



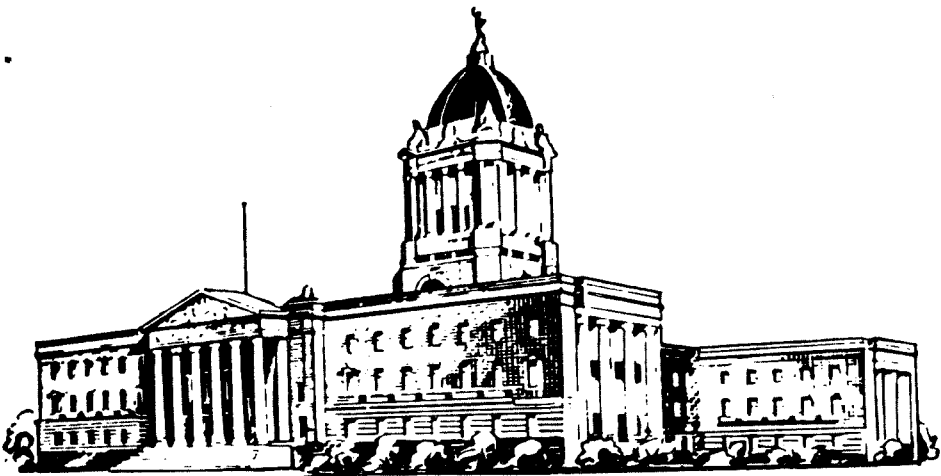
**Fourth Session — Thirty-First Legislature**  
of the  
**Legislative Assembly of Manitoba**  
**STANDING COMMITTEE**  
on  
**PUBLIC ACCOUNTS**

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Tuesday, 1 April, 1980 10:00 p.m.

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 1 April, 1980.

Time: 10:00 a.m.

MR. CHAIRMAN, D. James Walding (St. Vital): Order please. We have a quorum, gentlemen, the committee come to order.

We begin first with the report of the Provincial Auditor. There are extra copies for members who need them. Table of Contents--pass; Page 1--pass; Page 2--pass; Page 3 - Mr. Miller.

MR. SAUL MILLER (Seven Oaks): Mr. Chairman, I wonder whether the Minister or perhaps Mr. Ziprick, in the fourth paragraph, dealing with the question of valuations pertaining to ManFor and MDC, I wonder whether he could explain exactly what he has done. I can see that they are establishing a new, and from hereon in, comparable method of measuring the assets, etc. I'm wondering whether he could explain what was done between this year and the previous year.

MR. CHAIRMAN: Mr. Ziprick.

MR. W.K. ZIPRICK: The previous year, of course, the Public Accounts and the accounts of the province were maintained on the old basis, and so there really was nothing done. What I had done last year was for demonstration purposes, had made up a statement to give us an idea of what it would look under the new basis, and in making up that demonstration statement, we did not consider any particular policies as such, and in the Manitoba Forestry Resources, we just used the \$45 million income debentures as being offset by assets. The debentures where the interest is only paid when there is income earned, we did not consider, and now in establishing the policy this year to reflect the amount in the books, a policy was established whereby the government agencies are reflected at the net book value, that's after deducting the deficits that are disclosed on the financial statements.

So setting up Manitoba Forestry Resources on the basis of this policy, there was a difference of \$77 million between what's in the books this year and what I showed for demonstration purposes last year.

MR. MILLER: Mr. Chairman, then I gather that the net debt is reduced by, not \$77, but it was about \$46 million, or is it \$77 million? A reduction net debt of \$77 million?

MR. ZIPRICK: There's a difference between my demonstration figure and this year's by this amount, and I give an explanation to indicate as to how it arose, and I emphasize that last year's was a demonstration and not something that was actually reflected in the books and agreed to by the Department of Finance.

MR. MILLER: Last year you were showing how it might look.

MR. ZIPRICK: How it might look in approximate amounts, not establishing any kind of policies because I don't establish these policies, these are policies . . .

MR. MILLER: All right, so you now indicate a reduction in net debt of \$77, but actually it's not a reduction of debt as such, it's not a repayment or anything, it's just a recasting of figures, or treatment of figures in a different way.

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MR. ZIPRICK: That's right.

MR. MILLER: It's not really a reduction of net debt.

MR. ZIPRICK: The policy that's now established as being the policy for reflecting the net debt is on the basis of the financial position as at the fiscal year of these agencies, and that is, net after reducing their deficits.

MR. CHAIRMAN: Any further questions on Page 3? Page 3--pass; Page 4--pass; Page 5 - Mr. Miller.

MR. MILLER: Dealing with Advances to and Investments in Government Agencies - pardon me, I made a little note here and I have to see whether I can read it - when do they convert to debt on these?

