



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

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

33 Elizabeth II

Chairman
Mr. David Blake
Constituency of Minnedosa



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Hon. Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
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CORRIN, Q.C., Brian	Ellice	NDP
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DOERN, Russell	Elmwood	IND
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virден	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Hon. Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
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MALINOWSKI, Donald M.	St. Johns	NDP
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McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
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PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
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PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 1 May, 1984

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Dave Blake (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Ms. Hemphill, Hon. Messrs. Lecuyer and Schroeder

Messrs. Ashton and Blake, Ms. Dodick, Messrs. Harapiak, Manness, Ransom and Santos

APPEARING: Mr. W.K. Ziprick, Provincial Auditor
Mr. C. Curtis, Deputy Minister, Department of Finance

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor and the Public Accounts of the Province of Manitoba and Supplement for the fiscal year ended March 31, 1983.

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MS. C. DePAPE, Clerk of Committees: Since our former chairman, Mr. Steen, is no longer a member of the committee, we must first proceed with the election of a new chairman. Are there any nominations?

Mr. Harapiak.

MR. H. HARAPIAK: I would nominate the Member for Minnedosa.

MS. C. DePAPE: Are there any further nominations? Seeing none, Mr. Blake, would you please take the chair?

MR. CHAIRMAN: Well, I suppose it is customary to thank you for your confidence and support in electing me as Chairman again, members of the committee.

It is our normal procedure to start with the report of the Provincial Auditor. If that's your wish, we will carry on with that format. Does that meet with the approval of the committee?

The report of the Provincial Auditor for the fiscal year ending March 1983, Preamble—pass; Page 1—pass; Pages 2 to 6, inclusive, were each read and passed. Page 7 - Mr. Ransom.

MR. B. RANSOM: I wonder if Mr. Ziprick would give us a little explanation here on how these allowances for losses of government agencies works.

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: There is a provision each year that is determined based on the financial statements of the

agencies, and the losses of the agencies are provided for. They are provided for in this reserve or allowance, but they are not reflected in the statement of revenue and expenditure. So it is just an allocation of the deficit, or that deficit for the year.

MR. B. RANSOM: And I believe you make a recommendation somewhere that this system should perhaps be changed, that these should be more definitively written off as losses?

MR. W. ZIPRICK: It's a matter that I raised under Manitoba Forestry Resources. The advances were being made under the Forestry Resources to cover losses as in the form of repayments. Now the losses are accumulating to such an extent that these cannot be considered as repayments. Now they are provided for in this reserve but they are not reflected in any of the appropriations or any part of the expenditures to be included in the bottom line and transferred to the net deficit position. So I was recommending that consideration be given to fund those kind of losses, that this be done through the appropriations. Now we have taken a further look at it and we are now looking, with the Department of Finance, with the possibility of realigning this allowance to be reflected in a different way, because the way the present policy operates, that under the present accounting policy it would be reflected in the statement of Expenditure and Revenue when it's legally written off by Order-in-Council.

In other words, if the advances or investments and shares are deemed to be not in any way to be recoverable or there's no asset behind it, they would be written off by Order-in-Council and when that happens, that this, under that policy, would be reflected in the Revenue and Expenditure item as a last item added to the Deficit.

There is some element of unfairness that creeps into this kind of an accounting policy because you'll have a large item coming in at one particular time that has accumulated over - it could be quite a number of years - and the question is, how fair is it to reflect a large deficit in that particular year when it was accumulated over a number of years?

We have been discussing the possibility of changes. I don't know just where it stands. The Department of Finance could probably give more explanation to that at this time.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Mr. Chairman, the department is looking at it with a view to coming forward with a recommendation to me sometime probably within the next year.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: I am assuming at the moment then, at the end of 1984, that figure of 20.9 is going to be

almost double that with the recent advance to Manfor. Would that be correct?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: Yes, it will be quite a bit higher under the present policies because there's over some \$24 million for Manfor and then there's Flyer, there's McKenzie Seeds, so all this put together will be quite a significant addition to the allowance.

MR. B. RANSOM: It seems to me it becomes fairly urgent then to deal with that because the longer it goes on the less likely that any government is going to want to deal with that and take it into the deficit in any given year. Perhaps it should be somehow tied in to all of the investments, so called, that government makes. We had some fairly extensive discussion last year about identifying the costs of the government's investments and I note with some satisfaction that Mr. Ziprick has put a footnote in the A.E. McKenzie Annual Report this year which, in fact, identifies the interest costs for the government's equity position.

Might this kind of cost fit in some overall sort of accounting of government investments?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: I just can't see that this could be included as a form of accounting in the net debt position because then you would have to create a charge and a write-off of it and we are just dealing on the basis of notes; and I think that would create another dimension toward this accounting that I don't think would reflect the situation too well.

I think that they should be concentrating on the actual losses that are being accumulated that need to be funded and annually an evaluation be made and the amount that's determined that is not realizable to be reflected at the bottom of that statement as a particular funding, actual funding that went across for that year is not being realizable and you'd avoid the accumulation.

MR. CHAIRMAN: Page 7—pass; Page 8—pass; Page 9—pass.

Page 10 - Mr. Ransom.

MR. B. RANSOM: I'd just like an explanation again concerning the School Capital Financing authority and such.

How much of the money expended for the construction of schools actually shows up as an expenditure of the government and would be reflected in the deficit or in the capital spending of government?

MR. W. ZIPRICK: In this instance, nothing showed up until there is a funding for the repayment of the debt and that would be looked after through the Department of Education Appropriation; so in the first instance, when you build a school and fund it under this guarantee system, the expenditure for that school would not show up in the province's Expenditure Appropriations. It would only show up when the repayment commences and the interest and repayment is funded through the Public School Finance Board to take care of that

obligation and that's when it would show up in the Department of Education Appropriations.

MR. B. RANSOM: There are no schools, hospitals, personal care homes that actually show up as an expenditure of the year for the government?

MR. W. ZIPRICK: No, only to the extent of any capital that would be directly funded through the appropriation, but any capital authorized to be expended on the basis of this borrowing authority would not show up when the expenditure is made. It would show up when the repayment of that obligation is being made progressively.

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

MR. B. RANSOM: A question on the Sinking Fund, I'm not quite clear exactly how that's handled now.

There's an increase in the Sinking Fund of \$70.9 million, '83 over '82. What's the other side of the bookkeeping equation where that shows up?

