



# **Legislative Assembly of Manitoba**

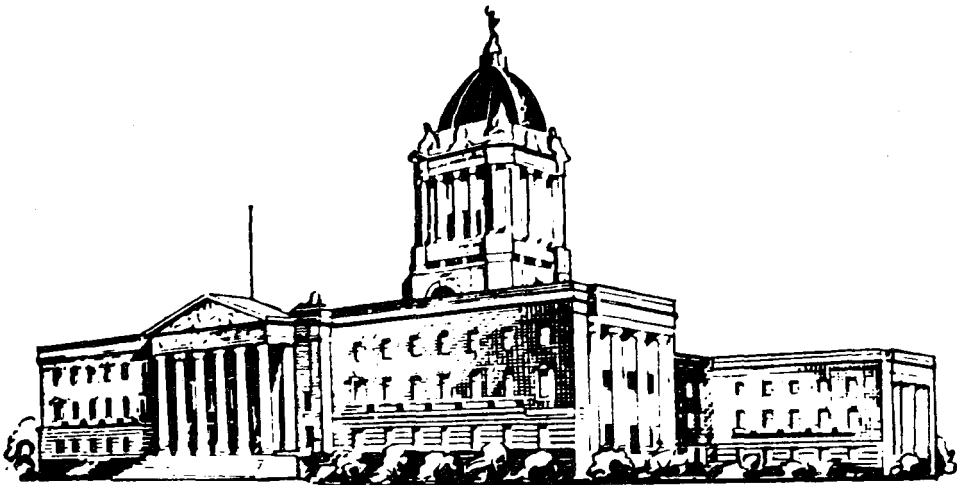
**STANDING COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Chairman**

**Mr. D. James Walding  
Constituency of St. Vital**



**Wednesday, June 6, 1979 10:00 A.M.**

**Hearing Of The Standing Committee  
On  
Public Accounts  
Wednesday, June 6, 1979**

**Time:** 10:00 a.m.

**HAIRMAN:** Mr. D. James Walding (St. Vital).

**IR. CHAIRMAN:** Order please. We have a quorum gentlemen, the committee will come to order. I would refer the attention of honourable members to Page 2 of Bill 2, pardon me, Page 4 of Bill 2. When we adjourned at last meeting, we had reached Section 16 of the bill. 16—pass — Mr. Walding.

**R. CRAIK:** Mr. Chairman, I think we were dealing with the question of whether a loss of revenue would show as a revenue reduction or an expenditure if it occurred in a year in which the loss of revenue, or the gain in revenue, if it took place in a year other than the year in which the gain in revenue occurred. And we were somewhat at odds, I guess, on this procedure.

Having thought it over, I was wondering if it resolves the problem here, I still feel basically that a lost revenue is most accurately shown as a reduction in revenue, even if it's not in the year in which the initial revenue is received. It really is most specific, I think, to cases where there are large reductions in revenue because of major court cases and so on that occur, and we have two or three that are before us at the present time and we've had to deal with them.

I wonder if it would resolve the problem — it seems to be a question of the matter of making sure that there is disclosure of these things in the Public Accounts, and that if it would then be appropriate simply to make it a requirement that where there is a reduction in revenue, that it be noted in the Public Accounts as the total amount of the reduction in revenue. And then if any member of the Public Accounts Committee, or any member of the Legislature wants the information, that information can be made available as to the contents of it on the same basis as is now the practice in the case of expenditures.

For instance, we go through the Grey Books now, there is an expenditure, if a member of the Legislature, a member of the committee wants information on details of the expenditure, it's normally supplied and we'd have the complete, then, ability, to provide the background if it's so required, which would solve, I would hope, any doubts about there not being full disclosure on the reduction in revenue if in fact that were a matter of concern. But I think it boils down to still the case of a lost revenue is, I think inappropriately, called an expenditure, even if it occurs in a different year.

Mr. Chairman, just the information supplied, it appears that it is rather optional. The practice that does take place, whether it shows as revenue and expenditure is somewhat optional if you look at the different provinces and the Canadian government. Most of them do show a lost revenue as a reduction of revenue, but there are four provinces that do show it as an expenditure, and I include ourselves at the present time.

**CHAIRMAN:** Mr. Miller.

**MILLER:** Mr. Chairman, the question I was going to ask yesterday when we broke for lunch, my concern is this. Normally we look at this both in the House when we get the revenue statement, the Estimates of Revenue, we have the year over year. In the Accounts itself, it indicates the amount raised under sales tax or revenue tax or what have you. And we can look at it and get a clear picture of whether it's below or above what was anticipated. If a repayment is made, a refund is made, then reduction in revenue would take place, but would it be ascribed to any particular category? Would it be revenue tax that you're taking it out of, or a drop in sales tax, or where? It's why, it seems to me it's easier to follow if it's shown as an expenditure, which in that year it's a payout due to some unforeseen event that took place, a reassessment of an account didn't even have to go to court. Your tax people were there, and the company complained, they found that they had moved the decimal point over, and suddenly instead of them owing

you money, you owe them a million dollars, two years down the line. Which can happen.

And so when it's a reduction in revenue, how will it appear both in the Revenue Estimates in the Grey Books? Where would it show the drop in revenue, from which of the various categories of revenue that you have?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, I'd just like to point out that Section 16 really only deals with a refund of any balance remaining in the depreciation reserve, should that reserve be cancelled. The refunds are under Section 23. —(Interjection)— 20(5) of the Act, that's being repealed, deals with the transfer of balance. Section 23 of the regular Act or the Act in force deals with refunds.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, perhaps I could clarify by stating that the section we're dealing with, Section 16, embodies the principle that we're talking about but it is Section 21 of the 24(2) of the new Act that really is the clause that deals with it. However, we got on to deal with the principle of it, because Section 2 (5) repealment in fact, changed the principle of the way we treated the recoveries from the depreciation reserves. So you're covering both at once.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, Mr. Chairman, I want to be clear on this. Section 16 of the bill, Mr. Ziprick points out, deals with not general consolidated revenue, it deals apparently with reserves therefore is — the reserve is what? A reserve that's set aside for repayment in the future depreciation? Depreciation of what?

**MR. ZIPRICK:** If you turn to Section 20 of the present Act that's in force, this whole Section deals with the provision of reserves for depreciation of equipment, which now is being employed in the Department of Highways, and the equipment is charged out on a depreciation basis.

**MR. CHERNIACK:** As an expenditure.

**MR. ZIPRICK:** As an expenditure. Now, if the reserve is to be abolished and there's a credit balance this then removes it from being treated as an expenditure.

**MR. MILLER:** Is the reserve to be abolished?

**MR. ZIPRICK:** Section 24 says, the Minister may abolish any reserve established under Section 1 and transfer to the revenue any funds remaining in the reserve at the time it is abolished.

**MR. CHERNIACK:** Right.

**MR. ZIPRICK:** And then the section that's being deleted, a transfer of funds made under Section 4 shall be deemed to be a refund of expenditures made during the fiscal years preceding the fiscal year in which the transfer is made. So that's being abolished, so any balance remaining, if the reserve is discontinued, any credit balance would just be transferred into revenue.

**MR. CHERNIACK:** So Mr. Chairman, now, I guess we jumped the gun. It looks like we jumped the gun, and we all jumped in the same direction at the same time, and one of us started to guess.

Mr. Chairman, now, what we're dealing with, coming back to 16, as we supposedly were, this says is that when there is an excess, when there is depreciation set aside and it then is "earned" — is that the word? —(Interjection)— Abolished, then that becomes revenue. It's not a credit against expenditures, it's attached to revenue, whereas it really was an expenditure. Is that right?

**MR. ZIPRICK:** It was built up through a process of expenditures.

**MR. CHERNIACK:** Built up through a process of . . . shown as being expended in the year the money wasn't actually paid out, it was set aside, and then when it's abolished, then that money could be used to reduce expenditures, which is the way it has been, the way it is in the law and the proposal is now that it should what? Fall into revenue.

**R. ZIPRICK:** Be shown as revenue for that particular year, in the year that it's being abolished.

**R. MILLER:** An increase in revenue for that year.

**R. ZIPRICK:** An increase in the revenue in that particular year.

**R. CHERNIACK:** An expenditure item will be put into revenue. It has been taken out of expenditure, it pays it back to itself. In other words, it was paid back, it was charged as an expense on a depreciating item, that item is not worth what it was, so now that is being said that we, the revenue side, received that money.

**R. ANDERSON:** The only way that the expenditures, or the funds in the reserve would come back, if the reserve is abolished. In other words, it has to be completely discontinued. We weren't particularly adamant one way or the other whether it would be — it was that it would be clearly down. It can be either as a reduction to expenditure or as a revenue, it won't affect the bottom line. So it's up to the members of the committee which way . . .

**R. CHERNIACK:** So that's a reserve being abolished. It's not a routine thing, every so often a reserve would be abolished. It seems to me that it can't amount to . . .

**R. MILLER:** Abolish or reduce?

**R. ANDERSON:** Abolish.

**R. MILLER:** Abolish.

**R. ANDERSON:** Under 24.

**R. CHERNIACK:** Well, that means if there was more depreciated than there was on hand, is that it?

**R. ANDERSON:** If the process of allowing depreciation reserves to continue was discontinued, in the fund, whatever was left in the fund, would be bought back in, either as a reduction of expenditure, or as a revenue.

**ZIPRICK:** The process of reserving, within this present concept, is really inconsistent, and to understand it, this is being left to just tidy up. But basically, in the present system, the actual purchase of the vehicles should be budgeted for each year and purchased in the year. Now, any allocation to jobs within the Department of Highways, can be done internally to cost various projects. It's by way of appropriation for voting by the Legislature, to be consistent with everything else, the actual purchase of vehicles should be what should be placed in the appropriations.

**CHERNIACK:** Mr. Chairman, then firstly, under the present law, the former system, vehicles would be purchased out of capital and therefore there was depreciation?

**ZIPRICK:** No, under the present system there is a depreciation put into the appropriations, that money was set aside into this reserve that's established here, and the vehicles were actually purchased from the reserve.

**CHERNIACK:** From the reserve. Okay. Then, is this really a clean-up that there will not be depreciation charged in the future, there will not be a reserve, therefore, whatever it stands at will be abolished, and that this item will be cleaned out once the system is converted. Is that correct? Will there be depreciation charged in future years?

**ZIPRICK:** I'm not sure just where the policy in that regard stands at this moment.

**CRAIK:** Mr. Chairman, first of all, Mr. Benditt points out that in practice, what is happening is that a recapture of this type is now showing up in the revenue column. It's showing as a reduction in expenditure but reflects itself, in the final analysis, as an increase in revenue and this states clearly that that is what is happening.

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The second point is that these special accounts are being eliminated and, at this point, are pr well all eliminated, with the exception of the one Highways account that is still operational. intent is to eliminate these accounts, these types of accounts, these reserves.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** You won't be having reserves, the revolving account of reserves, from which would buy new equipment as the old equipment wears out.

**MR. CRAIK:** No revolving fund.

**MR. MILLER:** No revolving fund, really. All right, so it shows as a revenue as you close out account. In the future it will simply be voted annually. The repurchase will be voted annually, t all. Okay, I'm satisfied.