MR. ZIPRICK: They only convert to a net debt of the province when their incurred deficits are in a position whereby they will not sustain the amount of the advance, or it appears it will not sustain the amount of advance, and that is, in the first instance, reflected in the allowance amount of that \$129 million as a reduction, and that's applied into the net debt, and when it's legally established that it's not going to sustain a certain amount, then that amount is written off and be no further an allowance but would be included in the total of the net debt figure.

MR. MILLER: I see. But in items such as Hydro or Telephone System, MHRC, those are, of course, going to be self-sustaining, and so although you indicate how it would be handled, but really it's an exercise, that these things are going to be self-sustaining.

MR. ZIPRICK: Yes. Well the detail of the allowance figures is shown in the Public Accounts. Now there is no provision for Hydro of course, or the Telephones, because they do not have a debt position, and when they do have a debt position there is an immediate adjustment in rates to take care of the debt position so there would be no provision in allowance. The allowance is provided for only those agencies like Manitoba Development Corporation, Manitoba Forestry Resources, and other agencies where they are really operated on the basis of sales and not . . . the rates set by any agency and set at the amount that is to recover the cost.

MR. MILLER: Would that apply to MACC as well? Could there be a debt there or . . .

MR. ZIPRICK: MACC, if I recollect, there is no provision because it's got the full amount. There may be some little provision on those fishing loans, but as far as the mortgages, they were all adequately covered.

MR. MILLER: Continuing on with that, under that same heading, the bottom two lines and then it says, "The accumulated deficit of the division amounted to \$3.7 million as of March 31, 1979, an increase . . ." etc. "In our opinion a substantial amount of this deficit is chargeable to the province's appropriations and the province should have provided it. This deficit will be provided in the next fiscal year." Why wasn't it done in the current fiscal year? Any particular reason or . . .

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: The Manitoba Data Service was a division of the Telephone System and being a division of the Telephone System there was no attempt being made at any kind of provision. Now that it is separated and is an entity on itself, there will be a provision for that \$3 million in accordance with the policy that is established that any deficits will be reduced from the amount of asset.

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MR. MILLER: Well, is the \$3.7 million, which is really Manitoba Data Services, is that an established figure or are they still negotiating? We know for a fact that that is the amount that has to be set up as a repayment or chargeable to the province.

MR. ZIPRICK: That was, of course, an established figure at that particular time for that division in the Telephone System. Now in the negotiations that took place in the transfer it was just transferred exactly as the division stood, so in effect that \$3.7 million deficit was transferred to MDS intact. Now I don't know what the position is in their this year's operation as yet, whatever it comes to in accordance with this present policy, whatever the deficit will be, it will be deducted from its assets to arrive at a net debt position. In other words, there will be an allowance for it. If it is not absorbed through appropriations there would be an allowance for it.

MR. MILLER: What I meant was that the \$3.7 million which you indicate, Mr. Ziprick, was on the Telephone System books and now is chargeable to the government because it was split off or separated off from the Telephone System. You are satisfied that that was the amount that in fact the province should take over, shouldn't be more or shouldn't be less, that that amount was clearly established and that is the amount that will be assumed by government?

MR. ZIPRICK: Well, at the time that the agreement was gone into I took a look at it and I am satisfied that the best way to have done it was to take it back over with no effect to the telephone users, and that is exactly what was done, because any kind of adjustments to the telephone users I feel would not be a proper thing to do. I feel satisfied that by reversing and bringing right back without affecting the telephone users directly was the proper procedure.

MR. MILLER: Okay, that is really what I was trying to establish, that in fact there will be no penalty to the telephone user.

MR. CHAIRMAN: Mr. Uskiw.

MR. SAM USKIW (Lac du Bonnet): Well, Mr. Chairman, I am not sure that Mr. Ziprick gave us the answer that I was looking for. Am I to understand that there should be a provision in the current Estimates to cover this amount or if not, where should these provisions be?

MR. ZIPRICK: I think that the provision should be in the rates of the MDS, because the MDS does provide service to Hydro, Telephones and other agencies, so that basically it should be reflected in the rates. But the increased rates, because the government is the biggest user, the biggest part of it will be picked up by the government, but the rates should be increased to take care of it. Until the time it is taken care of through the rate increases, I think it will just be included as a provision until that's taken care of.

MR. USKIW: Where would I find that in the current estimates, Mr. Chairman? Is there a provision in the current estimates to cover that?

MR. ZIPRICK: Well, there would only be a provision in the current estimates in wherever there is a charge from the MDS for the use of their services and the rates are increased, there would be a higher amount because of those rate increases.

MR. USKIW: An item?

MR. ZIPRICK: But there wouldn't be a specific item. No, I don't think it is being handled in that way unless there has been some change in view. The way I understand it, it will be handled through the rate adjustment rather than picking it up as a specific item in the appropriation.