MR. W. ZIPRICK: One side is Provision of Funds and the other side is Addition to the Assets so it does not show through any kind of revenue expenditure system. It just shows up as a setting aside of cash to fund the Sinking Fund to the amount that's required by law.

MR. CHAIRMAN: Page 12—pass. Page 13 - Mr. Ransom.

MR. B. RANSOM: Just a second, Mr. Chairman. I've got a note here that I have to figure out.

MR. CHAIRMAN: Page 12?

MR. B. RANSOM: 12 is okay, pass.

MR. CHAIRMAN: Okay, Page 13.

MR. B. RANSOM: Under the Commitments - Indebtedness to Canada Mortgage and Housing Corporation, it's under an agreement with Canada. This indebtedness is serviced through operating deficits by Canada and Manitoba on an equal sharing basis. Manitoba's share of the deficit amounted to \$18.7 million for the year ended March 31, 1983. Does that show up in the spending estimates each year then, that amount of money?

MR. W. ZIPRICK: Yes, that's the amount that shows up in the appropriation and it's provided for in the appropriation. It keeps getting larger as the deficits go through some repayment or something indicated in there, but the amount required to service that obligation shows up in the appropriation each year.

MR. B. RANSOM: Was that a repayment of principal?

MR. W. ZIPRICK: It's a combination. The way it operates, there's the Capital Housing Authorities that are set up and they make recoveries for rent, based on a means test basis; and so there are various

operating expenses and interest to service this debt, and then the repayment of this debt is looked after to the extent that those funds are available and whatever funds are not available, that is shared equally between Canada and Manitoba. So, basically, I guess most of the debt would be serviced through a subsidy and probably some interest. I don't know just where the saw-off comes but it can vary because the recovery is not dependent on any percentage recovery of expenditure but on the means of the individuals to pay.

MR. CHAIRMAN: Pages 13 to 17, inclusive, were each read and passed.

Page 18 - Mr. Ransom.

MR. B. RANSOM: Now this is the section where it says that the definition of capital now includes expenditure for repayment of the capital portion of debt relating to hospitals, schools and housing, and grants and assistance payments or portions thereof to commercial organizations and private individuals for the purchase, construction or improvement of physical assets. This, then, is the repayment of principal on some of the debt that is regarded as self-sustaining, is that correct?

MR. W. ZIPRICK: It is not a self-sustaining debt; like the hospital debt could not be considered as self-sustaining. It is funded from the appropriations, but the expenditures for capital are being funded by borrowings that are in the name of the entity and guaranteed by the province. Then, when the repayments are made each year, there is a provision made in the appropriations to fund those repayments.

MR. B. RANSOM: Okay. Then the capital borrowing is not done directly by the government or, at least, it is not a direct liability of the government and it doesn't show up in the capital expenditures of the government in that year, but the repayment does show up. So that, included in the definition of capital, we now have several millions of dollars that are being laid out showing up in the deficit but they are not creating any new capital asset. The asset has already been there for some time and this is just the repayment, is that correct?

MR. W. ZIPRICK: That's correct. Any capital assets that were established and not funded through the appropriations when they are constructed are taken care of by funding progressively and show up as a capital expenditure or an expenditure related to capital in the appropriations.

MR. B. RANSOM: Some of this might be for schools, some might be for health institutions. Are there any other significant areas of size? I am speaking about a few million dollars at least.

MR. W. ZIPRICK: I don't recollect offhand; Mr. Curtis may.

MR. CHAIRMAN: Mr. Curtis.

MR. C. CURTIS: Some housing payouts.

MR. CHAIRMAN: Page 18—pass.

Page 19 - Mr. Ransom.

MR. B. RANSOM: This section is headed Special Warrants, Mr. Chairman. Mr. Ziprick makes a statement here where he says, "We review the documentation supporting requests for special warrants to see that it is compliance with legislation."

Did you, Mr. Ziprick, review the supporting documents for the recent \$1.5 billion special warrant to see if it was in compliance with the legislation?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: Yes, I have taken a look at it. It's legal, ruled by the Legislative Counsel as being legal. The question of size could present problems, but in view that the Legislature was going to meet and will vote on this and then supersede the warrant, then I, in this situation, don't have any choice and don't have any particular problem.

MR. B. RANSOM: The Financial Administration Act says that ". . . when they pass a special warrant for such amounts as are urgently and immediately required . . .;" are you satisfied, Mr. Ziprick, that \$1.5 billion was urgently and immediately required?

MR. W. ZIPRICK: As I say, the size of it could present some problems if the Legislature was not present to deal with it. Let's say that the Legislature wasn't going to sit for some time, I would have some concerns about that size and probably would be required to make some observations on it, but in this instance it's going to be superseded, so I'm not sure that the amount has that much meaning. But if it's used as a precedent for future and the Legislature is not called into Session, I would say that would be inconsistent with what's been followed before, because looking back there have been occasions where substantial expenditures were being made and the Legislature was called into special Session to approve those expenditures.

MR. B. RANSOM: Wouldn't it make more sense that a larger special warrant would be justified if the Legislature wasn't going to be sitting for awhile? It seems a little backwards to me that if the Legislature is going to be sitting then the urgent and immediate requirement is smaller.

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: Yes, except that the question could arise that you could bypass the Legislature almost completely through special warrants, and the question arises then to what extent would the legislative control over expenditures be circumvented? This is what I would be looking at issues.

As far as the question of legality, I think that probably under the circumstances that it may be desirable to have some definition as to what is legal, because I did not think that the size did not have some bearing on evaluation of legality, but I am told by the Legislative Counsel that it doesn't. So the size not having any bearing on legality, then there could be a time where the size of the warrant could be questionable as to

whether that amount should be expended without calling the Legislature into Session.

Historically, looking back, the interpretation generally that seemed to have been given before was that when there were major expenditures going back, for instance, in the 1950's when the major flood expenditures were being undertaken, the Legislature was called into Special Session to approve that kind of a size of expenditure.

MR. B. RANSOM: It seems then that all that The Financial Administration Act does is give the government an opportunity to write a blank cheque then. It authorizes them to pass special warrants, but it really places no restrictions on it.

MR. W. ZIPRICK: The legal interpretation that is being placed now, this would seem to be the situation.

MR. B. RANSOM: Well, I would suggest then that the Legislature should give consideration to amending The Financial Administration Act, because it seems to me that's an extremely dangerous tool to put in the hands of any government. We give them an opportunity to write a blank cheque and not have to be held accountable for it. I'm sure that was never the intention of The Financial Administration Act when it was written that way.