**MR. CRAIK:** That was the point actually we were discussing yesterday and started off this mor on a different item.

**MR. CHERNIACK:** Yes, we went down to the bottom of the page and have to come all the back again.

**MR. CRAIK:** That's right.

**MR. CHAIRMAN:** Section 16—pass; Section 17.

**MR. CHERNIACK:** 21 and 22 are repealed. Could we have just a summary, Mr. Chairman, of that means.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** 21(1) is repealed due to the fact that in the future revenue surpluses will simp added to government cash balances to reduce future cash requirements. The government can determine what it will do with the increased cash balances. Example: 1) maintain programs, re taxes, 2) increase programs, no tax change, or 3) pay off maturing debt without refunding, 4 money aside to retire debt, maturing in future years.

Section 21(2) is repealed due to the fact that it refers to moneys transferred to the Capital Div which is being abolished, and there is no necessity for the provisions described therein. So falls in, because of the amalgamation of the two.

21(3) is renumbered and inserted in the debt section of the Act as Section 56(1), after rem references to the Capital Division. The new section will permit the government to cancel prov securities which it has purchased.

And 21(4), in the past the government has valued its capital or physical assets at the aggr value of provincial securities outstanding. There is no rationale for this since numerous val assets, such as the Red River Floodway and highways, etc., were created without signi borrowing. In the future all physical assets will be carried on the books of the province at value. Well, that's what we discussed yesterday.

**MR. CHERNIACK:** Is 22 the same . . .

**MR. CRAIK:** 22, in the past moneys received for the sale of apital assets were credited t Capital Division, as were repayments on capital advances and this proposes that, with abolishment of the Capital Division, all moneys spent on physical assets will be paid o expenditure appropriations and all moneys received from the sale of such assets will be tr as ordinary revenues.

**MR. MILLER:** For that fiscal year.

**MR. CRAIK:** Yes.

**MR. CHERNIACK:** Why should it be used to reduce expenditures?

**MR. CRAIK:** It will be paid out of expenditures and show as a revenue and ought to be demons:

s a revenue.

**R. CHERNIACK:** Mr. Chairman, the reason I ask the question at this point is that I'm going to ask for the rationale of refunds being charged against revenue where here you have an expenditure for the purchase of something, then you sell it, why shouldn't it go back to reduce expenditures? Isn't that more consistent with what you're proposing to do, which I do object to? I will raise that later, Mr. Chairman, I don't see any objection to what you're proposing here.

**R. CRAIK:** I suppose you might make a capital gain.

**R. CHERNIACK:** But we're not in that business.

**R. MILLER:** We're not in the business of capital gain.

**R. CRAIK:** Do you want to pass a comment at this point?

**R. CHERNIACK:** Are you going to be discussing Section 21? 22(1) is what you're talking about.

**R. CRAIK:** Sale of an asset.

**R. CHERNIACK:** All right.

**R. ANDERSON:** Mr. Chairman, the reason why the funds would not be redeposited as a reduction in expenditure is because it would allow then that those funds could be expended without having been voted by the Legislature. In other words, it would reduce the amount of authority that was either it would increase the amount of authority available to spend if you redeposit it to an appropriation. So by going on a gross basis, it would be the Legislature controls how much you spend.

**R. CHERNIACK:** Fine, we agree.

**R. CHAIRMAN:** Any further discussion on Section 17?

**R. CRAIK:** On 22(2), 22(4), that's again a case of a section due to the fact that the capital division is being abolished. So I think that's all that's . . .

**R. CHERNIACK:** I'm just looking at 22(3) and wondering just what that is. It is being eliminated well.

**R. CRAIK:** Yes 22(3).

**R. MILLER:** Does that have anything to do with capital?

**R. CHERNIACK:** No, principle moneys.

**R. ZIPRICK:** This section deals with the definition of what are capital funds, so that now that receipts are treated as consolidated fund revenue to be voted for in expenditure, then this is not needed.

**R. CHERNIACK:** Mr. Chairman, on Section 17, I think I understand what we've been told, except I want clarification on 21(1). The effect of eliminating that, let me see if I understand it. At the present time if there is an excessive revenue over expenditure at the year end then that as a surplus, doesn't it? And can be tapped or not. It can be used or it can be let to lie for next year's Budget. Now, it will automatically fall into the next year. Is that the point?

**R. ZIPRICK:** It will now be automatically applied against a reduction of net debt and any use of that year's surplus will have to be handled next year. If there is going to be expenditures they have to be voted, and whatever revenue will be realized in that year will only be revenue of that year. So there will be no further carry-forward.

**R. CHERNIACK:** Mr. Chairman, that makes absolute sense, I understand that. I don't quite

the options that Mr. Craik read, I think four options — that they could be used for a reduction of debt or for use for continuation of program or reduction of taxes for the next year. Well, it seems to me that that says, well, boy, you're going to have that kind of money, you can claim it will be used for various things. The way Mr. Ziprick explained it, it will be used to reduce debts and you want to continue a program or reduce tax, or whatever, those four items are to be voted the next year and therefore are not an option, in that sense.

**MR. ZIPRICK:** That's the way I understand it.

**MR. CHERNIACK:** Well, let's find out.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Well, okay, Mr. Chairman the way I originally explained it in the House was that could not carry forward a surplus, that it would lapse and it would lapse by going into reduction of the provincial debt. Now, what I have read to you here this morning then applies to the credit balance.

**A MEMBER:** To the deficit.

**MR. CRAIK:** Yes, but not . . . Well, I'm going to ask you, Mel, to explain it. You are going to do it more adequately than I.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** The note that Mr. Craik read this morning was what would be done with increased cash balances, not with how do the operations of the government end up in the year of a surplus or a deficit. I think that perhaps we should strike that out because the choice of how we use cash balances, as you indicated, Mr. Cherniack, you could refinance or there are a number of ways of generating the cash, and the cash could be used for general purposes or whatever.

However, the point that Mr. Ziprick made is correct, that revenue surpluses or deficits in a given year will be strictly to that year and will either be used to add to the net debt of the province or reduce the net debt of the province, depending on whether we have a surplus or a deficit.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, that's the other point, Mr. Chairman. If there is a deficit where do we show that it will automatically be added to the net debt of the province, the net deadweight of the province? How will it show up? It will just be added to the total debt?

**MR. ANDERSON:** Are you referring to the debt in terms of securities, bonds, debentures? It will be added automatically . . .

**MR. CHERNIACK:** And what you owe the bank. I mean, whatever.

**MR. ANDERSON:** It won't automatically be audited at . . . Assume we have an \$83 million credit or \$82 million this year, as announced in the Budget . . .

**MR. CHERNIACK:** \$122 I thought.

**MR. CRAIK:** 79. Assume a round figure.

**MR. ANDERSON:** And if there is a deficit, that deficit would then be added to the account, it would be called "net debt" in the statement that you had looked at yesterday prepared by Mr. Ziprick.

**MR. CHERNIACK:** Yes, all right.

**MR. ANDERSON:** That's how it would be accounted for.

**MR. CHERNIACK:** I understand, Mr. Chairman. But is that an automatic thing? It doesn't have to be set out in the Act at all? Okay.

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**IR. CHAIRMAN:** Section 17—pass; Section 18—pass; Section 19—pass; Section 20, 23(4)—pass; Section 20—pass; Section 21, 24(2) — Mr. Cherniack.

**IR. CHERNIACK:** Now we're back where we were first thing this morning, but we've cleared up issues.

Mr. Chairman, on this point Mr. Craik has made the suggestion that we determine that it shall be footnoted, but when you look at the Statement of Revenues as it appeared in Public Accounts you have the one line and I would assume that it will netted out. You know, I am looking at retail sales tax estimated for this last year, March '78, at \$198 million. It came in at \$194 million, a reduction of \$3.5 million, and I would assume that that is a reflection of the . . . I don't know, I suppose the economy may not have been as buoyant as it was expected to be. The reasons I see for the reduction are attributable to factors outside of government control and factors relating to the general purchasing public or the style of living that people are able to carry on — I'm talking about sales tax — but if suddenly a reduction was made of \$5 million or \$6 million or \$7 million, which we now know is quite possible in sales tax, then there is an altogether different reason and that was really a court-determined error in a legal opinion as to taxability in a previous year and it won't show up that way.

Now, even if it were footnoted somewhere — you know, I don't know where — it wouldn't be at all clear. Mr. Chairman, we're talking here; we are people, legislators, who deal with these matters year in and year out and should be accustomed to these statements and understand them and not suggesting to you that it throws in an element which is unexpected and even if we know it today when we pass it, next year and the year following we will not know it as clearly. So I am all concerned only about presentation. I mean, that's really all we're talking about is presentation, style and presentation.

Now, on logic Mr. Craik and I obviously don't agree. We each think that our approach is the logical one, so let's not debate that much longer. But what about presentation? Rather than footnoting, I would say it should show clearly, and it's not netted out.

Now I want to ask, and I don't have an Estimates of Revenue here, how would that show? Would it show at least a netting out? Will it show a gross, less rebates? Because if it doesn't then how do we measure year by year, what changes take place in revenue?

**IR. CHAIRMAN:** Mr. Craik.

**IR. CRAIK:** Well, on the Public Accounts, a lot of these things and perhaps most of them are over the fact, because they are things that occurred during the year that you may not be able to determine at the beginning of the year. So, as far as the Grey Books are concerned, the Public Accounts, it would be possible I think to pretty clearly state revenue and refund of higher revenues, and delineate . . .

**IR. CHERNIACK:** On the statement or in the footnotes?

**IR. CRAIK:** Well, I understand that the suggestion here is that we show it right in the revenue figures.

**IR. MILLER:** At the very end.

**IR. CRAIK:** At the very end.

**IR. MILLER:** Reducing the total by X dollars. —(Interjection)— Well, no, it's reducing the total X dollars. Whatever the refund was.

**IR. CRAIK:** Reduction of revenue due to refunds.

**IR. MILLER:** So it would not distort the revenue received under sales tax, or any other tax.

**IR. ANDERSON:** They extend it against the total revenue, but it's shown separately.

**IR. CRAIK:** But you may have a distortion, still, because it may be mostly sales tax. If it's a current year case that is lost and there is a major revenue, if it's a \$2 million loss, then it's going to be very significant.



**MR. MILLER:** It could be in the sales tax or some other tax.

**MR. CRAIK:** There is the other question, the second one is showing it in the Estimates of Revenue. That's going to be more awkward because it may be something that you think is going to happen but you're not sure about, and you'd be telegraphing your position if you were in the midst of a court case to show it in your Estimates of Revenue, I'm sure.

**MR. CHERNIACK:** Mr. Chairman, I have to say, not so, because if you look at the Estimates of Expenditure that we've been dealing with, you have an item refunds, 2(d), under Treasury Division refunds. For the year ending 1978, it was shown as \$1.1 million. For the year ending March 31, 1979, it shows \$450,000.00. You're not telegraphing, you're estimating it. Now to be logical, you can't show in your revenues, show sales tax revenue of \$146 million here, less refunds, it's shown right in there in the revenue because, Mr. Chairman, the problem is that members of the Estimates committee sit with the book in front of us and if we're really alert, we sit with last year's book in front of us and we have three years across, and all we know is to look from column to column to column year by year. And we're not looking at revenues. We're looking at what's going to happen next year? Is the economy buoyant, can we expect bigger revenues, or more important, what changes in taxation has the government presented to us which will affect the revenue because of decisions of government, and that is enough of a problem for us, I assure you, without having to bear in mind the refund from previous years.