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MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Ziprick, what you are saying is that in fact the recovery will be by raising the charges until that amount is recovered.

MR. ZIPRICK: That is my understanding. Now if I am not correct, the Minister can . . .

MR. MILLER: Can the Minister confirm that?

MR. CHAIRMAN: Mr. Craik.

HON. DONALD W. CRAIK (Riel): That is the intent, of course, that it be a self-sustaining operation. That it would be on a fee-for-service basis to the point of self-sustaining.

MR. MILLER: Mr. Chairman, I realize it would be forever, you know, from hereon in, but the accumulated deficit would not be repaid in a lump sum but rather be repaid by increasing the charges to the user, which is the province, and repaid gradually, perhaps not even over a year, depending to what extent the rates are jacked up, I suppose. So that the 3.7 might not be repaid by the province for maybe two years, depending, as I say, on what the charges might be.

MR. CRAIK: Mr. Chairman, I think I would probably have to take that as notice and confirm back to the members as to what the current budget program is for Data Services. I will check with the Minister of Government Services and find out what program they are on now.

MR. CHAIRMAN: Any further questions on page 5? Page 5--pass; Page 6 - Mr. Uskiw.

MR. USKIW: Well, Mr. Chairman, I am just wondering whether the Minister might give us an explanation of policy for the fiscal year 1979-80 as compared to 1980-81 with respect to the last paragraph on Page 6. The last sentence reads, "It is my understanding that the implementation of such a policy is now under consideration by the Department of Finance." I think it would be better if the Minister read the paragraph and responded to it.

MR. CRAIK: Mr. Chairman, I think I will ask Mr. Curtis to comment on it.

MR. CHAIRMAN: Mr. Curtis.

MR. CURTIS: Mr. Chairman, the wish of the department is to make the recommendation that all of these kinds of reserve accounts be eliminated. However, with respect to the gravel pits it's still under discussion with the Department of Highways. So there is no firm decision at this stage.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: So the policy continues as was then in the last fiscal year. Is that the position of the department?

MR. CURTIS: Yes.

MR. CRAIK: This is the only, I guess, remaining case where that's done. There is one other case in Highways where there is, I believe, still a - it's not the same nature but there is a carryforward provision on equipment . . . depreciation reserved, which is the only other case where there has been any provision and it's in the total picture. It's a fairly minor amount.

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MR. MILLER: Mr. Chairman, I recognize what the Minister is saying but I believe in this last paragraph the auditor is suggesting, he is dealing specifically with gravel pits although he does mention machinery, equipment, etc. I think what Mr. Ziprick is suggesting here is that all of these reserve accounts, etc. should be pretty well eliminated but the money should flow back into revenue through the Department of Finance and then as the new moneys are required they be voted in the usual way. Am I right, Mr. Ziprick? That's what your proposal is?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Yes, what I am here concerned about is voting charges, for instance, for depreciation and then the equipment is bought without a vote. I think the control through the Legislature would be much better if the equipment when it was being purchased be voted and paid for from an appropriation. Now if for internal costing purposes, if the department wants to carry certain kinds of costing systems between jobs that can certainly be carried on, but for purchasing I think it's a much better control that whatever is purchased in that particular year that the amounts be placed in the appropriation and voted, and under this present system you could have a depreciation charge of a certain amount and the equipment that could be bought in that particular year could be twice that amount and it's bought from supposedly accumulated money from previous years. So that this is the - under the present system I think that's a better approach to put into the appropriations the amounts that you expect to expend in that particular year and get them approved. Now for costing purposes if you want to carry on to determine between jobs, you can certainly do that in the internal system of costing.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Well then to the Minister. From what you said before, Mr. Minister, that is still under discussion, but I am wondering to what extent is the Department of Finance going to be trying to establish this as a proper method of keeping accounts and of handling the flow of funds. I know this is not a new problem. There has always been a battle between the Department of Finance and I think every department of government who would rather keep its own funds and do with it as it will. I am acknowledging this is not new, and the Department of Finance has in the past argued that all money should be taken into consolidated revenue. Am I to infer from what the Minister is saying that you're not really much father ahead than you were in my day?

MR. CRAIK: Mr. Chairman, the Queens' Printer account mentioned here, I guess, has been transferred over and don't have the privileges that are still accorded to the Department of Highways in this particular case. The Department of Highways for their own administrative reasons have put forth the case that it's administratively much more convenient for them to be able to carry their stock piles and so on and not get wound up in more red tape in their administrative procedures, so that's the argument put forward and it's their argument as opposed to the tidier accounting requirements of government. I think the total amount involved here probably is under \$2 million.