It seems to be a legal sort of interpretation that the lawyers are able to put on a piece of legislation that to a layperson says one thing, but to a lawyer it says something else. To a layperson, when it says that money can be used for urgent and immediate requirements, that seems to carry a fairly specific kind of understanding with it, but the legal understanding of that is apparently quite different.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: I admit that I was doing a little bit of other reading, but I just caught the last part of the conversation. If the legislation would give a government simply a blank cheque to do whatever it wanted, then I would agree with the member that possibly there should be a look at it. Maybe what we can do is check back with legal counsel.

What we did this particular time is pass a warrant that would basically put us past the Legislative Session. As the member knows, we would have otherwise run out of spending authority at the end of March, 1984. We had the choice of doing both a Special Warrant and Interim Supply, or doing the Special Warrant and having it subsumed in the vote. All members of the Legislature will have an opportunity to vote on Supply and, at that time, the Special Warrant amount will be subsumed in the amount that we are authorized to spend for the year.

Quite frankly, I see nothing wrong with that. It is clear. We had a legal opinion that said there was nothing wrong with that. If, however, the member has discovered that there is some kind of a blank cheque where a government can go to the extent of simply ignoring the Legislature and not having any kind of approval on these things or having a Legislature not sit for a year or not asking for authority from the Legislature,

then certainly I would agree with him that there should be some review of that.

MR. B. RANSOM: Well, it certainly seems to me that there is a problem, Mr. Chairman, because here is a situation where on debate of Interim Supply two years ago, three years ago that the NDP, in opposition at the time, debated on eight different occasions Interim Supply, and apparently found that it was necessary and in the public interest to debate Interim Supply to that extent. It's not for me to question that they were or were not acting in the public interest. I have to assume that they were.

Now, the Minister of Finance very clearly states that it was his intention to pass a Special Warrant that would get him through the Legislative Session, and the opposition would not have the opportunity then to act in what they saw as the public interest and debate Interim Supply, because three years ago, the opposition still had the opportunity to debate in the Throne Speech and the Budget Speech and Main Supply. All of those other opportunities were there. Now that one opportunity is taken away, and it apparently has been done legally, but it certainly hasn't been done according to a layman's reading of The Financial Administration Act.

HON. V. SCHROEDER: I just want to say that I don't expect that we will escape discussion. As I said, that matter will be voted on along with Main Supply, and that will give members of the opposition an opportunity to talk about that very issue during the Supply debates. I doubt very much whether they will miss the opportunity.

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

MR. B. RANSOM: Perhaps Mr. Schroeder could tell us how many of Mr. Barber's recommendations are reflected in the presentation of the Budget this year.

HON. V. SCHROEDER: As the report indicates, Professor Barber in his report contends that the financial management system essentially meets the needs of the province. He asked for some more data to be included, and we are looking at further inclusions in the future.

He also discussed some of the issues of current versus capital spending and so on, and some of that has certainly found its way into the presentation. If the member wants a listing, I think I would have to go back and check to see exactly what was done in response to Mr. Barber's report.

MR. B. RANSOM: It seems to me, Mr. Chairman, that what has happened is that out of the many recommendations that Professor Barber made as to the presentation of information that might be useful in helping to analyze the financial situation of the province, that the one that the Minister has picked upon is the splitting of capital and operating expenses which, in my view, is what he had in mind when he commissioned the study.

HON. V. SCHROEDER: Mr. Chairman, as I indicated, I can get back to the member with specifics of items covered.

MR. CHAIRMAN: Page 20—pass; page 21—pass.
Page 22 - Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, under the heading Departmental Annual Reports, Mr. Ziprick indicates that the Premier's Office had required that annual reports be standardized with their primary purpose being to provide an accountability based on the approved Estimates for the activities and programs of the departments for the year.

Mr. Ziprick notes that there has been a general compliance with the prescribed format, which I take to be that we now have an 8-1/2 by 11 Annual Report, white with black printing, from most departments, but other than that there's really not very much that's been standardized.

What is it that the Premier asked for that these departments continue to ignore?

MR. W. ZIPRICK: We would interpret that the requirement would be that the amount of money voted in the Estimates would be compared with the actual and the variances, explanations would be provided by the departments as to why they are over and under giving the full accountability of tracking between the Estimates and actual. This has not been done. It's been done in some degree in some departments. It's not being done generally. There are some differences in understanding as to what this means. There has been consultation back and forth with the view of providing further explanations on it. I don't think that that's been fully finalized as yet, but in my view anything short of that kind of accountability would not meet with the requirements to provide an accountability compared with the Estimates.

MR. B. RANSOM: There is information that appears in the Public Accounts documents themselves, by appropriation and showing the amount of money that was expended and lapsed. I am assuming then that it is some of that kind of information that you and the Premier would like to see included in the annual reports of the departments. Is that correct?

MR. W. ZIPRICK: That's correct.

MR. B. RANSOM: Well, that seems like an excellent idea to me, Mr. Chairman, that that should be done. I know that under the direction of the Department of Finance that more and more departments have been putting together the supplementary information for Spending Estimates. It seems to me that something along the same format then in the Annual Report, saying what they did with that money that was voted, both in terms of expenditure and what they accomplished from it, would also be worthwhile.

I have a question for the Minister of Finance. No. 1, whether he agrees with this; and No. 2, whether he in the Department of Finance and his mean colleague who heads the Treasury Board would get behind the Premier on this issue and direct the departments that they put out annual reports in a way that's more meaningful in terms of how the Auditor sees it, the Premier sees it and the opposition sees it.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes, certainly I agree with the Premier. It only makes sense once we start issuing these annual reports that all of the departments begin to do so. The member mentions the reports that are supplied during the Estimates, and the Department of Finance was one of the first to do that. I believe that started under his direction and this year we're adding on the Civil Service Commission which I'm now in charge of, but unfortunately, we haven't been able to add on as many departments as I would have liked to.

MR. B. RANSOM: Just briefly, Mr. Chairman, when we have a government that now spends the billions of dollars that it does and we have the thousands of people employed, that are employed, it's impossible for legislators or for the public to really understand what's going on within the financial and programming area of the government on the base of what's available now. I would just urge the Minister of Finance to do whatever he can to make it easier for legislators and the public to understand what's going on within the government. It seems to me that that should be given high priority to have that done.