And it just makes me so nervous that we will only — I must say it for convenience of presentation by the administration — we the people who have to make decisions in the end and vote one way or the other, will not have as clear a picture as we have now, because we know what refunds are. We also know that that is not a determinable item, this is something that happens. So I don't think we ever debate refunds. We may ask what they are, but who is to question a guess?

**MR. CRAIK:** Mr. Chairman, what I would suggest is that we still show it in the Estimates of Expenditure but we simply show it on the revenue side rather than on the expenditure side. It would still show up with the same lack of detail as is contained in the present Estimates book, because you're anticipating. That is an estimate in the broadest sense because in that particular year, I think it was estimated, or it was estimated \$1 million, is that 1977-78?

**MR. MILLER:** 1978-79.

**MR. CHERNIACK:** That was the Nitikman Judgment, I think, which said put it in trust what it would expend.

**MR. CRAIK:** But what we would do is still show it. Rather than having it show the million dollars on the expenditure side, you would show a million dollars of lost revenue due to refund — (Interjection) — And in the Grey Books it would show up 5.9, if your experience in the year was such that it was increased.

**MR. CHERNIACK:** In the first place, this revenue statement, we do have somewhere, I think it's netting out, but so seldom that I haven't found it yet. I'm looking for it, it's only MPIC that shows that. I know now it's gone but I never agreed to it being there in the first place because I always thought that that was a distortion. Was that our government that did that? The NDP did that terrible thing, of showing it that way? Gasoline tax less premiums? Mr. Chairman, I really don't agree with that form of presentation, but that's the only place in the entire revenue where it shows a netting out and now we're going to bring in this netting out and I don't know why, Mr. Chairman. I don't know why. It is not a revenue item, it is an expenditure, it is a previous year, it has nothing to do, or does it, with the elimination of the separation between capital and current. It is just thrown in here. Now I'm making a speech, Mr. Chairman. I don't see why it is shown in the Estimates. I don't see the rationale for it and I must say this quite honestly, I don't think that the political side of government finds it necessary to do it either way.

I'm trying to point out why the political side of opposition would feel confused if it were shown that way and I don't know whether to Mr. Craik it's important as much as to his administration for some reason. I say that honestly, I mean forthrightly, and apparently half the provinces do half don't, something like that but the majority do, apparently. The majority reduce it from revenue. But that's an example, to me it's not a rationale.

So I think that firstly, what is there to say that it must be done as a netting out in the revenue item? Is it shown anywhere, or is it just a practice that may be established by government to do it? That's my first question. Must it be shown the way Mr. Craik says it will be shown? Or is

just the way he says he will show it? Do you follow my question?

**MR. CRAIK:** We'll show it, whichever way is the clearest, and I think if that would appear to be the clearest way, we'll show it right in the revenue section as a subtraction off estimated lost refunds from revenues.

**MR. CHERNIACK:** From previous years.

**MR. CRAIK:** From previous years.

**MR. CHERNIACK:** All right, Mr. Chairman. I don't want to make much more of an issue. I disagree, and I do feel that it's of no benefit to anyone that I can understand, to do it that way. If it is shown that way for previous years, I point out that the way our law is now it has to be shown as an expenditure and therefore will show up. The way Mr. Craik pictures it, it will be within the control of the Minister from time to time as to how he will show it in the Estimates and I have no doubt that he intends to do exactly what he says he will do. There is no way to ensure that a future Minister will do it that way, and I think that it can get lost, and there's no reason to lose it or to lose it. I mean, there's no political reason or partisan reason to show it one way or the other. I'm afraid that it will create the possibility of uncertainty in the minds of the reader and therefore I'm still opposed to it, but don't want to make an issue of it.

**MR. CRAIK:** I think Mr. Chairman, perhaps the accounting people can pass comment on this, but I would think if the method of showing the gross revenue less refund of revenue from prior years is accepted as a normal practice, that if that were changed, then it would have to be identified as like any number of things are done in accounting practices. I just think it's a feeling that it's previously our major disagreement is we think that the thing is fundamental logic in two different directions, and that's the main reason for it. If we can enshrine the procedures to the satisfaction of future members of the Legislature can be assured that they will be able to see it, we'll do whatever is most appropriate and since we have both the Provincial Auditor . . . Well, we could, Mr. Chairman, we could put it into 24(2), that it will be shown as a separate item in the accounts of the province.

**MR. CHERNIACK:** That would to some extent take care of my objection, to some extent.

**MR. ZIPRICK:** I was just going to suggest what Mr. Craik is now suggesting, that it be just included there, that the revenue be shown gross, and this would be shown as a separate item.

**MR. CHAIRMAN:** This would require an amendment.

**MR. CHERNIACK:** Yes it would. Mr. Chairman, and does it also mean that all refunds will be lumped as one item regardless of the nature of the refund?

**MR. CRAIK:** I think now they're done that way. They show sales tax, such and such.

**MR. CHERNIACK:** I think so.

**MR. ANDERSON:** We'll be splitting them, the revenue items, by appropriation.

**MR. CHERNIACK:** Oh, so then it means that the statement I was shown —(Interjection)— Page where it says Total Miscellaneous . . . no, you don't have it — you'll have total so much, underneath that you'll say less refunds, (a) sales tax, (b) law fees.

**MR. CHAIRMAN:** Is the committee agreed then, that there shall be an amendment worked out in this section?

**MR. CHERNIACK:** Thanks, Mr. Chairman. May I ask how much increase in staff Mr. Curtis will need in order to carry those books?

**MR. CHAIRMAN:** It may take a little while to get that. Shall we move on to the next section and come back to that when the amendment is prepared. Section 22, 30(2).

**MR. CHERNIACK:** Mr. Chairman, what do we need it for? Something must have happened to

**MR. CRAIK:** It's intended to clarify that the Revenue Officer is accountable for the public money he has received, and also provides that such moneys may be recovered from him in a court competent jurisdiction.

**MR. MILLER:** That's what it says, that's what the old one says too.

**MR. CHERNIACK:** Isn't that the law, that you run into . . .

**MR. ANDERSON:** A sum of money is lost to the government, that's only money lost, not money he actually receives. This is why this is put in.

**MR. CRAIK:** So it expends it. It's not only money lost, it's money . . .

**MR. MILLER:** Not just gross carelessness, but any kind of carelessness.

**MR. CHERNIACK:** Mr. Chairman, I don't want to know what it was, but was there a case that made it advisable to have this in here? My point being, Mr. Chairman, since I still have the file — it seems to me that Section 30 as it is now gives the right to collect any moneys received by officers. So unless I misread it, okay.

**MR. CRAIK:** Well, I gather that probably the key word is lost, to the government. In the former wording, in that there are cases not involving large amounts, but cases where there is some question presumably in the case of Parks, Tourism and so on, where there may be fees collected and there's some question mark as to whether they're not under law such as the sales tax.

**MR. CHERNIACK:** It's still a loss to the government. Mr. Chairman, if they want it okay, it's like putting an extra couple of nails in a joint of some kind, not necessary, but if it makes you happy okay.

**MR. CHAIRMAN:** 30(2)—pass; section 22—pass; section 23—pass; section 24—pass. I understand that an amendment refers to Section 25, maybe we can pass over that to Section 26 — : 39(a).

**MR. CHERNIACK:** Well, I'm sorry, 38(1), is that being changed? 38(1) is not being changed. I do care when you debate it. Do you want to leave it for later?

**MR. CHAIRMAN:** It might be more convenient. We're going in to 26, 39(a).

**MR. CRAIK:** The old Section 39 provided that no payment could exceed the amount voted granted to an appropriation. The new Section 39 provides that no payment can be made which will exceed an appropriation, which will exceed an amount available in a trust account for a purpose, or which will exceed an amount of funds available for a special purpose. This means that if a trust account were set up for a particular operation, that that trust account could not, if it ran out of money, go to a bank and borrow money to do work, set up the account and carry its work through one fiscal year into the next fiscal year and this sets up provision where that can be done. It just simply tightens it up. And there have been cases where operation of trust accounts have become such they have come outside of the control of the financial administration, and they had carry-overs and other things occurring in them.

**MR. CHERNIACK:** Legal Aid, is that an example? I seem to recall that Legal Aid or I think it's Legal . . . let's not necessarily identify it, but there were certain organizations that had money in government in trust and overspent the amount allocated for that year, and this will prevent that from happening. —(Interjection)— No, I think when I said Legal Aid, I think there's a question that of paying a higher salary than was authorized, and that may not be prevented by this. Okay.

**MR. CHAIRMAN:** 39(a)—pass; (b)—pass; (c)—pass; 39—pass; Section 26—pass; Section 27 M. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, allow me a moment of amusement, just private amusement, at the same time say that I hope that it occurs to none of us in opposition to make the government sorry that they want to pass 27.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, Section 27 is an important point from a parliamentary point of view, and has its roots of course, in an occasion that occurred several years ago when a special warrant was passed during a sitting of the Legislature, and created some local and national comment as to it occurring, and this Section makes it impossible for the government to pass a special warrant while the Legislature is sitting unless the Legislature closes for a period in excess of 10 days. —(Interjection)— Well, the other obvious way, Mr. Chairman, is what this says is that the government must move closure and must face the consequences politically, or are the slings and arrows of moving closure, and no more end runs with special warrants while the House is in Session.

**MR. CHERNIACK:** Just one comment, Mr. Chairman. I don't know if there's only one. It depends how much we continue. Mr. Craik says the root is when it happened. No, the root is when they changed the Act in 1969 to make it permissible to happen. That's the root.

**MR. CHAIRMAN:** Section 27—pass; Section 28(a) — Mr. Cherniack.

**MR. CHERNIACK:** I said pass very quickly, but maybe there's an explanatory note for 28, 29. It says they are not involved in connection with the change of the Capital, elimination of Capital.

**MR. CRAIK:** It deals with the form of 43(1) of the Act. It should only refer to moneys received in trust, moneys received for special purposes now refers to moneys such as received from Canada under shared cost agreements and the relevant expenditures are authorized by appropriation voted by the Legislature; and 43(2), Section 29, it's only intended that interest be paid on moneys held in trust, not on funds deposited with the government by Canada pursuant to shared cost agreement, and if there's anything further on that I'll have to ask Mr. Anderson .

**MR. CHERNIACK:** Mr. Chairman, I would just like an assurance that this is not a policy issue, it just administrative changes.

**MR. CRAIK:** No, it's administrative as far as I'm concerned.

**MR. CHERNIACK:** Well, and also it limits the expenditure of money without authority of the estimates review. Is that correct?

**MR. CRAIK:** Yes. Do you want to clarify now on that one?

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** It does eliminate the possibility of that occurring. The main point is that the Special Purposes Funds — we're only now dealing with Trust Funds — I'm just trying to find the situation that we're dealing with, 43(1). Special Purposes Funds are now sort of eliminated; we just deal with Trust and Revenue, funds that are voted or funds that are in trust. Special Purposes is redundant . We're trying to eliminate there being any possibility of being other sources expending that aren't voted by the Legislature. —(Interjection)— Yes, there were special funds that . . .