MR. MILLER: Yes, probably a couple of million. May I urge the Minister to follow the advice of the departments because I think you get a much better handle on things. I appreciate the government services would want to continue as is. I don't doubt it. They have a great deal of leeway this way. But I don't think the Department of Finance or the government really has quite the same handle on things if the money is floating off somewhere or kept somewhere in their own accounts and then they do with it pretty well as they want to when they feel they want to. So I'm just conveying to the Minister a suggestion that since the Provincial Auditor has now highlighted this as well, that his department's urgings should be followed if possible.

MR. CHAIRMAN: Any further questions on Page 6? Page 6--pass; Page 7 - Mr. Wilson.

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MR. ROBERT G. WILSON (Wolseley): I was interested in the picture the way it is today of borrowing any money today with the high interest rates. Where are the best deals in the world of borrowing money from the point of view of . . . I would imagine this is a tremendous additional load on the taxpayers, government borrowing at today's rates. Are some of these people that you borrow money from locked in for say two to five years or have they a fluctuating rate? What I'm trying to arrive at is sort of get an explanation for myself as to what we can look forward to in this current fiscal year in the way of government borrowing and the type of interest we're paying, on that.

MR. CRAIK: Mr. Chairman, I don't think the government at this time has any bond issues to the extent that they are tied to a floating rate. I guess you have to watch the terminology because on all the foreign debt you are in a sense floating because you are paying in their currency, and that includes the interest payments as well as the capital payments. So to that extent it's . . . But the government at the present time has no issues that are tied to a floating rate other than from time to time the demand loans that are taken out at the bank for short term, of course that shifts as the bank rates change; unless it's a direct loan from a bank as opposed to bond issue, it's not floating. There are such vehicles on the market that some institutions have been looking to recently which are tied to a floating rate. They're a longer term, like a several year bond tied to a bank prime rate, but the province hasn't become involved in any of those at this point in time.

MR. WILSON: I remember reading, when in opposition, the announcements would be made that we borrowed \$50 million from West Germany at 4.5 percent interest or something like that. I am wondering, when those announcements were made and we borrowed the money, say \$50 million at 4.5 percent, was the West German government that loaned us that money at that interest rate at that time, were they locked in or does . . . what I meant by sort of a floating rate, do they renegotiate or have they a situation where they can now say to us, well, there is a \$30 million balance and the rate is 12 percent? That is what I am trying to get clear in my mind.

MR. CRAIK: No, the rates of interest are fixed for the term of the loan. There are sometimes option conditions in the - or not loan, bond issue - there are option conditions that allow you to change the conditions at a point in time. In some of them they vary. But the interest rate does not change. What does change is the interest rate in the currency of the lender and not of the borrower, so that if the currency value of the lender strengthens in relation to Canadian, then in effect your interest rate is going up relative to Canadian.

MR. WILSON: Then, Mr. Minister, just to enlighten the members of this committee. If you were to look for a bond issue then what country is offering favourable rates at this time? I mean, is there a series of them or is there just one that sort of is better than the others? I mean, are we going to our friends south of the border for money, are we going to the European market or are we going to the Japanese market?

MR. CRAIK: Well, Mr. Chairman, we haven't borrowed any money outside of Canada since the summer of - well, the last issue I guess we did was a Canadian issue and the one before that was American. There was an offshore issue done in 1978, I think that's the last one that was done offshore. But the rates of the hard currencies, so-called hard currencies, some of them are listed here, Swiss Francs, Japanese Yen, Deutsche Marks, are generally substantially lower, but for the reason indicated that the currencies shift at a rate that makes the interest rate indicated somewhat meaningless.

MR. WILSON: My last question, to get off this page is: Will the Manitoba Government then be looking to Alberta as a source of borrowing in the future if there is an indication there is sources within Canada to borrow the

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money? This is mainly what the Minister's answers have given me is that several years back it seemed most of the borrowings were from foreign sources and I am pleased to see that we are acquiring a lot of our capital from within Canada. I just wondered, is the Minister looking to Alberta, to the Heritage Fund, for future borrowings.

MR. CRAIK: Mr. Chairman, the last Canadian issue that we did was with the Alberta Heritage Fund and there is good reason to look to that source of funding. In the first place the Alberta Heritage Fund has made available a portion, I think it is 15 percent of their Fund on an annual basis and in our case there is some advantage because we are treated as a triple A rating. In other market areas we would be double A rating. So there is some advantage with regards to the interest rate generally. And secondly, of course, there are no commissions paid to agents, intermediaries; in a case like that it is a direct loan. So there tends to be some advantage in looking towards that as a source of funding if Canadian funding is considered to be appropriate and if the funds are available. If the funds are not available then, of course, it doesn't count, or these things, the interest rates, are subject to negotiation, they are not a posted rate.

MR. WILSON: Thank you.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Yes, on the top of Page 7, Mr. Chairman, there is an increase of direct public debt in Canadian dollars of \$183.1 million. Could the Minister explain just how we arrived at that, what were the transactions that total \$183 million over the year, in terms of new borrowings, for what purpose?