HON. V. SCHROEDER: I certainly agree with the member on that and other than these kinds of reports, we've been doing other things as for instance the meeting that I had in nine different communities in the province with business, labour and community leaders, etc. discussing the background information on which we had to make budgetary decisions. I think that was very helpful to us, but it was also helpful to a lot of people out there in the communities to get some idea as to what the limits are that the government has in terms of making decisions.

I believe as well that the advertising we recently did with respect to the Budget in telling people that it is available for them is a very important step along that kind of a road. People in the province - just for example as I indicated on Budget night, we invest \$1,000 per man, women and child on health care. As the member has indicated we spend billions of dollars, more than \$3 billion next year, more than \$3,000 per man, women and child in the province and our total advertising bill for the province - I don't know what it is but it's not more than several million dollars. In comparison to the health cost for instance, a thousand dollars per man, women and child in health care costs \$1 or \$2 per man, women and child on advertising costs, so let people know a little bit about the programming that government has. Let them get - if they are interested - a copy of the Budget to see exactly what it is, what path the government is embarking on.

That is done by every corporation for any shareholder with a couple of shares in a corporation. We don't want to spend that kind of money on providing those kinds of documents throughout the province to people who may not be interested. But I think we have an obligation to be looking at providing more information to those of our citizens who are interested. It can be done at a reasonable rate as compared to the expenditures of government.

MR. B. RANSOM: Mr. Chairman, I thought for a moment that I was going to make some progress there with the

Minister, but it's evident that his understanding of this situation and my understanding are entirely different, I guess which should not be surprising.

I'm not talking about amoral government advertising which only puts forward good news. The average annual report of any department of government only puts forward good news. Pick up any annual report and try and find out where that department says that they failed in something and you're not going to find it. When you go out to talk to communities around the province, that may be good. It's certainly good from a political point of view, but the information is controlled by the people who organize that meeting. They give whatever information they want to those people. I'm talking about information that is made available to the opposition and to other people who are interested, the good with the bad. I want the meaningful information, not just the good news that some department or some Minister wants to advertise. The Minister runs ads in the paper, Mr. Chairman, that must cost taxpayers thousands and thousands of dollars extolling the virtues of the Budget. I don't see those ads telling the people of Manitoba that you're going to run up a \$488 million deficit this year. Now if you really want to tell the people information, you put that in. If you're going to put that kind of information in, if the Minister is going to put it in, Mr. Chairman, then maybe there's a case for what he says. But that's not what I am talking about and I don't think that's what Mr. Ziprick was talking about. I don't think that's what the Premier was talking about when he gave some direction to the departments to get some of that other information into their annual reports.

HON. V. SCHROEDER: It's pretty clear that the member hasn't read the Budget because the advertising on the Budget indicates that people can contact the Department of Finance to get a copy of the Budget. The Budget indicates that there will be a deficit of \$167 million and budgetary requirements of approximately \$488 million. He says the information is controlled and he wants information that goes out to the opposition as well as to other people. This information went out and when I'm referring to the pre-Budget consultations, the first people to get the information were members of the opposition. I tabled that document in the Legislature. I expected some reaction from the opposition, I expected some feedback. I got no indication from them for months.

While I was out on those visits to our communities, I got no indication that there was anything wrong with the information. The information went out to the participants in those meetings well before those meetings took place, so that they could, themselves, analyze the material.

There were accountants, there were lawyers, there were other business people. There were people who can use their good independent judgment to determine what is government good news and what is factual in terms of the economy. I think we presented a very balanced view of what the problems are that are facing the province and the government and what we would like to see as some of the solutions and so on. I totally dispute the notion that we somehow controlled the information at those meetings.

It is true that the advertising with respect to the Budget indicated some of the positive things that the government is proposing to do in the coming year, but it is also true that the purpose of the advertising is to try to get Manitobans to pick up that document, to go over the material and so on. Certainly, I have no problem with putting more information into annual departmental reports, but there's no point in putting out these reports - I shouldn't say no point - there is a point in having the opposition informed, but there is at least as much of a point in having the public informed. We still haven't, as far as I know, gotten any kind of system in place which will provide this information that we spent a lot of time and money gathering, that will put that information into the hands of the public.

MR. B. RANSOM: Mr. Chairman, the Minister doesn't, I don't think, understand what we are talking about here. I'm not questioning the fact that the Minister went out to the public. I'm not questioning the information he put forward. I'm saying, in principle, the information that he put forward is under his control. He can tell the public whatever he wants about what's coming up. That would be the same with any government. What we're talking about here is a department accounting for what they did with the money that the Legislature voted them in the year before. A lot of that information is now available, but it's scattered all over. You've got to know where to dig in the Public Accounts to find out some of that information. Why shouldn't appear in the department's annual report, instead of the department just being able to extol their virtues and give all the good news. Put something in the report that is useful.

HON. V. SCHROEDER: I agree. I don't see any reason why they shouldn't be putting that information in the annual report. I just point out that the annual report of each department is also finally, ultimately under the control of the Minister in charge who releases the report.

MR. B. RANSOM: There's a reference in Mr. Ziprick's report to the Department of Finance, the Annual Financial Report, where he recommended that that report could be improved showing more information on a comparative basis and he says, "We're told that modifications to the report are not being planned. It's recommended that our suggestions for improvement be given further consideration."

Can the Minister indicate whether he is giving further consideration to that and whether any changes will be made?

HON. V. SCHROEDER: We are continuing to look at those proposals. I'm told that the Canadian Institute of Chartered Accountants is looking at some of these issues right now as well and we're hoping to do whatever we do in terms of reporting in concert with the recommendations made by them.

MR. CHAIRMAN: Page 22—pass; page 23—pass.
Page 24 - Mr. Ransom.

MR. B. RANSOM: There's some reference here for a government-wide computer processing disaster

recovery plan. Is that making reference to a disaster in terms of loss of information or is it a public disaster in terms of something more violent?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: The reference here is if there should be, at the computer installation, some major disaster, that there is some form of a plan as to how operations of the province would be carried on with the minimum of disruption, because if there was a major disaster and everything is located in the central computer system, you could create an awful lot of problems with people not being paid for quite some time and money not flowing, and the consequences could be quite severe. So we are suggesting that a plan be organized where you could shift off to other areas and have the vital information available.