**MR. CHAIRMAN:** Any further discussion on 28? 28(a)—pass; (b)—pass; 28—pass; Section 29—pass; Section 30—pass; Section 31—pass; Section 32, 45(2) — Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, the present law is that you have Capital Supply and you cannot borrow and spend more than authorized by the Legislature, except I believe to roll over. What it seems to me this does, 45(2), is to give the government the opportunity to enter into a contract for future years unlimited, for ten years, for twenty years. I think when I spoke on this I referred to it as a no-cut contract and I think I made the remark that if I were asked to be Deputy Minister, I would want to have a no-cut contract. I would like a contract for the next 10 years to make sure that I'm not just summarily fired, although it can be done, and this makes it possible for the government so to do, as I read it.

**MR. CRAIK:** Well, perhaps the closest I can get to explaining it is the most common practice that has been carried on I gather, for many years' is that on such things as highway contracts and so on there have been by necessity, the necessity to enter into agreements that carry through. Now, this allows an agreement to be entered into on Capital projects such as those as an example. Even

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though the capital lapses at the end of the year, there will on projects under way be a provision to enter into leases or contracts to carry forward the capital operations and other things beyond from one year into the next.

Now, if I haven't adequately explained it then I'll ask the Comptroller or the Auditor to comment on it further.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** I agree with what Mr. Cherniack says. It makes an open-ended situation. Now, when the position was changed last year, there was a vote in the appropriations that placed a limit to what extent future commitments can be made, and on the basis of that limit the Department of Finance allocated to the various departments as to what extent they could make commitments. I personally prefer to see a limit, either in here or a continued limit vote in The Annual Appropriations Act.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, Mr. Chairman, I think what Mr. Ziprick is saying is that in the Annual Appropriations Act — that is what? Supply Bill — there could be a special section that reads notwithstanding this Financial Administration Act the Minister shall be entitled to authorize a contract for a sum not exceeding \$10 million for a period not exceeding two years, and that might then entitle them to enter into Highway contracts in the future or may entitle them to embark on construction of a building which will take more than a year. That's what Mr. Ziprick is saying, other than doing as we have down at the bottom of the page, where 54(2) is proposed guarantee lines of credit. There they are limiting for a guarantee for a Crown corporation, I believe, of \$1 million.

But if Mr. Craik is willing to consider either of the two suggestions, that is either to put in this Act of the limit or to put it in the Annual Appropriations Bill, then I think that would be much better than what I think here is just an open and blank cheque forever. You can't enter into contract with perpetuity.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, The Appropriations Act, in Section 3(1) we put in a section which the Legislature voted on, which included an amount of \$65 million for future contracts. What I now suggest is in 45(2) we could specifically say "and this amount shall be set annually by Appropriations Act", and then every year we will put that clause in and the Legislature can vote on the amount that's in there.

**MR. CHERNIACK:** If it says something like "and not exceeding an amount which may be set by the Act", that would force it to go into The Appropriations Act. I guess that would make it acceptable. But you know what it does, Mr. Chairman, in effect it creates a capital vote doesn't it?

**MR. ANDERSON:** A form of.

**MR. CHERNIACK:** Well, not a capital appropriation, because it won't be an appropriation then. It won't be money voted but what happens next year? What happens next year? It must be shown as an expenditure, doesn't it?

**MR. ANDERSON:** Yes.

**MR. CHERNIACK:** Or, if it's spread over 10 years, it must be shown as annual, amortized in some way. It then becomes a statutory item in the Estimates. Could it be voted on?

**MR. MILLER:** It can't be voted on because it's a commitment that has to be honoured. How?

**MR. CHERNIACK:** I agree with you. So, Mr. Chairman, then I think 45(2) should have "an amount which shall not exceed an amount" or up to an amount, such as may be authorized . . . All I want to make sure is that this doesn't give the authority without there being an annual — no appropriation but — authority in The Appropriations Act. That would take care of it, Mr. Chairman.

**MR. CHAIRMAN:** Is it the will of the Committee then, that an amendment be prepared to

effect?

**MEMBER:** What's the amount?

**MR. CHERNIACK:** No, no, there is no amount.

**MR. CRAIK:** There is no amount, no.

**MR. CHERNIACK:** Suppose a government sees a surplus coming up . . . Even that is not necessary. Suppose a government decides that it's going to commit itself to a job for next year and the Minister does it; will that entitle him to set up an allocation and expenditure by, say, special warrant, and set it up in a trust account to be paid out in the following year? Cannot do it, I hear. —(Interjection)— Well, the authority of it. We're going to be dealing with accruals, and I want to know whether there will be any opportunity for a government to say we will run a whopping deficit this year by taking our commitment in this year and taking the money out, we will borrow it from the bank and we will put it into a trust account to be paid out next year. Now, there were heads shaking on my left here, but I don't know how that's run.

**R. CHAIRMAN:** Mr. Anderson.

**R. ANDERSON:** Mr. Chairman, I guess two things in the Section 38(1) indicates that any funds expended at the end of the year shall lapse and be written off. The second thing is that goods and services have to be certified that they were received or performed within the fiscal year before we can pay the bill, and we would not be able to pay the bill in terms of not having received any goods or services and we would not be able to put the money into it.

**R. CHAIRMAN:** Mr. Ziprick.

**R. ZIPRICK:** And in addition, as I understand it, if goods and services have been received and are due and payable and the statement for payment has been presented, it must be paid in that fiscal year. And if it isn't paid in that fiscal year, it would be contrary to the Act.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** What happened with the \$10 million or \$12 million that you put into the trust account for the MHSC? How did that come about?

**R. ZIPRICK:** The MHSC is a government agency that incurred an obligation to pay and as a result, required the money. Now this only happened because during the transition from the one contract to another contract, or one system to another system, where Canada had gone out of budgeting money specifically and went into block funding, so that portion was taken out of revenue and close it out, but that would never happen again.

**R. CHERNIACK:** But you say it was taken out of revenue. It was taken out of revenue and put into a trust account.

**R. ZIPRICK:** That's right.

**R. MILLER:** Out of the Consolidated Fund.

**R. ZIPRICK:** Yes. Now, if there is money in the appropriation and the province is the banker, when it is for Manitoba Hospital Services Commission, to the extent that the money or the appropriation is required to pay the bills of the old year of the Hospital Commission, it would be put into the trust account which would be the bank account of the Health Services Commission that would be completely appropriate and consistent with what's required.

**R. CHERNIACK:** Mr. Chairman, did it require a court order to set up a trust fund for the — or it Inco refund — or could the government have done it without an order of the court?

**R. ZIPRICK:** In my view, it required a court order to be done.

**R. CHERNIACK:** I'm just trying to judge what that means. Well, now if government has a judgment

against it and it's under appeal, which is the case in Inco, could government have said, well, the a contingent liability, we better set it up as being a liability and put it in trust, or could government not do that?

**MR. ZIPRICK:** The way I understand it, they couldn't do that, because it's being appealed and it's uncertain, so you cannot take money out of the appropriation and set it aside for uncertainty. If there was a court order and it was ordered to be paid, then it would be paid.

On the other hand, if the court deferred the payment and said it doesn't have to be paid now but you have to put the money in trust, then it has to be complied with.

**MR. CHERNIACK:** For the record, does the administration agree with Mr. Ziprick's opinion?

**MR. ANDERSON:** Mr. Chairman, Sections 44(1) and (2) provide authority for making the payment and it must be by award of the court, as Mr. Ziprick has indicated or by the LG in C passing order.

**MR. CHERNIACK:** Well, Mr. Chairman, I'm just being very sensitive on any options that are available to take money out of one year and put it into the next year, and it's obvious why I'm sensitive about it. I just want to know what avenues are being opened to make that possible? You know we complain bitterly about the moving of, what is it, \$30 million from one year to the next in revenue to carry forward what was a reduction in revenue, and I want to know — does this open up possibilities such as make that possible, moving from one to another?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** I don't interpret that it does but only time will tell, I guess.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** My understanding in dealing with the Legislative Council and with our own people is that this does not in any way open up an avenue, for the record.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, in general what we're trying to do completely through the Act is to move in quite the opposite direction, wherever possible.

I would point out that the only contradiction to all of this is that most of the capital that is voted by the Legislature is still Schedule A capital, which is not dealt with directly by the government but is dealt with by the Crown corporations and the Hospital Services and so on, where the same ground rules that we are passing here do not apply.

**MR. CHERNIACK:** Mr. Chairman, I think we can go along with that, providing there is that check made; I think that's vital to it. I've voiced my apprehensions. Both the Auditor and the administration assure me that my concerns are not adversely affected. The matters that concern me will now be made more possible by this; as long as we have the limitation, which means that annual consideration of this Section, then I think it's okay.

**MR. CHAIRMAN:** Pending the Amendment, then to Section 32, we'll lay it aside and move on to Section 33. Mr. Cherniack.

**MR. CHERNIACK:** I'm nervous about discretions that are given in that way, with guidelines prescribed by written directive of the Minister for the purpose of this Section. Is that a document that we must see? Is that a document that's available to be seen? Is that guideline something that can be determined from file to file? You know, I'm concerned about discretions. Maybe Mr. Craik will give us his clarification of this.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, I gather the principal reason that there are many cases where there is no written contract, an amendment permits the Minister of Finance to establish guidelines and directives in such situations. Now, I think Mel Anderson may want to expand on this.

**MR. CHERNIACK:** Yes, I'm sure he does.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Some of the problems we've had in the past are such mundane things as prepaid subscriptions to magazines — the auditors, I guess, have been handcuffed in terms of not being able to allow the payment because it doesn't call for it; or discounts for early registration at particular events that are occurring where the province is to be represented. There had to be some Authority to pay that in advance, and we would establish these guidelines to allow for that.

I can't think of any other items; it's basically that kind of item that we've had a problem with in the past — where you don't have a contract but you're writing in to take advantage of a discount on registrations, magazines, those kinds of things.

**MR. CHERNIACK:** Mr. Chairman, with all friendship to Mr. Anderson, he used a very bad bureaucratic expression: "We will establish the guidelines to deal with it". Really, I would like the guidelines right here where we establish them not the department establishes them. And I don't mean that at Mr. Craik, I just mean that it's an attitude one gets; you know, if it said "The Auditor will establish guidelines," that would be a little better for me. —(Interjection)— I won't quote Mr. Anderson.

Mr. Chairman, I feel that guidelines of this type have to be public. I don't think they should be here; I think the Act should provide a kind of a discretion which is open to view, and clearly, it is that the Auditor has to highlight, because I believe that once the Act says what it is proposed for it to say, the Auditor has nothing more to say about it. And I mean this seriously. He says, "Well, the Act says that the Minister can, by directive, establish guidelines as he did, and just in accordance with the guidelines, so it's okay." And he can change them, and that's according to the Act, and that's okay.

Only if it's something exceptional would the Auditor be bound to say, "Hey, this went beyond what a minister ought to do," but he will still approve of it. And I'm very reluctant to see discretion of such a broad nature, and I think that the wording is of a very broad nature.

Now, I'd like some help to limit it to things like subscriptions, or to a \$100, or to something that makes sure that it's only used for the purpose that Mr. Anderson has described.