MR. CRAIK: This would be the Canada Pension Plan mainly. About \$100 million of that would be the CPP money that we borrow on a regular annual basis. The remainder would be - \$75 million would be the Alberta Heritage Fund loan.

MR. USKIW: Out of \$75 million loan, 50 was for Hydro and 25 was for Telephones. The balance would be for general government purposes. There was \$66 million of it used for refunding.

MR. USKIW: Refunding?

MR. CRAIK: Refunding due issues.

MR. USKIW: Oh yes.

MR. CHAIRMAN: Any further questions on page 7? Page 7--pass; Page 8 - Mr. Wilson.

MR. WILSON: I am interested in the age old question that is raised by the Minister of Education that under Manitoba School Capital Financing Authority there is an increase of what appears to be \$9 million. If there is less students, I wondered if it just costs more to build schools or whatever. I guess I may be asking Mr. Ziprick, in his studies what did - well, what does the Minister or Mr. Ziprick attribute the \$9 million increase to?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, the \$9 million is for additional school construction. Now even with the reduction in enrollment you can't move schools from one place to the other, so that schools have to be built in some areas or rebuilt in some areas, and this is what the money would be used for.



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MR. WILSON: Well, I guess I probably knew the reasons, but I just wanted to express an alarm that there is a \$9 million increase.

MR. CHAIRMAN: Any further questions on Page 8? Page 8--pass; Page 9? Page 9--pass; Page 10 - Mr. Uskiw.

MR. USKIW: I am trying to recap what I had noted on the bottom of Page 9. Mr. Ziprick says, "In my previous reports I recommended that the sinking fund policy be reviewed to evaluate the benefits against the cost of requiring to raise such large amounts of funds and to consider other possible alternatives. To my knowledge this matter has been considered in general terms only."

Has the Minister any comment to make on the comment of the Auditor in that section - alternatives that they were looking at?

MR. CRAIK: On the general question of sinking funds, Mr. Chairman, the underwriters have indicated to the government that issues sell more easily to the lender if there is a sinking fund provision and a knowledge of it there. It's a signal to the average lender that there is a provision made, other than the guarantee of the government, there is in fact a fund which may only be a smaller portion of the total repayment required, but nevertheless a fund where some of the capital is being put away for repayment of the loan. So it's more from a point of view of the advantage in the issues than from any other point of view that it's retained.

I'm wondering myself, if Mr. Ziprick is suggesting here that the legislation ought to be changed with regard to sinking funds?

MR. ZIPRICK: Mr. Chairman, that's the thing I had in mind. I studied it to a degree and I find that, for instance, Ontario, some years ago has departed from their rigid requirement to provide sinking funds in every instance, and now they have flexibility to sort of go with the market and if the market demands it, they provide a sinking fund. If it doesn't, they don't. In this case, because the legislation makes it mandatory, you do get it in every instance and then each year you have to raise a substantial amount of money in the market just to feed your sinking fund when it may not be necessary, and so then there's an inherent cost built in to feed the sinking fund.

MR. USKIW: Mr. Chairman, as I understand this comment, it's suggested here that we are borrowing unnecessarily because of a mandatory provision in law that we have to provide for these sinking funds, and that we should have the flexibility of staying out of a market if the market is too high, if the money supply is tight. I think that's what I understand the Auditor is saying. And if that is not what he is saying, then perhaps he would correct me.

MR. ZIPRICK: I didn't say that we are borrowing unnecessarily, I say we may be because of the mandatory requirements, and then each issue could be looked at and the market canvassed to see whether a sinking fund is necessary or not. And I'm going by what others are doing, for instance, Ontario, I know has departed from that mandatory sinking fund requirement for some period of time.

MR. USKIW: Perhaps the Minister might want to comment on whether or not his department is intending to amend the legislation in order to give the government of Manitoba this flexibility as well.

MR. CRAIK: By way of background, Mr. Chairman, of course this has been in place in Manitoba law for probably 30 or 40 years. It's a pretty old statute, and since there are customers, lenders who would ask for it in either case, and in some cases in addition to the sinking fund, particularly a foreign currency loan, they will ask and demand a repurchase fund be set up in addition to the sinking fund. So there are lenders who are in general requiring it, although you might get away in some cases, perhaps as Ontario does, in

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not providing any sinking fund. The department's advice on it is that since it's going to be asked for in some cases and sometimes higher than the amount of the sinking fund, it would probably be recommended that the general condition be left in.

We did move, as you know last year, for the purposes of stating the operating account, at the recommendation of the Provincial Auditor, moved to net the sinking funds against the expenditure, so that it doesn't show as a grossed-up expenditure, nets it. So it doesn't exaggerate the government's deficit position if you like, if it's in a deficit position, or reduce its surplus as the case may be, but that has been done.

