particular time, the whole situation was to be corrected. The process went into a clean-up situation, to clean up the contracts that were then in existence to avoid any penalties being paid and there were adjustments made, and the then president that was in charge, and I understood that was the responsibility that he undertook, was to clean up the situation, and the matter of the clean-up was brought well into control. It was cleaned up on the basis of the then expectations, but of course substantial losses were incurred.

Well, then there was a new manager had taken over and a board, and the whole operation was revved up again and they went into a sales process. We did not get involved, as I say, looking over their shoulders to see just what the situation was. It was agreed, understood, that it was unsatisfactory before. We were of the opinion that the operations would be carried on in a satisfactory manner.

The point, when we went to take a look at it, to monitor the situation, this is what we found. We immediately brought it to the attention of the Minister and the chairman of the board and we've had discussions with the chairman of the board and he appreciated by that time that the estimates that were coming in, a \$2 million profit and that, were unrealistic, but it was a little late I guess to do anything about it after you've had the tender. So the government is involved now and is trying to, again it's in the process of stabilizing it, and then if the operation is to continue, it should be continued on a basis that these kinds of systems, just as you say, will be in place and the board will be carrying out its function in that way and there will be that kind of reporting, but there just was not at the point that we took a look.

But it should be understood that I don't consider it my responsibility to be involved and committed to do the managing of the situation and the monitoring, our objectivity on a post-review might be lost to some degree, and so I consider it my responsibility to monitor it in that manner.

Now as to how the progress is going now - there will be financial statements and they will be appearing before a committee of the Legislature and I think that that's when the matter will have to be reviewed.

MR. PARASIUK: Well, I don't expect the Auditor to be involved in the day-to-day management. I do expect the board, however, to play a role with respect to the management. The chairman of the board, who I gather has since resigned, was indeed a chartered accountant who supposedly had business expertise. I assume that other members of the board were in fact members of the business community primarily who had business expertise. I gather that the composition of the board has changed somewhat now, that now we are in fact getting more, in a sense, civil servants on the board, because it would appear that the business people on the board possibly haven't paid sufficient attention to their functions as board members. In fact, they might have been treating these appointments as a type of honorarium, without undertaking the detailed job that a board has to undertake, to in fact ensure that the work being done by the staff, on a technical basis, is

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correct. There are certain checks that you put in place to ensure that. You look for some consistency, on what are estimates based? Those are questions that board members have to ask. And I'm wondering whether, in fact, our experience to date shouldn't give us some pause for reflection, in that I know the general theory is, that if you take people out of a business community who have had experience in these areas and you appoint them to boards, they will be able to provide that type of business expertise "from the real world" which would allow these Crown corporations to operate effectively. And that's the theory of it and I think there's probably some truth to it.

That only happens, though, if the board members take their jobs seriously. And I'm wondering whether, in fact, so-called business appointments to either the MDC board or particular boards of the subsidiaries have taken their jobs as seriously as they should have, when they were appointed to those positions? And I think that's something that you should look into in terms of what's being done when people are appointed to the board. Is there any orientation session given them so that they know what their particular function is? Or are they appointed to the board and just say, "Well, gee, I'm appointed to the board. I'm going to go to the next meeting and also to sit there quietly and catch the drift of what's happening." Well, if not much is happening, you catch on to a drift that not much is happening.

I don't think the MDC, or I don't think that Hydro, for example, has an orientation as to what the functions of the board members are. I don't think government sits down sufficiently with appointees to boards to explain to them what their functions are. They just get appointed, they go off to the next board meeting and then they sort of get caught with that drift. I think this is a particular example where we did have a number of people. I know every government makes these announcements, "Yes, we are putting a . . . We've strengthened the board." You know, I've heard that said so many times now. "The board has been strengthened and we've picked out these people, those people, those people", and yet from what you've said, it's coming back to the staff to undertake those particular functions.

Now granted, the staff should be undertaking those day-to-day functions, but surely board members should be monitoring - not you - but board members. And again, it's the Minister's responsibility for appointing the board, so he should be doing that type of monitoring. I find it rather interesting that now we have the government, in a sense, taking on the task that the business expertise didn't seem to provide when they were board members, and you have particular members from the Minister's staff, I think. You have people from departments who are going on the board to try and deal with this problem because they possibly have a better perception of what the functions of a board member might be. I just raise this because I think it's very important for government to clarify what it expects of board members when it appoints them to boards.