**MR. ANDERSON:** Could I suggest that perhaps the Auditor's staff and myself get together after we'll try and think of the possible situations, and then put them down in some words with legislative Counsel for this particular area.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Maybe, Mr. Chairman, we could ask the the Provincial Auditor for his comments on this, even at this point if he feels so inclined, or we can leave it.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Generally, I don't recollect any serious difficulties. It's a question only where there's a written contract but it's understood pretty well in all these instances that there has to be an advance payment of some kind. So it would assist to clarify something, but I don't recollect any serious difficulties in the way it was before.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** No, as I say, they're not serious problems. If your staff are prepared to . . . perhaps we could discuss them and lay down the kind of problems that they've experienced at a lower level.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** You note, therefore, that both Mr. Anderson and Mr. Ziprick agree that the problems that have occurred, which this is intended to mend, have not been serious. I am guessing they would both agree that with this Section in, with the Amendment in, then there could be some very serious matters done, and not in accord with the concept of why it's needed. I think Mr. Anderson has agreed that it should be reviewed and I'm glad of that.

**MR. CHAIRMAN:** Can we leave this Section over till a later date and see what they come up with?



move on then to Section 34(f). Mr. Craik.

**MR. CRAIK:** Perhaps on Section 34, a case where this has arisen and in attempts to clarify, there has been a situation where non-guaranteed notes issued by the Manitoba Telephone System could not be included in a Manitoba Bond Issue for MTS, and where the refunding portion of a mature non-guaranteed Manitoba Hydro Bond Issue could not be included in a Manitoba Bond Issue for Hydro.

**A MEMBER:** Then it wasn't a guaranteed issue.

**MR. CRAIK:** If we need further explanation, we'll . . .

**MR. CHERNIACK:** Yes, I do.

**MR. CRAIK:** . . . ask Bill Benditt to put it into expertise.

**MR. CHERNIACK:** What was the problem? Mr. Chairman, may I establish as to what problem occurred that frustrated the government's efforts to deal in a logical way with borrowing of that type.

**MR. BENDITT:** Yes, we had a case where we issued, or had Manitoba Telephone System issue non-guaranteed notes to refund a maturing Manitoba Telephone System issue — (Interjection) a guaranteed issue, and we could simply wait until such time as we were able to refinance that. The cash wasn't needed immediately. Then we decided to issue a Manitoba set of debentures rather than a Telephone set of debentures, but the Act at present prohibits us from taking those notes without using them unless we guarantee them then, and from taking those notes and retiring them from the proceeds of a new Manitoba issue for the purposes of the Manitoba Telephone System. The same thing happened with Manitoba Hydro. They also had a maturity and had issued some notes. They also had that issue of debentures which was non-guaranteed but recently matured, I believe April 1, 1978, a \$20 million issue of debentures. So the same problem — those could not be converted into a Manitoba issue for Manitoba Hydro without being guaranteed.

**MR. CHERNIACK:** Mr. Chairman, I don't know if there is any example but I can visualize that that could be a Crown corporation of a highly speculative type or endeavour, whose board of directors is told, all right, we appoint you, and you go ahead and work it and here's a million dollars with which you can work, but you're on your own — here's a million dollars. We own all the shares and it's a limited liability company and we own the shares and here's a million dollars — go. Now that company can go to a bank and borrow money. I believe it can do it without the authority of the Crown and I figured in doing that it doesn't obligate the Crown. Does that then mean that government, the Minister, can proceed to pay off the liability for which they're not liable in a highly speculative outset because the board went wild and asked for and got credit without a guarantee of the Crown?

**MR. BENDITT:** I think that could be possible if there was a note issued, if the Crown corporation had the ability to issue a note.

**MR. CHERNIACK:** Well, they would have.

**MR. BENDITT:** Then that would be possible if they were to have a bank loan evidenced or secured by collateral as a note, then it might be possible then for the government to finance it.

**MR. CHERNIACK:** Oh, well that's . . . —(Interjection)— for government to finance it.

**MR. BENDITT:** Or to take over — to take over the indebtedness.

**MR. CHERNIACK:** Well, I don't deny to the government the right to take over indebtedness, for payment of the whole — that's not a loan any more, the way I read it. The governing company may borrow money for the payment of any loans — that means without any other authority. If it were a loan that was guaranteed by the government, it would have to pay it and I think that has happened in the past, but in this case it's to pay off a loan that was not the liability of government. I don't know whether that should be possible, Mr. Chairman.

**MR. CRAIK:** A case where the Manitoba Mineral Resources went out and did a bond issue that wasn't guaranteed by the government and got into difficulties, the government can then move in this case here which I suppose they could do by any means anyway, whether they went to another venture or by any other means, this one suggests that there would be some impediment to them going by this route here as has been experienced with the Telephone System and with the Hydro to go with that particular route, but if they didn't go that way they'd probably go another way. So is it really a serious problem? —(Interjection)— Is it a serious problem, is it opening something up that the government would move by another means anyway I suppose; if they had to move financially to salvage a Crown corporation?

**MR. CHERNIACK:** No, I think that the only way a government could do that now, is under an existing capital authority or by a grant or by a loan, but it still would be out of an appropriation purely.

**R. ZIPRICK:** Yes, that was the only concern that I had that Mr. Cherniack is bringing up here is to whether the government could do this without their funds or authority being voted by the legislature to provide those funds. If that's possible then I would say this loosens it too much. On the other hand if the Lieutenant-Governor-in-Council can't do this unless there is authority somewhere or funds available to do that then it's all right.

**R. CHERNIACK:** That's exactly my point, Mr. Chairman. I don't think the authority is there, and now they're being given it by statute without a vote, and that's what concerns me. And the mere word loosens it should make us all concerned about that, Mr. Chairman.

Let me add one more thing. You know, one problem with legislation is that something happens, you say okay, it may happen again so let's go to town and make it possible to deal with it in the future. I don't know if it happens seldom, whether it should be permitted to be handled in a routine way. Let there be a little worrying and tearing of hair and concern — you know, that doesn't hurt. It's better I think that government be restricted to some extent and be told, well now you've got to search for a way to deal with this problem, and you can always go back to the Legislature, and I think that's important.

**I. BENDITT:** I might suggest that you could provide that this could only be done, if those notes securities of the government agency were issued under an Act of the Legislature so that there would actually be notes where capital authority had already been granted. —(Interjections)—

**I. CURTIS:** In the original instance, when we had made the loan arrangement or done the financing on behalf of the agency, the authority already has been voted by the Legislature in that instance.

**. CHAIRMAN:** Mr. Miller.

**. MILLER:** Well the Act setting up the agency gives them the right to issue notes or to make loans or to borrow money. I don't think that in setting up the agency they have that right by legislation, when in fact they then do it and something goes wrong, the government can certainly pay off on it at the present time. The government if necessary can come to the rescue of this particular agency by special warrant of the Legislature in session by voting through appropriation an amount of money to cover that particular item, and it's clear, it's obvious what they're doing. The way it is now it's not identified through any appropriation. Actually, I suppose, it has to appear but I don't know where it would appear.

**ZIPRICK:** I would not have any concern with regard to government agencies because the way control exists on agencies now is that the agencies cannot commit or make any commitments except there is authority from the Legislature and that's pretty specific. Where I'd be concerned is the incorporated companies that the government owns, like the Manitoba Forestry Resources (Interjections)— under The Companies Act and this is where they can commit, not subject to control of an agency.

**CURTIS:** Our intention here under the amendment was to limit it to government agencies that's the way sections are . . . Section 34 limits it to a government agency.

**CRAIK:** Mr. Chairman, might I ask, the legislation is here because it's dealing with the rule we're concerning ourselves with the exception that might occur — we're talking about the

System, Hydro and major Crown corporations — but the concern is that it being open may apply to other corporations where you haven't had it occur, but it could occur and if it does is it the kind of procedure that you want to have open? That seems to be the major question and I guess that comes down then — how many, in the case of it being the rules, whether it's the Telephone or the Hydro, how often is this thing likely to occur, how often is it going to be a problem?

**MR. BENDITT:** Well, we've only had a couple of instances but I would point out that most Crown corporation legislation provides that they don't have an unlimited borrowing power. It is subject to provision of capital supply, and the corporations themselves have the ability in their own legislation to refund any of their own debt, but the government itself does not have the ability to refund that debt, unless it happens to be guaranteed. If it's unguaranteed, then they cannot refund it on behalf of the corporation, and that's all that this was intended to do, was to permit this.

**MR. CHERNIACK:** Mr. Chairman, I'd like to know whether government could not lend money to the corporation for the corporation to do that. You say the corporation has the right to do it. A you want the right for government to do it and I'm asking, couldn't government make an advance to the corporation and then it can do it, because it has the right to do it?

**MR. BENDITT:** It would have to have additional capital borrowing authority then, because it does not have the power to refund a corporation's debt unless that debt is guaranteed. If the debt is not guaranteed, then the government would have to employ additional capital authority for the purpose and then it could vote.

**MR. CHERNIACK:** Mr. Chairman, what's wrong with that? I mean, they come every year to the Legislature, they get authority every year, if they need an extra \$10 million, I don't think it's ever been a problem to get it.

**MR. CRAIK:** Mr. Chairman, I think that sort of thing should not be moved on without the prior combined unanimous agreement of the Auditor and the department. I don't sense that it's that and I suggest that we not move on this. If we do, if it comes back another year, it will be because there are no foreseen problems by the Provincial Auditor in opening it up. So if that's okay, we revert. You've still got a problem, Neil.

**MR. CHAIRMAN:** What is your will and pleasure on this section?

**MR. CRAIK:** It will revert to the prior . . . just eliminate the change, eliminate the amendment.

**MR. CHERNIACK:** We don't pass 34?

**MR. CRAIK:** Unless there are any other implications there, I don't think there are, that's all that's there, so 34 is not passed. Delete.

**MR. CHERNIACK:** Just don't initial it yet. Put it in the margin, "delete".

**MR. CHAIRMAN:** Section 34 then is defeated, and we move on to 35.

**MR. CHERNIACK:** No, withdrawn. You say that word and right away there are flags flying.

**MR. CHAIRMAN:** Well, if you do not pass it, then you defeat it. It's one or the other.

**MR. CRAIK:** 34 will not show up in the final bill at third reading.

**MR. CHAIRMAN:** If that's the case, they'll probably need a renumbering of all the subsequent sections.

**MR. CHERNIACK:** Yes, I'm sure of that.

**MR. CHAIRMAN:** Section 35, 54(2).

**MR. CHERNIACK:** Could Mr. Craik elaborate a little, Mr. Chairman? Specifically on the basis of this, I assume, is sort of a continuing Schedule A, Capital Authority for \$25 million over and at

what is passed annually. I think that's so, and how necessary is it, how many problems have we had of that kind before?

**MR. CRAIK:** Well, with that background I'll ask Mr. Benditt again, how many problems have we encountered with the existing?

**MR. BENDITT:** The purpose for this particular section is, that in the past we did have general purpose capital authority voted. Now, in the case of where you are going to guarantee a bank loan or Manitoba Hydro, or the Manitoba Development Corporation, any organization that does have capital borrowing authority, we could encumber that borrowing authority. In the past, we have had organizations such as Moose Lake Loggers, Channel Area Loggers, and so on, where the bank guarantee was provided from general purpose capital authority, which no longer under the new system, exists. Flyer, I guess, is another example if they were to have a bank loan that we wished to guarantee. So you have to provide some source of legislative authority for making such guarantees, and we placed a limit on it.

**MR. MILLER:** Because you don't have a general purposes capital anymore.

**MR. BENDITT:** That is correct.

**MR. CHERNIACK:** But once you guarantee it, I mean you do it every year, is this \$25 million per year? or per credit? Per credit, I think. Per corporation The aggregate —(Interjection)— oh, it's total. So what you're saying is, you really want a continuing capital authority of general purpose nature for \$25 million.