I think perhaps, I just have to go mainly by the advice of the people that are working in this business in the money markets, that their recommendation is that there is sufficient requirement and demand for it and satisfaction with it that perhaps the province is better off keeping the provision there, even though it may, in the view of the Auditor, from his point of view, be an arrangement that might be overly cumbersome.

MR. USKIW: Well, can an instance be cited, Mr. Chairman - I ask the Minister or the Auditor - where the province, because of the mandatory legislation, was put in a position of having to raise money in order to satisfy the sinking fund demands, at a time when they should have perhaps stayed out of the market, or could have stayed out of the market if it wasn't for that obligation? Can we cite examples of when that has occurred, which has cost the public of Manitoba additional taxation or whatever?

MR. ZIPRICK: Mr. Chairman, I don't know of any instance where not going to the market . . . when you need the money, you have to go to the market. In this case, the sinking fund is mandatory by law and so it's provided and being paid for. Now, a question as to whether, if there hadn't been a sinking fund provided the cost would have been higher, and how much higher, and a cost benefit, vis-a-vis one or the other, I'm not in a position to carry out one myself and I don't know of any situation where that's been carried out.

MR. USKIW: Mr. Chairman, has the department been able to, has the department done an analysis to determine whether or not, by having that added flexibility, that they could have been money ahead over a given period of time? Has the department the expertise first, to determine that, and if it has, has it monitored the situation in order to determine whether we should consider amending the mandatory legislation?

MR. CRAIK: Mr. Chairman, I am advised that there hasn't been a case to date where there has been a problem created by having to commit certain funds to the sinking fund. So from that point of view it hasn't yet created a problem, there's no evidence that it will.

MR. USKIW: Perhaps I'm not understanding the situation, Mr. Chairman. If the province is obligated to allocate \$100 million, as an example, into a sinking fund, and that \$100 million has to be raised in the market at a given period of time, doesn't it follow from that, that one has to be in a market which one doesn't want to be in because of the mandatory provisions? That's not how it works . . . ?

MR. CRAIK: No. The timing is flexible and usually bonds are taken out to satisfy the sinking fund requirements from time to time to keep up to the required level, but you are never in a position where you have to do it.

MR. MILLER: Mr. Chairman, to take the department's position on this, rather than the Auditor's, today with the interest rates being what they are, the sinking fund, which annually is added to by 3 percent or 2 percent, or whatever is required under the statute, is earning a considerable high level of interest on loans that perhaps were made five, six, three years ago at a much lower rate of interest - or borrowings, rather - at a much lower rate of interest. So that, isn't the sinking fund increasing its value, simply by

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having funds to invest at today's high interest rate? I imagine the department is doing just that, it's lending out the money at high interest rates when the original bond issue perhaps called for 7 percent or 6 percent. So, aren't they ahead of the game in that respect, Mr. Ziprick? I don't know why I should be arguing . . .

MR. ZIPRICK: Yes, that's true to a point. The purchases, of course, are made - and that gets into another area, that what in effect the sinking fund does here is create a serial maturity to bonds with fixed terms. And the question arises, in a serial maturity bond you have a system whereby you determine who has the right to surrender a bond and get return. In this case, the purchase is handled through the brokers and the department and the price evaluation is determined by internal negotiations. Now, I understand that basically the sinking fund is used to take off the market the estate and other loose kind of bonds that are around that would otherwise clutter up the market, and that also has a positive factor. But then the question of selection, for instance, if somebody is relying on the Provincial Auditor to have any input in the overseeing of that, I am not in a position to contribute very much. As far as I'm concerned, I don't know for instance, if I have a bond from an estate whether I could tell the province, look, I want it surrendered and at a certain price, I know you've got a sinking fund, you better pick it up. I don't think it works that way, but I'm not sure just exactly how that area works.

MR. CHAIRMAN: Any further questions on Page 9? Page 9--pass; Page 10 - Mr. Miller.

MR. MILLER: The bank guarantees of 2.8 million, could the Minister or perhaps Mr. Ziprick tell us what they are or what they consist of? The larger ones, if they know them?

MR. ZIPRICK: The particulars of that are in the Public Accounts, and if you have the Public Accounts handy, if you turn to 3-10, so probably we could handle the detail when we come to there.

MR. MILLER: 3-10 you say?

MR. ZIPRICK: 3-10, at the bottom of the page, 2.8 million. Now actually the total authority is 15.3 million, but there is 2.8 million outstanding.

MR. MILLER: Okay. Now, on the Flyer Industries, I assume this is, as I said, performance guarantee in lieu of having to go to Canadian Indemnity or somebody else, and I assume that - it's a year later - that this performance guarantee has now been withdrawn or is no longer needed. Perhaps new ones have been needed. But that this particular 2.7 is simply a guarantee for performance of delivery of buses?