Now there are some things being carried on to that extent now and some of the things are stored at different locations. We are suggesting that it be better organized just in case something did happen unusual, if it did happen at the computer installation that there would be a minimum of disruption.

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

MR. B. RANSOM: Mr. Ziprick made some comments here in terms of interest paid to the Manitoba Development Corporation on funds on deposit with the Minister of Finance. What's happened there and how satisfied with the situation is the Provincial Auditor now?

MR. W. ZIPRICK: I have not looked into the latest developments the Department of Finance have been looking into, to a possible review of the capitalization. I'm not sure as to whether a decision has been made as yet or not.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: No. I had requested the Department of Crown Investments to review capitalization of MDC back in April of 1983 and to advise me as to whether it is overcapitalized in relation to its operating requirements; and they indicated that a MDC surplus of \$12 million - is it \$12 million? - had been used to refinance A.E. McKenzie, but no other decisions have been made at this stage.

MR. B. RANSOM: The situation, as I understand it then, is that the government has advances to MDC, which the taxpayers are paying interest on; MDC has put them back on deposit with the government and collects the interest from the government and increases their own cash reserves in that way.

MR. CHAIRMAN: Page 24—pass; page 25—pass; page 26—pass.
Page 27 - Mr. Ransom.

MR. B. RANSOM: There's a comment here with respect to the Department of Community Services and Corrections. Mr. Ziprick says, "We have brought audit

observations concerning deficiencies in the comptrollership and internal audit functions of the Department to the attention of the Minister and senior departmental officials previously. While some action has been taken to resolve our concerns, the situation has not been acted upon as timely or as effectively as expected."

Has that situation been cleared up since?

MR. W. ZIPRICK: There has been a fair amount of activity going on. All these things are now under consideration. It hasn't been fully developed yet, so we're not in a position to, at this point in time, to express an opinion. When we complete the audit for the current year we will have a better idea.

MR. CHAIRMAN: Page 27—pass; page 28—pass; page 29—pass; page 30—pass.
Page 31 - Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, on page 31, before we leave that, it's my understanding, Mr. Ziprick, that you and your group have taken over completely the auditing of A.E. McKenzie Ltd.?

MR. W. ZIPRICK: Commencing with the fiscal year that's just ended, October, 1983, I became the Attest Auditor of Record now, so we oversee it, but I didn't have the resources so I was employing a firm of chartered accountants in Brandon, on a contract basis, to do the work.

MR. B. RANSOM: Who is that firm?

MR. W. ZIPRICK: -(Inaudible)- Company.

MR. B. RANSOM: Had there been a problem with the previous auditors?

MR. W. ZIPRICK: Well, there were some difficulties when we commenced with the investigation about inventory evaluations and other matters of that kind. Now it would have been inappropriate, or it would be inefficient to have them continue to carry on and me carrying on the investigation, doing the same thing. Besides, in order to get an independent look, I would be required to look at quite a few of the things that they were doing, so the most appropriate way to go about it was to discontinue them carrying out the audit and either getting another set of auditors, but in view that I was in charge of the investigation and had to become involved to such an extent, it was best that I employ auditors on a contract basis under my direction.

It's worked out quite well and I think it was an efficient way of doing it.

MR. B. RANSOM: Was it not set up that way previously with a different set of private auditors?

MR. W. ZIPRICK: No. Previously they were responsible for the audit and the attest, and signed the attest, and I was relying on them, and I didn't do any work. The work that we did was just in the overview area of the kinds of things that would fall in the budget comparisons

and purchasing, and some of the expense account reviews, to see how the compliance is, whether it's consistent with what's generally expected in government.

But the Attest Audit side would be completely done by the other auditors. I would be relying on what they have done. We'd look at the reports of their findings and go on that basis.

MR. B. RANSOM: You would not have looked at their evaluations of inventory then.

MR. W. ZIPRICK: No, I didn't. We were getting a little concerned, so we did look at it a little more extensively last year. I had some comment. I had some concerns, although we were assured by the auditors that they were satisfied.

MR. CHAIRMAN: Pages 31 to 37, inclusive, were each read and passed.

Page 38 - Mr. Ransom.

MR. B. RANSOM: There is some comment here with respect to the Workers Compensation Board, saying that, "It would appear that the requirement of this section of the Act has not been met since 1980 with the major impact being experienced during 1982 and anticipated in 1983."

What's the situation there now, Mr. Ziprick?

MR. W. ZIPRICK: They have had the actuaries do a review, and worked on establishing the positions. I understand that there is an actuaries' report out, but we haven't had an opportunity to review it as yet, so that's something that we will be picking up during the course of the next overview audit.

MR. CHAIRMAN: Pages 38 to 46, inclusive, were each read and passed.

Page 47 - Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, this is a "Schedule of Government Agencies Whose Accounts Were Audited and the Financial Statements Reported on by the Provincial Auditor." Under the name of the organization is Peak of the Market Sales Ltd. What is Peak of the Market Sales Ltd.?

MR. W. ZIPRICK: It is a small subsidiary of the Vegetable Marketing Commission, and it's doing business in Saskatchewan.

MR. CHAIRMAN: Pages 47 to 53, inclusive, were each read and passed.

Page 54 - Mr. Ransom.

MR. B. RANSOM: On this page, there is, "Allowance for Losses on Realization of Assets." It's \$134,955,156.00. What all would be included in that figure?

MR. W. ZIPRICK: Mr. Chairman, this is a summary reproduction from the Public Accounts. There is a statement in the Public Accounts that gives all the particulars as to what makes up that amount.

MR. CHAIRMAN: Page 54—pass; Page 55—pass; Page 56—pass.

Page 57 - Mr. Ransom.

MR. B. RANSOM: We come back to that same thing here now, the increase in allowance for losses on realization of assets was \$20,928,900.00. The total then is that 134 million. Are we at the position now where if there was some adjustment made in recognizing those losses that the government might be faced with taking \$135 million, adding \$135 million to the deficit, if that was all of a sudden taken into consideration, if reality was taken into consideration?

MR. W. ZIPRICK: That's correct. As a matter of fact, there was a write-up of the capital deficit of Manfor in Order-in-Council for 51 million that under the present policies does give some problems of disclosure. This is one of the things that we are giving consideration. I don't think that the present policy really, as it turns out, is appropriate.