**MR. BENDITT:** For a specific purpose, that is for making bank guarantees, not a general purpose.

**MR. CHERNIACK:** To guarantee lines of credit of any corporation, 50 percent of which, like Intalum Mines, that doesn't apply but Flyer, I'm thinking of 51 percent but it means that the government puts in 51 percent, some private entrepreneur puts in 49 percent, the government can guarantee up to \$25 million for that without any other authority, without any other review, I guess, without any other need to come back to the Legislature and report on its activities. You know, general purpose is clear, it's voted on every year And used up. Pardon me, it's not an aggregate any time, it's general purpose is used up, you can't just keep using the same general purpose authority that's granted.

**MR. MILLER:** I'm just wondering, does this mean that this is \$25 million from which they will draw, required, and will it then appear in the next year's capital authority as the old Schedule A, and before it's replenished annually as the authority that's voted by the Legislature? Is that how it works, or is the \$25 million once it's drawn upon, will have to be replenished from some source? What source are we going to replenish it from?

**MR. BENDITT:** It can lapse.

**MR. MILLER:** It won't lapse, it's a statutory thing.

**MR. BENDITT:** Mr9 Chairman, it's not intended that this appear annually. This is an absolute limit of \$25 million. Rather obviously if events require otherwise, then an amendment would have to be made to this specific section for this purpose, to raise it to say, \$30 million or \$40 million as may be required.

**MR. MILLER:** Okay.

**MR. ZIPRICK:** The way I understand this section is that it be \$25 million revolving, in other words they guaranteed and then the guarantee was discharged by the corporation by some way or other, then that would come back up to the \$25 million. —(Interjection)— And if they don't it continues and at no time can this \$25 million exceed. The area that I'm not sure of is this position of corporations and 51 percent. What control is there, and what corporations are we going to be guaranteeing? And if that area is pretty well controlled then I can see this limit maybe being a practical consideration.

My concern is what corporations are we likely to get into the position of guaranteeing, and what

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control is there of the acquisition and going into business? Is it just through investment one way or another, the moment we acquire 51 percent then the government without any further legislative authority can guarantee line of credit for that particular corporation up to \$25 million if not encumbered. This is my concern, in that corporations that have been set up through legislative authority then this is just an operating provision, I can see that having some practicality to it.

**MR. CRAIK:** Well, Mr. Chairman, I gather that the cases where it is most likely to be used is case where a Crown corporation may be in the position of having to pay a higher rate at the bank than the government is in a position to back them with. And the usual case would be that it is a saving to the Crown corporation in its use.

As far as the carry-forward part of it was concerned, earlier in Mr. Miller's question, I think that all of these corporations operate differently — all of the Crown corporations do — in terms of the lapsing. So that isn't a problem, I would think, in that regard. I suppose it's any government's discretion to do these things and if the Auditor feels that they have backed the wrong corporation he will have no hesitation in saying so in his report.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Mr. Chairman, is it going to be the practice that when, let's say, \$5 million is paid out of this and there is only \$20 million left, in order to replenish — because maybe the corporation can't repay it — in order to replenish will the \$5 million that was drawn from this \$25 million, will that then be voted on next year, under Capital Authority, to replenish this \$25 million pot?

**MR. CHERNIACK:** No, this is revolving.

**MR. MILLER:** This is straight revolving?

**MR. CRAIK:** But it will reduce the total available to \$20 million from \$25 million.

**MR. CHERNIACK:** Until the other is paid off.

**MR. MILLER:** Until it's paid off. So it can only be paid off the company it can't be paid off the government voting capital to replenish the pot. Is that right?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** As I understand it, if they're in default and they cannot repay and the government had to provide, let's say, the \$5 million guarantee, then it would have to come from funds voted by the Legislature, in some form.

**MR. CHERNIACK:** That would be an obligation, like earlier. You have no alternative. It has to be paid.

**MR. ZIPRICK:** Right, it has to be paid and it would be paid either by special warrant or under the section of The Financial Administration Act where it's legally established that you must pay that it would be paid but it would show up as an expenditure of the province that would be charged to an appropriation and be passed on at some point or another by the Legislature.

**MR. CHERNIACK:** Mr. Chairman, when you think back to general purposes as it was used apparently — I don't recall this, but obviously Mr. Benditt states it was used — this same thing was accomplished by charging it against general purposes, which was, I believe, at one time that it's not a roll-over. Once the government guaranteed something . . . Is it a roll-over?

**MR. ZIPRICK:** As it was being employed, it was an allocation, and an allocation could be set aside of \$5 million for this kind of purpose. Then the moment that that allocation was not needed long ago the government didn't pay out the money and that allocation was not needed, the moment that that guarantee was not required it then became available for something else. So that it was not used after the government paid out the money, but until the government pays out the money the general capital could have been used for those kind of purposes on a revolving basis.

**MR. CHERNIACK:** Mr. Chairman, Mr. Anderson has shown me Page 54 of the Public Accounts which does mention contingent liabilities and is exactly . . . I was going to say that "they :

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be shown as contingent liabilities" on this sub-section, but I guess it has to be done any way, or is that just a . . . ? Is that the way it has to be done and would continue to be done? And that when any guarantees under new 54(2) would then be listed as the listing now appears on Page 54, which I think is helpful. I don't know; I have never looked at it.

Mr. Chairman, I do recall now that when we did guarantee we had to get it out of a vote.

**MEMBER:** General purposes?

**IR. CHERNIACK:** No, either general purposes or MDC may have come out of the Schedule A; I don't know. But that did reduce the authority, but Mr. Ziprick said that the authority was not reduced, it was just used and came back when the loan was paid off.

**R. CHAIRMAN:** Mr. Curtis.

**R. CURTIS:** Except if the loan guarantee was called, in which case it reduced the authority.

**R. CHERNIACK:** Yes. You see I am remembering now, Mr. Chairman, that we had a problem with Flyer Industries with performance bonds, where the free enterprise insurance company said they would be glad to give a performance bond if the government guaranteed it. So we guaranteed but that had to come off the authority, the capital authority.

**R. CURTIS:** The only thing with respect to that is there is a separate section in the Act already, which covers performance bonds.

**R. CRAIK:** 54(1) in the old Act.

**R. MILLER:** Oh, I see.

**R. CHERNIACK:** In 1975 they came along and said, "Put that in", so . . . Now they're doing something else.

**R. CHAIRMAN:** Mr. Ziprick.

**R. ZIPRICK:** I'm going to elaborate what Mr. . . .

**R. CHAIRMAN:** Could we have just one speaker at a time, please, so it doesn't get too confusing for the Chair. Mr. Ziprick.

**R. ZIPRICK:** I was just going to add to what Mr. Cherniack said, as far as using general capital Flyer to guarantee. Now, all it did was froze the general capital authority until such time as performance was removed. Once the performance was removed, then that general capital authority could be and was used for other purposes.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** Mr. Craik still wants it, and he's got it.

**R. CRAIK:** Oh yeah, okay, sure. I thought you meant the microphone.

**CHERNIACK:** No.

**CHAIRMAN:** 54.2 —pass; 54.3(1) — Mr. Cherniack.

**CHERNIACK:** What change is that, Mr. Chairman?

**CHAIRMAN:** Mr. Craik.

**CRAIK:** This section authorizes the government to assume the debt for the servicing of debt issued in the name of a government agency. What is contemplated here is that the government wish to centralize the debt issuing and debt servicing function in the government, leaving agencies to handle their specialized functions. What's also contemplated is the dis-establishing of government agencies that may have debt outstanding. Where agency debt is assumed by the

it would be necessary to declare the debt to be either general purpose or self-sustain debt.

**MR. CHERNIACK:** Mr. Chairman, is this a suggestion that was the recommendation set out in Spivak Task Force Report? And are there any guidelines that will determine how this was done or is it just arbitrary by the Lieutenant-Governor-in-Council?

**MR. CHAIRMAN:** Mr. Benditt.

**MR. BENDITT:** Well, I think this goes back to 1972, actually, where policy at that time was adopted to finance the government agencies other than Manitoba Hydro and the Manitoba Telephone System, being the two largest organizations. By means of advances from the government itself and at a later date the officials of the Department of Finance would meet with the government agencies to set out a repayment schedule. That has been going on now since 1972 for most of the smaller government agencies, but has not for Hydro and Telephones. I believe the Task Force recommended that this kind of thing be extended to Manitoba Hydro and Manitoba Telephone System, and thought here was that if all future debt of theirs is going to be in the way of advances from the government that there is existing debt which the government could then take over and service them. So that they simply would perform their specialized functions of running a Telephone System or running a Hydro system, and the government would then service the debt. The government could then assume the debt and, in effect, turn it into the debt of the government, and you would then have advances outstanding to these various organizations, so that everything would be handled in a similar manner.

**MR. CHERNIACK:** Well, Mr. Chairman, I always believed, and I still believe, that the DEPARTMENT OF Finance should be involved in all borrowings. I think it worked well. But I don't accept the concept that Hydro has a specialized function to produce energy, and therefore should not be involved in servicing a debt. I mean, I think the term is a bad term. What kind of specialized function is that excludes the financing of the operations of an agency, and the reason I make a point of it is this may well be the Section which will enable this government to move the foreign debt from Hydro on to itself, and — well, Mr. Craik says no, but it seems to me yes.

It seems to me that this way, any debt that is known as self-sustaining, as we know it, which means that the user, or ratepayer, is paying the debt in the long term, can be converted into dead-weight debt, against which the government can lend money to an agency at any rate, 24 percent per annum, underlay it to its cost of borrowing, and start giving a completely different view of debt of government and of agencies and, Mr. Chairman, we're on the verge of that any day and we've had lots of debate about it, and to me, it's still very important that we are able to distinguish between dead-weight debt and self-sustaining debt, although there are some politicians who blend it in together, and I've heard that done. —(Interjection)— And the SEC, but they are a little nuts in my opinion, but nevertheless, they clearly show what is self-sustaining and isn't, and there's no doubt about it, Mr. Chairman, that the SEC is concerned to make sure they know where the money's coming from. It likes the fact, and this is something we will be discussing at another occasion, I believe the bond holders like the fact that Hydro is not required to get permission to increase its rates from a Public Utility Board because in the States they have had that there's lots of problems with Power Companies who may prove to everybody else's satisfaction they need more money to pay their bond holders, and the Public Utility Board will bow to public pressure and not do it, and therefore, I think it's important that we know what use this Section could be put to in order to change a concept which I think is important.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** I'm just not too clear as to its purpose also. As I understand it now, that any debt that's created for a Crown agency, like Manitoba Hydro, the Lieutenant-Governor-in-Council can re-assign that debt now as to different kinds of debt, and different conditions, without any further authority, and I recollect these kinds of re-assignments being done. So I'm not sure just what was intended here.

**MR. CHAIRMAN:** Mr. Benditt.

**MR. BENDITT:** There only has been one situation so far, I believe, and that is the debt that was assumed by the government from the Manitoba Development Corporation at the time additional shares were issued by the Manitoba Development Corporation. That was done in an Act

Legislature in the Supply Bill. I'm not exactly sure what year that was done, but it was done in a specific Act of the Legislature.