MR. CRAIK: No, Mr. Chairman, it will still stand. In fact, it may be a little higher than that.

MR. MILLER: Because of new orders?

MR. CRAIK: Yes.

MR. MILLER: Yes. I see. But that's what it's for, it's for the guarantee performance of delivery of buses?

MR. CRAIK: In the United States sales.

MR. MILLER: Yes, they need it.

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MR. CHAIRMAN: Any further questions on Page 10? Page 10--pass; Page 11 - Mr. Uskiw.

MR. USKIW: Yes, Mr. Chairman, there are a host of Crown corporations here, specifically I would like to find out just what the arrangement is with the Manitoba Agricultural Credit Corporation, or what the new arrangements are. As I understand it, we have converted to guaranteed financing rather than direct financing in the last year. Is that not correct --(Interjection)-- There is still direct financing? Oh, okay.

MR. CRAIK: Yes. Periodically they are collected together and taken . . .

MR. USKIW: All right. Then the question is, if we are involved in guaranteed financing, would that show up in these figures?

MR. ZIPRICK: Mr. Chairman, this is an authority of the Legislature to commit, and it doesn't matter whether the funds are supplied by the province or they're obtained from a bank and guaranteed, this authority has to be abated. So under no circumstances can any kind of commitment be made beyond these amounts that are stated here.

MR. USKIW: What I'm trying to clarify, Mr. Chairman, in mind is if MACC guarantees \$10 million to the Royal Bank, that they would have to have \$10 million of authority shown here.

MR. ZIPRICK: That's correct.

MR. USKIW: That's my point. Okay.

MR. WILSON: On Page 11, it says The Loans Act, and it says, "Churchill Townsite Development". I was of the opinion that we were subsidizing Churchill Townsite to the tune of 3.5 million. Is this a loan to the townsite, or is it a loan that's never to be repaid, or is it a loan that has to be repaid?

MR. ZIPRICK: As I understand this has been approved as authority to raise funds to do whatever is necessary in that. Now, in the repayment of these funds, in some instances, there could be a requirement that each year moneys be placed in the appropriation to pay it. The reason it's here and not in the appropriations is because it's some arrangement with an agency or some kind of arrangement that's outside of the direct appropriation expenditures.

MR. WILSON: Is Mr. Ziprick aware what that arrangement is?

MR. ZIPRICK: Not offhand, no.

MR. CHAIRMAN: Any further questions on Page 11? Page 11--pass; Page 12 - Mr. Uskiw.

MR. USKIW: Yes, I wonder if the Minister could indicate to us just where the MPIC investment capital is used. What are the agencies that are drawing on that capital supply at the present time?

MR. ZIPRICK: I think that the details of that would be shown in the Public Accounts, probably under Section 5.

MR. CRAIK: Also their Annual Report would show it.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Yes. It shows here some \$80 million as I understand it, \$80,904,000.00. That is long-term debt commitment I would presume. There are also short-term loans, are there not?

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MR. CURTIS: They do carry cash with us.

MR. USKIW: Oh, I see, it is directly through the departments.

MR. CURTIS: All their cash account comes in to us, Mr. Chairman.

MR. USKIW: Yes. So in total, Mr. Chairman - I don't know if it is in order to ask this question, but I am going to ask it anyway - between the long-term commitments and the short-term, what is the amount of capital available and used by the Crown and its corporations, hospitals and municipalities, in a global sense? MPIC money - short and long-term.

MR. CRAIK: Probably be high now and low . . . well, at the start of the year.

MR. CURTIS: Because we have to keep a certain amount back.

MR. USKIW: About \$100 million?

MR. ZIPRICK: Mr. Chairman, I think if you look on Page 5-8 under Banking Facilities it would probably disclose some . . . No, I am sorry it is not there.

MR. USKIW: It is not there, no.

MR. ZIPRICK: The system is that MPIC is required to turn its money over to the government for investment. This money is placed in trust and then invested in these various securities, so that cash is only held on a temporary basis and invested. Now somewhere in here there should be a cash balance in the Trust and was at that particular time applicable to MPIC.

MR. USKIW: Then, Mr. Chairman, MPIC enjoys interest earnings on some \$80-odd million of long term loans and \$15 million or \$20 million short term. What is the difference in rate of return between their long-term commitments and their short-term commitments? How does the Department of Finance handle the short term in terms of return on investment to MPIC?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: MPIC advises the Department what they feel is available for long-term investment first of all, and the Department acts as the fiscal agent with regards to the long-term investment. The remaining money is invested on short term basis, either 30, 60 or 90 days, at rates . . .

MR. USKIW: At current rates.

MR. CRAIK: Right now the rate would probably be around 15 percent.