MR. ZIPRICK: On this matter of boards and operations, I agree to the point of what you said. There seems to be a feeling that there's comparability between a board that's operating out of a private company and a board that's appointed to operate a Crown agency. Now as far as a private company, there is quite clearly spelled out obligations of a Board of Directors and they are undertaking a liability - personal liability - if they are not carrying it out; whereas appointments to carry out government operations is an appointment by the government, and there is no laid-down criteria anywhere as to what the responsibilities of the board are. It's not only in this province but as far as I know that's pretty general. So I think it's a good point that there should be a criteria laid out, but on the other hand you also have to remember that you appoint a board member, you pay him some amount - but it's not very large - and if you're going to put him into an obligation where he's going to carry personal liabilities and be accountable in that kind of a way, then it's going to be a different kind of a ball game. And besides, in a government operation, accountability does rest with the government. The government appoints the board.

In our operations during the audit process we look at the board as really government people that advise government more and carry on day-to-day operations, a form of a Deputy Minister operation. Because first of all, there's no clearly

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laid down responsibilities, as you say; and secondly, it's a question of how much can one expect of individual board members in this kind of situation?

MR. PARASIUK: Yes. I couldn't help but smile to myself when you indicated that from your perspective the chairman of a board, or board members or the chairman, I would think operates as a Deputy Minister. I gather that Tritschler has in fact been very critical of that particular position; that he would expect the chairman of the board somehow to act as some type of independent force on his own.

I think that when you say that the government ultimately is responsible or accountable, I think that's the way in fact Crown corporations operate, and that's why it's important for government to appoint people who will in fact be committed to the objectives of the organization and committed to making sure that it works well rather than just sort of being appointed to the board as a type of sinecure.

I think that's a problem with Crown corporations at the federal level. There's a bit of confusion. You know, they have about four or five categories of Crown corporation in terms of their relative closeness to the government. Some are completely independent. You can't tell them what to do. Like the CNR, you can't even get any information as to their costs, and they operate as one form of Crown corporation, and then there are other forms of Crown corporation that perhaps are a bit closer to the government and the government can provide some policy direction to them through their appointments. But ultimately the government has to be held accountable. And in this respect, I think that the government - and this present government - has a very confused attitude to Crown corporations. I think it doesn't feel very close to them, it feels uncomfortable with them, and it hasn't adequately or accurately defined the relationship of itself to them.

There are some that exist by statute, that maybe they feel that they should have some involvement with - and that's Hydro or Telephone System. Then there are others that exist as Crown corporations, that one gets the impression that they really aren't that interested in them and would rather just sell them all out and get out of them. That's been Morden, and that's been McKenzie and that's been Flyer. And in a sense, it's easier to sell them out and get rid of them if they don't work that well.

I think maybe this government is trying to use bad performance of Crown corporations as some type of justification for getting out of them as a rationalization. But you see, they've been in office now for two-and-three-quarter years, or two-and-a-half years, and it's important for government then to be held accountable for the way in which it's managed that particular corporation.

I note that the chairman of the board has resigned. I note that the chief executive officer, present, has resigned. And I think that when we get to the discussion of the Minister's Estimates in this respect, we will have to ask him his particular reaction to all this. They, in a sense, have been used as the fall guys for this and the way the parliamentary system operates, the person accountable is the Minister, and we'll be going after the Minister in this respect.

I do think you did a proper job of raising these points to the board and the Minister. It's unfortunate that the board didn't pay specific attention and didn't do a number of these tasks on its own and that they had a number of business appointments to it, a number of C.A.s on the board who could have been providing this ongoing monitoring function.

MR. CRAIK: Well, Mr. Chairman, Mr. Parasiuk's made one point which I agree with that the place to examine this further on this line of examination is more appropriately with the Minister; and when the Minister has his accounts before the committee, then that will be the time to go at it in some depth. Mr. Banman is the Minister reporting for it.