I think when it was set up, it was envisaged that there would be sort of annual reviews and write-offs. But basically, what has been happening is that there is no legal write-off unless there is something major like this evaluation of capital deficit in Manitoba Forestry Resources, or like we had a situation some years ago where Saunders Aircraft and other kinds of corporations of that kind were put out of business. As a result, major write-offs of investments were required.

So under that kind of a policy, you're faced with this kind of a large bottom line disclosure, which creates problems. Although it has been accumulated over a number of years, there is no doubt that the highlighting at the bottom of the revenue expenditures statement would draw substantial attention and be unfair in presentation because it would not disclose the realities that should be so. My suggestion to the Minister has been to take a good look at this with the view to doing something on a much more effective basis, and that what's under consideration now.

MR. B. RANSOM: Mr. Ziprick, you made reference to an Order-in-Council writing off 50-some million, whatever. What was the background to that? What was the reason for that?

MR. W. ZIPRICK: At the time that Manitoba Forestry Resources was created and all the investments in CFI were being taken into account, there was an inventory of assets that we'd assumed through the receivership and evaluations made, and there was a shortfall of 51 million. It was a somewhat different figure at that time, but there was a shortfall. That shortfall was recorded as a capital deficit, because you couldn't record it as an asset.

What the idea was, and it was carried out and it does reflect a picture in that any recoveries that were made through litigation and any costs associated with the litigations were put in, credited or charged to this account. Now basically, other than one item, it is now completed and continuing to carry this \$51-million-capital deficit on the books of the Manitoba Forestry Resources, one wonders just what it was to mean. So, the decision was made to write it off, and of course

when it was written off there, there'd have to be a similar adjustment in the books of the province because this was offset by preferred shares.

MR. CHAIRMAN: Page 57—pass.
Page 58 - Mr. Ranson.

MR. B. RANSOM: Perhaps Mr. Schroeder could tell me why the government has allowed their working capital situation to deteriorate by about \$100 million from '82-83?

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Mr. Chairman, it's a matter of timing; watching the markets to get our funding at the appropriate time.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Pass.

MR. CHAIRMAN: Page 58—pass.
Page 59 - Mr. Ranson.

MR. B. RANSOM: Under Assets and Liabilities here, point 2 says, "Expenditure for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public, and accordingly is treated as operating expenditure of the year in which the expenditure is made." Is that policy being changed?

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Mr. Chairman, this document is the Provincial Auditor's Report on the year for accounting purposes as you know and as was discussed in the Legislature last night. We don't make a distinction in terms of our payments in the years following between current and capital assets, but certainly in terms of the acquisition there's a very clear distinction. There was distinction made when the Member for Turtle Mountain was Minister of Finance. There was a schedule of capital investments made by government and of course there were references in various budget speeches to current versus capital, so that distinction is continued.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: I would just point out, Mr. Chairman, while this statement happens to be reproduced here in the Auditor's Report, it is a copy of the statement of the government's financial accounting policies that appear in the Public Accounts. I just want to confirm whether or not that statement still applies that, "Expenditures for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public and accordingly is treated as operating expenditure of the year, in which the expenditure is made." That's the policy that appears in the Public Accounts for the year ending March 31st, 1983.

I would like to know whether or not the government anticipates making any change in that policy?

HON. V. SCHROEDER: For accounting purposes, for purposes of presentation of our information to the public, we have no intention of making changes from where we're at right now. If you continue on with that, paragraph two, "Since such expenditure does not represent financial claims on others, it is not reported as an asset at fiscal year end," and so on. That doesn't mean that it's not an asset. That doesn't mean that there's not a distinction between purchasing houses, which was earlier referred to or hospitals or schools, etc., and paying out transfer payments which are currently spent in the particular year.

MR. B. RANSOM: This is confirming that there's not going to be any change in that policy?

HON. V. SCHROEDER: There's no change contemplated at the present time.

MR. CHAIRMAN: Page 59—pass; Page 60—pass;
Page 61—pass.
Page 62 - Mr. Ranson.

MR. B. RANSOM: With respect to the Sinking Funds, there is a Sinking Fund established for any borrowing that the government does to cover its deficit, so that it would be my understanding then that money borrowed to cover physical assets, whether they be buildings or drains or equipment, that we go on contributing into a Sinking Fund for that purchase, or to cover that debt for 33 years. Is that correct?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: Basically that's what it works out to, is that on the rates prescribed in The Financial Administration Act, I think it would work out to a contribution for approximately 33 years to extinguish a liability.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: A lot of private individuals, of course, would never ever expect to be able to amortize their debt on their assets, or at least on many classes of assets over a period of 33 years.

Are there other governments that have much shorter periods of time for their Sinking Funds to accumulate the funds to pay off the debt?

MR. W. ZIPRICK: Well, there's two governments in the Maritimes that I can think of that treat the Sinking Fund as a charge, but Manitoba and Ontario, Canada; the Sinking Fund is just a legal provision to make funds available and it's basically used to maintain an orderly market, and enhance the securities of the province. It does not constitute a charge. The charge is made when the funds are raised in the appropriation to pay for the assets in case of it being constructed from the appropriations of the province. In the case of schools or hospitals, it's looked after in the appropriation as the requirements are needed to raise cash for these

other entities to pay off their debt. It does not form any part of a charge for the appropriation. It's only an orderly setting aside under a contractual obligation and raising funds to maintain funds to clear the market.

HON. V. SCHROEDER: Mr. Chairman, my information is that, first of all, Ontario doesn't have a legal requirement for Sinking Funds, that the Government of Canada doesn't have that kind of a requirement and that many other provinces don't. There may be other provinces that have as much or more of a percentage set aside annually, and I will get my staff to check and get a report back to the member on what other governments are doing on that issue.

MR. CHAIRMAN: Page 62—pass; Page 63—pass. That completes the - Mr. Ransom.

MR. B. RANSOM: Just before we complete this, Mr. Chairman, I understand, Mr. Ziprick, that you're going to be retiring next January. Is that correct?

MR. W. ZIPRICK: That's correct. So I don't know if I am going to be appearing before the committee again. If we should happen to have a committee late this fall, I would be appearing again. If I'm not appearing again, then I would want to thank the committee for being so kind to me and particularly this year. I am looking forward to my retirement.