It should be pointed out here that in Section 54.3(2), that where the servicing or repayment is assumed, the LG-in-C has to declare whether the debt is to be treated as self-sustaining or general purpose. There will be no change in the breakout of how much of our debt will be self-sustaining, and how much will be general purpose.

**CHERNIACK:** Mr. Chairman, I've expressed some apprehension, and mainly because it's too complicated for me to really see all the ramifications, but you know, Mr. Benditt said it happened once and it was dealt with, so why are we passing, or proposing to pass legislation of a general nature with all sorts of powers, which I admit I don't quite comprehend or foresee, to take care of a situation that may not arise again, or that may, when it does, be dealt with anyway. You know, it seems to me that we shouldn't be doing things like that. —(Interjection)— Oh yes. Well, there's no doubt that, just as in any democracy, what you do is often more awkward than if you didn't have to consult anybody else, but it's no great hardship, I assume. I'm not convinced that it

**CRAIK:** Well, Mr. Chairman, again I think in these matters and certainly as the Minister of Finance, I want to be sure in terms of the Provincial Auditor as well, in particular, that there's a complete agreement when these things are changed, and I gather what is being said here is that there's some degree of question mark as to the necessity, but there's no concern on the other side as to it creating a problem.

**ZIPRICK:** As I see it, there is no problem of a re-assignment as long as the agency is going to service the debt. Now, if you remove the servicing of the debt, now you have to do it through legislative approval to take it out of the debt that was raised for the purposes of the agency that is going to service, and now it's going to be general debt. So, as I understand it, this Amendment limits this to be done without having to go to the Legislature, and it's not likely to happen very often. It's just a question as to whether this kind of a general nature Item should be. And furthermore, I think that, under those conditions, as for instance, in the Manitoba Development Corporation, it was obvious it just couldn't self-sustain because it wasn't generating revenue, so that even the Act of the Legislature was really a rubber stamp in a way because there was no way it could self-sustain so that there's no particular choice.

**CHERNIACK:** And the delay didn't hurt anybody.

**ZIPRICK:** No. And the delay in those cases doesn't create problems.

**CRAIK:** Mr. Chairman, I wonder if we could hold this one in abeyance and we'll come back before we finish the bill.

**CHAIRMAN:** Okay, we'll hold the balance then of 35 and move on to 36. 36, 56(1)(a) — Mr. Cherniack.

**CHERNIACK:** To save time, I want to give my impression that the only change is switching revenue Account Item, and that there's no real change in this Section. Am I wrong? Is there anything basic that I didn't see?

**CRAIK:** We're on number 36?

**CHAIRMAN:** 56(1).

**CRAIK:** This deals with the sinking funds in 36, the netting of the sinking funds. The sinking fund contributions in the future will be a non-budgetary Item, and therefore will not be chargeable against public debt for expenditure appropriation. The annual sinking fund allocation will be in addition to the government's cash requirements, but will not be included in determining the operating deficit plus of the government. Now that is essentially what we've done, and we've done it now. Started last year by showing it both ways, and this year in the 1979-80 Budget we show it netting the sinking funds. In other words, the contribution to the sinking fund is not shown as expenditure.

**CHERNIACK:** So we had charged it before under revenue; you are now going to charge it



from Consolidated Fund. What is Consolidated Fund? That's not revenue?

**MR. ZIPRICK:** It's not a question of charge here at all. It's just a provision of cash, and the freezi of cash in the Sinking Fund. There is no charge created on the premise that you will not be recoveri or collecting revenue to cover that item. Any surplus revenue that accrues would be automatica used to retire the debt. If there is no surplus revenue well then there's nothing to retire, and t Sinking Fund, now as before, would just have to be provided through additional borrowing.

**MR. CHERNIACK:** Does the same apply to interest then?

**MR. CRAIK:** Contributions plus interest in the Sinking Fund are both netted against the . . . a don't show up as an expenditure.

**MR. CHERNIACK:** But interest that we pay on what we owe, isn't that charged as an expenditi item?

**MR. CRAIK:** Yes.

**MR. CHERNIACK:** You say yes, but . . .

**MR. CRAIK:** The interest on the public debt shows up as an expenditure, but the interest gair on the Sinking Fund plus the contribution to the Sinking Fund don't show up as an expenditi because they remain as an asset, as a build up of the Sinking Fund. So they're not spent; they committed but they're not spent.

**MR. CHERNIACK:** Mr. Chairman, I'm looking at (b), and does it means that that interest ref to the earnings or the value of the use of Sinking Fund moneys, and not interest on debt?

**MR. CHAIRMAN:** Mr. Benditt.

**MR. BENDITT:** On (b), the amounts required for the payment of interest refers to the paym of the interest on the public debt.

**MR. CHERNIACK:** On the total public debt.

**MR. BENDITT:** On the total public debt.

**MR. CHERNIACK:** I thought that Mr. Craik read that it's not going to be charged as expenditure.

**MR. CRAIK:** The interest on the public debt is.

**MR. CHERNIACK:** No, but that's what Mr. Benditt says is here, where it says it shall be provi or allocated from Consolidated Fund.

**MR. BENDITT:** (b).

**MR. CHERNIACK:** You see, formerly the present Act, almost the same wording, says that tl shall be charged to the Revenue Division, the amount required annually for interest on debt, that's what I thought it should be. Whether it's charged from revenue or charged as an expendi is less important to me, as long as it's charged.

**MR. BENDITT:** The operative word in the last legislation, the legislation presently existing, is word "charged", and the reason we've had to remove the word "charged" is that all of these c matters that are shown a, b, c, d, e, other than a, which is the amount required to be alloc annually, are charges. Everything else is a charge. So we've used the word "provided", and v saying that it's being provided from the Consolidated Fund. But meanwhile, (a) is allocated, not a charge. And so, it is still statutory, it has to be made, but you can't use the word "cha because that's the one item in there that isn't charged any more.

**MR. CHERNIACK:** You mean (a) isn't charged and the others are.

**MR. BENDITT:** That's right.

**MR. CHERNIACK:** Would it be clearer to the lay person that I am to say, there shall be allocated (a), and there shall be charged (b), (c), (d), (e). Is that what Mr. Benditt is saying is the case? Would not be more clear to say so, than to have an interpretation? I mean I'm really looking to Mr. Ziprick; he may understand it but you know five years from now we'll all be gone, there'll be other people here, how will they understand it?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Yes, that would clarify it to the point that there'd be no doubt.

**MR. CHERNIACK:** Is it important enough to change it? It's no issue for me.

**MR. CRAIK:** Yes, I agree. I think that clarifies it.

**MR. CHAIRMAN:** Mr. Balkaran.

**MR. BALKARAN:** Would Mr. Cherniack be prepared to accept, instead of going (a), and then another operative verb charged, to qualify (b), (c) (d) and (e), there shall be allocated or charged, the case may require annually from the Consolidated Fund.

**MR. CHERNIACK:** Then (b), (c), (d), (e) would say charged the amount?

**MR. BALKARAN:** No, I was saying allocated or charged as the case may require.

**MR. CHERNIACK:** Whatever Mr. Balkaran says suits me fine, Mr. Chairman. He understands the intent.

**MR. CRAIK:** Well, we're going to be back, so they'll work out the . . .

**MR. CHAIRMAN:** : Can we then hold that over pending an amendment, and move on to the next question?

**MR. CHERNIACK:** I want to point out something. It must be a typo or clerical error in one or the other, either the present Act or the bill. Under (d) in the bill, the cost of premiums and foreign exchange, the present Act says "on" foreign exchange, which I think is more correct, but I don't want to say that I'm right. It should say the cost of premiums . . . well, I don't know which is correct, the present Act reads "on" foreign exchange. This says the cost of premiums "and" foreign exchange. I'm told there's a difference.

**MR. CHAIRMAN:** Mr. Benditt.

**BENDITT:** There's a difference. It probably should have read, premiums "and" foreign exchange in the past. The premium is the penalty you may pay to call a debenture early.

**MR. CHERNIACK:** Like we just paid.

**BENDITT:** That's right, and we may pay it at par and a half instead of par.

**MILLER:** So the old bill was incorrectly worded.

**BENDITT:** Yes.

**MILLER:** Okay, fine.

**MR. CHAIRMAN:** We'll lay 36 over and move on to 37, 56.1 — Mr. Craik.

**CRAIK:** Well, it's the old . . . It's not a new section but it's the old 21(3) renumbered and inserted in a more appropriate place in the Act, and the section permits the government to cancel national securities which it has purchased.

**MR. CHERNIACK:** 21(3)?

**MR. CRAIK:** Yes, it's the old 21(3).

**MR. CHERNIACK:** Let me read my note, Mr. Chairman. I mean I will read it out loud. I do know what it says, I mean I don't remember what it . . . What is the present practice and what is the significance? Wouldn't this reduce your obligation to set aside a fixed percentage the loan to a Sinking Fund by reducing the loan amount? Would this endanger our credit standing I add, for which we fought so hard.

Mr. Chairman, as I understand it, I believe the present practice is that we buy up bonds and we salt them away, and then the bond lender for future bonds knows that we have even prep or bought up bonds in advance and have them sitting there waiting for redemption day, when we will redeem them ourselves. Whereas here it is suggested that, as we go along, we reduce the debt immediately and don't show the asset.

Now, I suppose on the Balance Sheet it still shows up as a net debt, which it didn't used to because I come back to saying well what does the province owe, and when you look at what it owes, and then we argued. You know, we had this big argument with Mr. Lyon a few years ago where we said, yes, but you've got to net it out, after reducing the debt by the amount that we have bought in reserve; we bought off the same debt and therefore we owe less.

Now, I think we have already accomplished that, or is this the method in which we will accomplish it? That's why I'm not clear on this section.

**MR. CRAIK:** Well, number one, it is the same; if you look at the wording, it's slightly different but it says the same thing to me as what was there before. And what was there before said, "acquired moneys in the Capital Division are used in payment of liabilities for which securities have been issued. If the securities have been acquired and are held by the government, they may be retired or cancelled in advance of the date upon which they mature." That's the old reading, and I think the new one says the same thing. "Where there are acquired . . . "

**MR. CHERNIACK:** I think so, too; I'd like to be assured of that, by experts.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** The situation that Mr. Cherniack refers to, I always took it that you could not cancel them if you were going to any way contravene the Sinking Fund legislative requirements, and it's very important before cancelling to ensure that those sections are not contravened. So I would say that you probably couldn't cancel unless you had the whole series and there is no future requirements. But I would think that there would have to be a legal opinion to ensure that there was no contravention of the Sinking Fund provision requirements.

**MR. CHERNIACK:** Well, what about 21(3) in the present Act? Is the same concern there?

**MR. ZIPRICK:** The same concern always has been here in cancelling any debt, it is to ensure that the sections dealing with Sinking Fund law are not contravened because if you did contravene them you could run into investment problems. So that I think the situation still remains the same way.

**MR. CHERNIACK:** Well, Mr. Chairman, I appreciate Mr. Craik pointing out that it seems to be a rewording of 21(3) which probably answers my original concern, but now the point Mr. Ziprick makes, I'm just wondering whether he would be a little happier if this section said something like "Subject to the requirements under any Sinking Fund arrangement", and then go on to that.

Now, that's a new idea which Mr. Ziprick put in my mind just now, and if you've always had that concern then wouldn't it be good to put it in now, even though it wasn't there before?

**MR. ZIPRICK:** Well, I've never had that concern because if at any time that happened I would ensure that there was a legal opinion, and if the legal opinion said that you're contravening the law you just don't do it.