Of course, when the Provincial Auditor raised the question of the financial problems that were before the Crown corporation, my automatic response as Minister of Finance was to ensure that we took immediate action and immediate action, I think, was taken, and appropriate action, and of course it has led to a number of further decisions. But because some people have shifted and changed and been changed, we'd be open to more criticism by members like Mr. Parasiuk if we hadn't, of course, taken that action. And that's the position that it is in now - which started some years ago as has been identified by the Auditor. But I think just in general terms, Mr. Parasiuk has made the strongest possible argument here for this

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type of an industry being primarily in the private sector. The government has no disagreement with Crown corporations if they're a Crown corporation that are providing a natural monopoly type of function. But I think that the arguments that have been presented here this morning, the logical conclusion you can gather from the total collection of the arguments is that the place for a manufacturing industry is in the private sector.

Of course it takes your hardest core, even your regular people who believe in the socialist philosophy have serious doubts about seeing manufacturing industries, particularly those that lend themselves to proprietorship, being in the public sector. It takes a pretty hard-core socialist thinker to advocate a small manufacturing industry being elsewhere than in the private sector. I think that argument has been made perhaps not intentionally, but indirectly by some of the members here this morning.

But what will happen in the long run, we'll see. Hopefully, it will straighten itself out. The various actions have been taken that collectively the board felt had to be done. I think Mr. Ziprick has indicated correctly that it's not really the Auditor's role to go in and establish productivity yardsticks and so on; but the basic problem, as has been stated by the Minister, is that although the orders are there, the productivity is running at a fraction only, required to reach the break-even point. And that is the root of the problem and has been the root of the problem for some time, is getting the productivity level up.

The statement keeps coming back from the corporation that they're bidding competitively, but it depends on what you compare it to. If you compare it to your competitor it may be competitive, but it's not competitive with your cost of production when you run into a negative return. Then it's a question of what definition you use for a competitive bid, the sales price being lower than the cost of production. It could be competitive if they can get their productivity level up to the 300 range per year. At the present time it's running too far under that target for it to even break even, and that is the problem that the management is addressing itself to. I don't agree that it's a board problem. It's a restructuring problem and perhaps it runs a little deeper than that. It probably means a problem that can't be easily resolved until somebody's dollars are riding on the line on an undertaking of that size.

MR. CHAIRMAN: Gentlemen, we are nearing the hour of adjournment. I think we might continue the discussion at our next meeting. Before we adjourn, Mr. Blake.

MR. BLAKE: Yes. I just wondered, with the agreement of the committee, Mr. Chairman, if I might make a motion that there seemed to be consensus on before, that the level of salaries reported in supplementary account be raised to \$15,000.00.

So I would move that the salary level used to report employees' salary and the supplement of the Public Accounts be raised to \$15,000.00.

MR. CHAIRMAN: It has been moved by Mr. Blake. Is there any discussion? Mr. Miller.

MR. MILLER: Mr. Chairman, I have no objection but I'd like clarification. We recommended that the salary level used to report employees' salaries be raised to \$15,000.00. Now, are we talking about the salaries of permanent staff? Are we talking about salaries of people on contract or on term? I'd like that clarified because at the beginning, the very first line, it says, "Prior to 1959-60, the salaries of all permanent staff were published in Public Accounts." It was very low at that time and so the figure of \$5,000 in 1963 was fairly significant. What I'd like to make sure is that what we are passing to the \$15,000 at this new level is only the permanent staff, and not somebody who may come in for two or three months and then out again.

MR. CRAIK: Maybe I can ask Mr. Curtis just to clarify it.

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MR. CURTIS: The idea of the book is to include the salaries of permanent staff. If it's on a contract basis or on a consulting basis, then it would be in other parts of the book.

MR. MILLER: I see, okay. All right. Then that's understood, that we're dealing only with the permanent Civil Service staff.

A MEMBER: And term?

MR. MILLER: And term Civil Service staff, but we're not dealing with contract, or consulting, or anything of that nature.

MR. CHAIRMAN: With that clarification, is the motion agreed to? (Agreed) Agreed and so ordered. It brings us to 12:30, gentlemen. There was an indication from the Government House Leader yesterday that if the committee did not finish its deliberations today, we'd meet again on Thursday morning, in two days' time at 10:00 o'clock. The committee will adjourn until Thursday, 10:00 o'clock.