MR. B. RANSOM: Well I would just like to say on behalf of the committee, Mr. Chairman, that I think there have been a lot of advances made in the accounting within government and accountability under the direction of Mr. Ziprick as Provincial Auditor. I know that I, as an individual, have certainly enjoyed working with you, and I'm sure that the rest of the committee and the Legislature would feel the same way. We thank you very much for your contribution.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: I would like to associate myself with those remarks, and I have certainly enjoyed working with the Auditor. We'll spend a number of months yet working with Mr. Ziprick. He has been a great asset to the people of Manitoba, and I believe he has certainly improved government and government responsibility in this province over his years.

Thank you very much.

MR. W. ZIPRICK: Thanks, Mr. Ransom, you're a good man.

MR. CHAIRMAN: I'm looking forward to a social association with him some time this summer, if the Lord spares us both, Bill. It's been a pleasure being Chairman of this committee for two occasions over the past 10 years. It has been a pleasure working with you also.
Mr. Schroeder.

HON. V. SCHROEDER: One thing maybe before Mr. Ziprick leaves, there is one suggested change here to Public Accounts reporting which my department just actually provided to me. I hope that Mr. Ziprick has

seen it. I know that Mr. Ransom hasn't, but I would like Mr. Ziprick's comments if he has.

As I understand the issue, the request is that some detailed information with respect to the operation of government buildings be contained only in the Report of the Department of Government Services, rather than adding some approximately 25 pages to Volume 2 of Public Accounts. There is an indication that the Province of Manitoba is the only province which presents this type of detail in our Public Accounts, and the recommendation is that the reporting level for this appropriation be changed so that a breakdown by building code is not required in the Public Accounts. The Department of Government Services should be requested to provide this type of information in the department's Annual Report, and I would so move.

MR. CHAIRMAN: We have a motion that the recommendation be adopted. Does that meet with the approval of the committee? (Agreed) The recommendation is adopted.

We now move to Volume 1 of the Financial Statements of the Public Accounts for the year ending March 31st, 1983. Preamble - Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, there are maybe eight or 10 places through this first volume where I have some questions. I don't know whether other members have questions or not. It might be just as easy to simply go through and identify the areas where the questions are, and then pass the whole report at the same time.

The first area would be on Page 2-9. This has to do with the shares of Tantalum Mining Corporation. I wonder if the Minister or someone can bring us up-to-date on just what's happening there with the government's investment in Tantalum.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: As I understand it, the mine is still closed. I don't have an up-to-date report. I know that the Minister of Energy and Mines is looking at that area in terms of any possible new developments. I recall back in 1981 or '82, there was something like .5 million which had been loaned by the corporation to the government interest-free. There was a call on that later on, I believe, on some of it.

MR. B. RANSOM: Let me ask a specific question. We can get to the situation with the Crown corporation or the corporation at some other point through Crown Investments perhaps. But specifically, how is that figure of \$3,261,825 arrived at?

HON. V. SCHROEDER: I would have to take that as notice. I notice that's the same number that was used in the previous year. I don't believe that there have been any changes in how that number was arrived at over the course of the last three years.

MR. B. RANSOM: Well, perhaps someone could get that information because it would appear then that that figure doesn't necessarily indicate what the investment's worth at the moment. It's perhaps an amount of money that was actually put into the investment in Tantalum.

HON. V. SCHROEDER: Yes. As I understand it, that's the amount of money that was put in. There have, of course, been some sums of money taken out as dividends. There's also some money still on account as shareholders' loans from the corporation to the government.

MR. CHAIRMAN: Okay. The next item, Mr. Ransom.

MR. W. ZIPRICK: Mr. Chairman, Mr. Ransom was asking about the details of the allowances and he'll find it on Page 2-10. That shows the specifics of the allowance provision for the different investments and advances.

MR. B. RANSOM: On Page 2-20 where it shows the Reserves in the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund, is the government obligated to, in effect, match those reserves?

MR. W. ZIPRICK: Mr. Chairman, these plans on the government side is on a pay-as-you-go basis. The government is only required to match the pension - one-half of the pension being paid.

Now if you want to have some idea, actuarially, as to the size of the amount that you would need to set aside to provide that, that would be close to these amounts. But no, the government is only obligated to match one-half of the pensions.

MR. B. RANSOM: So if the government is going to get into a listing of assets and liabilities, then this really represents a more real liability than many of the assets would be real, in terms that the assets aren't generating identifiable cash flow, but that this sort of thing is certainly placing an ongoing year-by-year cash requirement upon the government.

MR. W. ZIPRICK: That's right, Mr. Chairman. If the expenditures were determined on an accrual basis of how much applied to that particular year, you would have to include the increase in that particular liability because the increase is the amount that was incurred as expenses for that year. But, of course, not working on that basis, it does not apply.

Now it is a form of liability. It's a legislative liability. The gradual growth that I comment more extensively on in my report, we've had actuaries do a cash projection, so it's a gradual growth that would eventually come up to something higher than 7 percent of the payrolls, when the funds mature. But you will only have to raise the amount of cash that you need to pay the pensions.

So it's a form of a liability. It's not the same kind of a liability, in my judgment, as a debenture. A debenture is a contractual liability that is undertaken by the government and it's a very firm obligation. This is an obligation to provide a pension to retired employees, and it can be subject to some variations depending on the circumstances, with not the same kind of implications that if you tried to vary a debenture agreement.

MR. B. RANSOM: On Page 3-14, it shows decreases in debentures during the year. Quite a number of those

are in foreign currencies. I wonder if the department could give us a listing of the defective interest rates on those borrowings. They probably don't have that at hand, but if you could calculate an effective interest rate that would take into consideration the foreign exchange on those debentures.

MR. CHAIRMAN: Mr. Curtis.

MR. C. CURTIS: As of what date?

MR. B. RANSOM: I'm interested in what rate of interest the government ended up paying on, say, Hong Kong dollars, \$117.420 million Hong Kong dollars.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes. I thought maybe Charlie had that information because the Hong Kong dollars were just paid out and I'm sure Mr. Ransom knows that was one of the more successful ones as opposed to some of the Swiss franc issues in the mid-70s which were some of the less successful ones. You had some very good ones and some very bad ones. But we'll get the information.

MR. B. RANSOM: On Page 4-10, it lists here the larger increases in revenues for the year ending March 31, 1983. There was an increase of \$116.8 million in personal income tax. How much of that would have related to prior years?

HON. V. SCHROEDER: We'll have to get back to the member on that.

MR. B. RANSOM: Then there's also, under the equalization payments, there was quite a substantial increase as well. Perhaps you could give a more detailed explanation of that with respect to prior years. There's a population recovery adjustment of \$21.5 million. I'd like to have some more detail on that as well. I think those are the three that I would like to get more information on, Mr. Chairman.