**MR. CHERNIACK:** Since Mr. Ziprick is as mortal as the rest of us are, would he not like to ensure that future Auditors make the same . . . I mean have that to remind them that they should be doing that. Because I don't read that that's required. In reading both the old and the new, I

ee that they have to carry out that pledge, contractually. They could actually just retire.

**MR. ZIPRICK:** Well, I always felt that if there is a requirement for Sinking Fund under certain conditions, that those requirements have to be met and anything that you do with your debt has to be strictly complied with with those particular Sinking Fund requirements.

**MR. CHERNIACK:** Mr. Chairman, when Mr. Ziprick says he always assumed it had to be done, would think it had to be done for SEC requirements or for bond holders requirements, but I'm not sure it had to be done by law because this law says you can retire them. And therefore what he is saying may be absolutely right from the standpoint of how it should be done, but not necessarily how it has to be done.

**MR. ZIPRICK:** Well, if there's concern that something could be done over here in law that would reach another contract somewhere, then it should be amplified.

**MR. CHERNIACK:** Well, I express that concern, Mr. Chairman; I express that concern and I don't pose as a legal expert on this field because I don't have that much. But I do express that concern, and is anything wrong with putting it in, just as double insurance?

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** No, none. Only to the extent, I think it's more, perhaps, a legal counsel type of thing: if you repeat something that's already covered off in another Act, you know, unnecessarily by minding in this Act that it is a requirement of another Act. So if it's no problem, all it does is add a few more words.

**MR. CHERNIACK:** Could we turn it over to Mr. Ziprick and Balkaran and be guided by whatever they say?

**MR. CRAIK:** Well, I think it's plenty . . . You're putting on paper what's implied.

**MR. CHERNIACK:** Well, that's not a bad thing to do.

**MR. CHAIRMAN:** May we then pass over 37 and move on to 38? 38, 57(2) — Mr. Craik.

**MR. CRAIK:** The basic wording in that section has been changed. It's the old 57(2). Meaning hasn't been altered. It provides that where provincial securities which were issued for making advances government agencies have been redeemed, the liability of an agency to repay the advances is not reduced. It's a change in the wording, primarily, I gather.

**MR. CHAIRMAN:** Mr. Benditt.

**MR. BENDITT:** Yes. For some reason, I don't know why, we suggested this be put in last time. We said, "and where the securities are redeemable, at the option of the government." This wasn't really necessary. The policy that we adopted some time back — and I think I mentioned 1972 — where we made advances to government agencies from and out of cash that we had on hand and then when we would issue some securities to fund those advances. The securities didn't necessarily have to be for the term of the advances. The advances had their own particular time schedule. When the securities matured, we wanted to ensure, firstly, that that didn't mean that the advance was repaid; the advance was still an obligation of the government agency to repay it and there was only no necessity for the words as to whether the securities are redeemable at the option of government or not.

We simply want to get across the idea that when those securities mature the advances are still an obligation of the government agency to repay.

**MR. CHAIRMAN:** 57(2)—pass; 38—pass; Section 39, 58 — Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, well, I'm not sure that I agree with that statement. Mr. Craik said that it's revenue and capital. The difference I see . . . Well, what they have done here is to change out from the old section reference to capital expenditure, but they have also made a very important change; they have changed from the Lieutenant-Governor-in-Council making a direction to the Minister making a direction. If it is done to relieve the burden on Cabinet for being involved

in things that they probably do blindly, then I am all for it. The Cabinet has too much to do anyway. But the one big difference that I see is one is done by O/C, so it's public, and the other is not done by O/C, so it's not public. I'm wondering the extent to which it's important that it should be a public document. See, I don't really care who makes a decision and I will assume that whatever Finance Minister ever brought an O/C of this nature to any government in the last many years that it was automatically passed by the Cabinet.

**MR. MILLER:** After an explanation.

**MR. CHERNIACK:** After an explanation which the Minister didn't understand either, probably. In there I see the difference. Now, what is the value of a public document, as compared with a private one? Am I correct in my assumption that there is that basic difference?

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Well, that part of it, it wasn't the intent here to change that part significantly, whether it's O/C or just government action. Apparently the cases where this would be used would be the cases of such as the Insulation Program. If money is raised for a specific purpose and required, then it may be used to pay off a debt of the government or to reduce future borrowing by the government. I don't think it's critical as to whether or not it's O/C or otherwise. I would have any concerns about it reverting to being O/C. I think there are many other things that I would rather see not O/C, looking at the number of \$50 items that go by on sales tax adjustments.

**MR. CHERNIACK:** Mr. Chairman, I'd like to have a further explanation. What are we talking about? What Act of the Legislature is now going to authorize the expenditure for capital purposes? I mean we have yet to come to my contention that there should be legislation that wipes out all capital authority, but we're not going to have any more capital authority. So what are we talking about now?

**A MEMBER:** Schedule A.

**MR. CHERNIACK:** Well, you can't take Schedule A and say a Hydro debt will be used to a Telephone account, or . . .

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Isn't the Insulation Program Schedule A? That is this year, I believe, and the example given by Mr. Craik is that if the money is not needed for that then it would be simply a ministerial order to repay some other part of Schedule A.

**MR. CRAIK:** Well, let me ask Mr. Benditt to comment on the mechanics, specifically, of the operation of it.

**MR. CHAIRMAN:** Mr. Benditt.

**MR. BENDITT:** Yes, this is a section that is not going to be used very much any more because we do not vote for specific government purposes any more, except in one instance. Well, there are actually two instances that you can borrow for, right now. The Insulation Program is one of them. And you have to provide for how you're going to handle this money, if you have borrowed it for the program. When you end the program, you still have the money left. You have actually raised that money. So the idea is that the money should be then used in part payment of the debt because actually you issued debt to get the money in the first place. So you should then use the money to help pay off debt, or in lieu of raising other moneys. That is in lieu of issuing more debt.

Now, you may also provide yourself authority for borrowing for the government deficit and may, indeed, borrow in advance, as has been done many times in the past, and find yourself with money that is not then required. Because of an extremely changed situation during the year you may find yourself then with money that is not required. Well, you would then use that money to repay debt or to prevent future borrowing.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, Mr. Chairman, I am still not clear on what future borrowing will be authorized for capital purposes, and I am not even sure that, you know, if you borrow now, in advance of the need because the market is right, then that money will be used . . . If you borrow now, you're borrowing with the intention of using it in one month, two months or three months. Then probably that would be used as part of cash flow. It's not very often that a government sits with money lying around. Not a day goes by, as I know and does Mr. Benditt, to let money just lie here. It's always being used. And if it's surplus for awhile, it's loaned out. But it's the authority we're talking about. I'm still not clear on future capital authority.

**MR. CHAIRMAN:** Mr. Anderson.

**R. ANDERSON:** Mr. Chairman, this section is to provide flexibility where it would be advantageous to retire debt, if the situation warranted, that we had borrowed in anticipation and now it appeared we didn't need it. If the trade-off in investing short-term or long-term appeared better to retire the debt, then the government would have to assess whether it should retire the debt rather than continue to invest this money, so that it gets the maximum advantage out of its dollars.

**R. CHAIRMAN:** Order please. It's 12:30, gentlemen, time for our normal time of adjournment.  
Mr. Cherniack.

**R. CHERNIACK:** The point that I have, Mr. Chairman, we're right into this section. It's not a contentious one. Shouldn't we, even if it takes 10 minutes or so, finish it? I mean if Committee wants to rise . . .

**R. CHAIRMAN:** I thought you might need to think about it until we met again. Mr. Ziprick.

**R. ZIPRICK:** As I understood it, it all revolved around the cash financing of agencies, for example, if you raise money for X-dollars and then in your advancing you don't need it all, you use it for other purposes. I don't put too much importance in this cash flow area. There has got to be authority for advancing, and if you've raised in anticipation to advance to an agency \$2 million but you only need \$1.5 million, you only advance \$1.5 million and the other \$500,000, if you need advance to another agency, you'd use it for that purpose. That's the way I would understand

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Or reduce the debt.

**MR. ZIPRICK:** Or reduce the debt, yes.

**MR. CHERNIACK:** Are you saying you need 58, or you don't need 58 to do what you think should be available to be done?

**MR. ZIPRICK:** Well, it's so obvious that I question as to whether you need 58 or not, but seeing it's there, it would just ensure that you can do it.

**MR. CHERNIACK:** There being no harm in doing it, there being no harm in accepting this amendment, is there any value in ensuring that it be a public document?

**MR. ZIPRICK:** I don't see that it would be of any particular interest to the public that you've raised \$2 million but you only advanced \$1.5 million and you're using the other half million for other purposes. When it gets into the documents of raising money, then again I go back to what I said before. There, we've got to comply with whatever is required to ensure that those documents are not contravened. But then we're dealing with specific documents. But if it doesn't contravene those documents, just doing an allocation is all that's necessary.

**MR. CHERNIACK:** Mr. Chairman, I want to address myself to Mr. Craik on this. I, too, don't want to burden Cabinet with too much to do. On the other hand, he said he doesn't worry too much about that aspect of it. If there's an authority to borrow money for a purpose of whatever, \$2 million, if it's not used for that purpose, then it's sensible that a Minister should be able to use it in the way outlined in 58, but it seems to me there should be a companion O/C passed when there's diversion of that money under 58, and therefore I would say I think the Cabinet should have

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to do that. —(Interjection)— Now you're thinking like a Finance Minister. But it seems to me, like to suggest we go back to the LG-in-C.

**MR. CRAIK:** Mr. Chairman, it's seldomly used and it isn't a burden to have it remain that way. I've never processed one, period, since being the Minister and I gather that the last one was perhaps three years ago. So from that point of view, there is no problem, and if there is in leaving Order-in-Council, if there is value in it being a public document, I suggest we put it back in Order-in-Council, as it was.

**MR. CHERNIACK:** Pass, with that amendment, Mr. Chairman . . .

**MR. CHAIRMAN:** If that has the agreement of the committee, perhaps that amendment can be prepared for our next meeting.

**MR. BALKARAN:** Would Mr. Cherniack accept the words in the fourth line, "the Minister may direct with the approval of the LG-in-C direct . . ."

**MR. CHERNIACK:** Well, the original section says the LG-in-C may direct. Is that simpler, instead of — what they did was pull out the Lieutenant-Governor and put in the Minister, just reverse that.

**MR. BALKARAN:** Well then you can strike out Minister in the 4th line and simply insert LG-in-C may direct.

**MR. CHERNIACK:** Yes. As amended passage. Do you need a formal motion?

**MR. CRAIK:** No. Well, I think we don't on all of them. We have a number that have to come before us so . . .

**MR. CHAIRMAN:** We'll hold it over and pass it with the rest. That being the case, Committee rise.

**MR. CRAIK:** Mr. Chairman, if possible, we'll try and arrange for the next meeting for tomorrow morning so we can carry on. —(Interjection)— Well, I don't know of another one at this point. We're trying to get this and the Public Utilities Committee in order, but some of us have to be at home so if we finish tomorrow, fine, if we don't, we'll have to reschedule for next week.

**MR. CHERNIACK:** Mr. Chairman, I'd like to co-operate, because I think once we're in it, we should continue. Besides, we have all the other things to deal with in Public Accounts.

**MR. CHAIRMAN:** Committee rise.