HON. V. SCHROEDER: Yes, we'll get that information for you.

MR. B. RANSOM: On Page 4 - pardon me, this is 4-20 - Advertising and Exhibits, is that the area where all the expenditures on the sort of ads that have been in the paper lately with respect to the Budget, Jobs Fund advertising, etc., will all those show up in that category?

HON. V. SCHROEDER: Yes, Mr. Chairman, it will show all advertising by government. A major component of that is advertising for employment. It would not show Crown corporation advertising, as I understand. The definition is on page 4-24. Payments for all advertising placed in periodicals, newspapers, television or other media that relate to government business, including advertising of vacant positions in the Civil Service.

MR. B. RANSOM: Are there any staff costs allocated there?

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

MR. B. RANSOM: Is there any kind of breakdown of this by expenditure-object code done during the Estimates process? We see this after the fact. Is there anything presented beforehand along this format?

HON. V. SCHROEDER: It does show in the Estimates Supplements that are prepared for the five departments that have those. It shows as well in the detailed applications by individual departments to Treasury Board, and during Estimates Review the budgets of specific departments would be - certainly that portion could be discussed at that time for the other departments as well.

MR. B. RANSOM: I always find that this is a rather revealing breakdown of information after the fact. It might also be a useful one to see beforehand, because it gives a pretty quick indication of where the government is planning to have increases in spending and where they're not. I know it is not according to programming, but it would provide interesting comparisons with what we have after the fact.

In Note 19 on Page 4-23, they refer to increases in subsistence costs of \$30.2 million. I'm wondering how much of that would likely have been attributable to a depressed economy.

HON. V. SCHROEDER: Mr. Chairman, I'm sure a portion of that would be attributable to it, as well there were significant increases in that year in payments, percentage increases to people on social assistance. To individuals, I believe, it was up by about 14 or 16 percent, or in that range. In addition to that, I am sure there were more people on social assistance. For instance, the Child-Related Income Support Program would certainly have responded to some degree to people not having large incomes.

MR. B. RANSOM: I asked the question because I am wondering whether they would now expect at some point to see that figure dropped back down, or whether this is just a new base that's been established and will go from there.

HON. V. SCHROEDER: At this stage, we have not anticipated any large numbers of decreases in people eligible for the various programs. In fact, with an increase in population, one would probably expect that that would offset any increases in employment, but it still at least comes from a larger base.

MR. B. RANSOM: In Mr. Ziprick's report, where he dealt with Special Warrants, speaking about the year ending March 31st, 1983, if there had been a \$14.5 million Special Warrant, as he says, mainly to cover under-provided for social allowance expenditures resulting from adverse economic conditions, would the Minister expect to see some pull-back from that position as the economy recovers? If there's \$14.5 million there, might we at least be expected to pull back by 10, or is it just something that's going to go on?

HON. V. SCHROEDER: We have to keep in mind that the budgeted numbers for this coming year are already

based on the predictions of the Department of Community Services with respect to the load, so we wouldn't anticipate a drop from what we have budgeted in any significant amount. We would hope, as well, that there not be an increase from what we have budgeted for.

MR. B. RANSOM: Page 4-40, there were some quite large unexpended items there, quite large dollar values; some of them aren't as large on an expenditure basis, but in Government Services, for instance, there was 13.577 million unexpended on an authorized amount of 79, almost 80 million. That's quite a high percentage.

There was also quite a large figure under Natural Resources that was unexpended as well.

Does the Minister attribute those unexpended amounts to efforts consciously made by the government to control expenditures during that year, or are these largely things that just happened in the course of events?

HON. V. SCHROEDER: There are always attempts to control spending, but in terms of the Government Services item, I believe that the bulk of that would have been made up from expropriation costs that had not been paid out in that year that had originally been anticipated and would have been paid out in 1983-84, but those are items that I can get back to you on. I don't have an explanation for Natural Resources and, again, I can get back to you with the specifics. I've seen the specifics some time ago but I just don't recall.

A MEMBER: We'll get a breakdown.

HON. V. SCHROEDER: We'll get a breakdown.

A MEMBER: It's basically physical assets.

MR. W. ZIPRICK: Mr. Chairman, on 4-33, you will see the specific appropriations and most of it is against Acquisition/Construction of Physical Assets. The other is 4-37, for Natural Resources.

MR. B. RANSOM: I guess I'd seen that before and, as I had recalled, it's largely capital spending. Why would the government have cut back in those areas of capital spending when we have been hearing so much from the government lately about the value of spending money to create these physical assets?

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: You have to look at what the items were all about. For instance, the Government Services portion - and I don't have the facts here - but the Acquisition/Construction could well have related to, for instance, to the North of Portage Project, which I recall we were talking about going ahead with and hoping to go ahead with quickly, but there were all kinds of things. There were two programs, there's North of Portage, that's not the one. The other one was the Core Area Renewal Program was the one that probably a significant amount of this related to, and you'd have to look at what it was in Natural Resources that we didn't do and see whether we did it the next year.

Sometimes you budget for things that don't get completely finalized in the particular year.

MR. B. RANSOM: On Page 4-49, there is the beginning of a listing of the statement of Expenditures Related to Capital Assets.

First of all, is the definition that is used here going to be the same definition that is now in place and we'll have an accurate comparison here for '84 and subsequent years?

HON. V. SCHROEDER: Yes. There are no changes in '84 in terms of definitions or inclusions of items in accordance with those definitions in either current or capital.

MR. B. RANSOM: The base of these lists then we can get an excellent idea of what the government has been spending their money on, in terms of capital spending and be able to make some judgment as to the extent

that this spending is actually acquiring a new asset or whether it's acquiring an asset that is going to generate cash flow, etc. This is the place where we can get a very detailed breakdown then of all the capital spending.

HON. V. SCHROEDER: Yes.

MR. B. RANSOM: I don't have any other questions, Mr. Chairman.

MR. CHAIRMAN: Volume I of the Financial Statements—pass; Volume II - Supplementary Information for the year ending March 31, 1983 of Public Accounts—pass.

That completes the review of the Auditor's Report and the Public Accounts for the year 1982-83.

I'll entertain a motion now that the committee rise.

Committee rise. Committee is now adjourned.

Thank you, ladies and gentlemen, for your attendance.



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