MR. USKIW: Well, could the Minister tell us the range of rates applied then to the existing \$80 million, what is the low and what is the high in the long-term area? What is the rate that MPIC is earning on the \$80 million that is listed in Public Accounts?

MR. CRAIK: Well, there would be bonds that - you would have to take into account there would be discounts. You can't look at the interest separate from a discount rate, you have to look at an effective rate.

MR. USKIW: That's right.

MR. CRAIK: So the effective rates on the long rates now, like if MPIC or the government on behalf of MPIC decided that they should sell one of the debentures to someone else to hold, someone else wanted to buy a Hydro

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debenture indicated here and sold it, it would probably now have an effective rate that would yield probably 14 percent.

MR. USKIW: No, I understand that, Mr. Chairman, but I would want to know what is the actual return on investment, the range of return, because I am sure there is some dated contracts in this \$80 million. I don't know how dated, but in any event I am sure there are variations with respect to interest returns ranging from probably 7 percent or 8, to 11 and 12 . . . I'm trying to determine the range.

MR. CRAIK: I think they are listed in the Annual Report for the Utility. They are not indicated here.

MR. USKIW: All right, let me put it another way, Mr. Chairman. Am I fair to assume that the long-term do not yield near as much as the short-term, in other words, obviously, that the rate must be 2 or 3 percentage points below what is now the current rate?

MR. CRAIK: No doubt.

MR. USKIW: The long-term rates would be 2 or 3 percentage points below what is now the short-term rate.

MR. CRAIK: But in order to, if you are to free the money up for other purposes, you would have to sell at a discount to get the money back, which would mean you would take a loss so that the buyer would get an effective return that would bring him up to 14, so you can't get your money out . . .

MR. USKIW: You are locked in.

MR. CRAIK: . . . without taking a loss, which then means that you are supplying . . . if you wanted to use it to reinvest for other purpose and you couldn't get 14 percent on the reinvestment, the fund would be taking a loss.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: There is a substantial amount actually in short term if you will note on Page 5-7, about the middle of the page, the investment balance is shown there and the amount at March 31 was \$139 million, so that a substantial amount is being held in short term.

MR. USKIW: Presumably then the area of flexibility as far as the use of this kind of capital would be on maturity of any of these contracts. If the government wanted to use some of the existing capital for other purposes they would have to be prudent, wait for one of these contracts to mature and then divert that money to their new priorities. Is that what the Minister is suggesting?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: If there were some came to maturity, then there would be some become available.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Can anyone indicate to us what the growth rate of this Capital Supply is on a per annum basis in millions of dollars, the availability of new capital, in other words, the increased availability of capital from this source?

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MR. ZIPRICK: I can't do it offhand. It would be a question of going through the series of financial statements and determining the progression of growth. I don't even have a feel right at the moment.

MR. USKIW: I am trying to determine whether we are talking about \$1 million or \$5 million or \$10 million, you know, an annual basis of new capital availability. I would suspect it has to be in the millions.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: While Mr. Ziprick is doing some calculating, then as I take it, what we see on Page 5-6, the \$80 million is the long-term debentures. These are Telephone debentures, Hydro debentures, Manitoba Government debentures and so on. On Page 5-7, the balance showing 139. So is it fair to say that the difference between the 80 and 139 would be the amount that is available in short-term?

MR. ZIPRICK: 139 plus 81, in other words, 220 million, is the total amount that's being held by the province.

MR. MILLER: Oh, it is not 139 less 80?

MR. ZIPRICK: No, no, the two combined.

MR. MILLER: That is why I asked the question.

MR. ZIPRICK: And the previous balance at April 1 was 63 million and 120 million, 183, so the difference for this particular year is 37 million, so that it is a significant growth because of the increase in premiums.

MR. MILLER: Cash flow. Okay.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: I think then we should clarify that. There seems to be some opinion here that the 139 is the total.

MR. MILLER: 139 plus 80.

MR. CURTIS: I think the 139 includes the 80.

MR. USKIW: That is what I wondered.

MR. MILLER: I don't think so but I'll yield to the experts.

MR. CRAIK: Well perhaps we'll let the Auditor check that.

MR. ZIPRICK: I am sorry, it includes the 80 because we are looking at the liability side. Too bad. Sorry.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: All right, then it is established, Mr. Chairman, that there is a fair amount of growth in the capital supply through this one corporation that is made available to public service annually. Is that correct, Mr. Ziprick?

MR. ZIPRICK: As long as it is expanding, there is, yes.

MR. USKIW: But that has been the consistent picture since the corporation was established?

MR. ZIPRICK: I would say it has consistently grown, yes.

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MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, back on Page 12 of the Report itself it refers to the Trust Funds pertaining to the following Trust Accounts, then it indicates Manitoba Hydro-Electric Board and the Manitoba Telephone System and so on. I notice Manitoba Telephone System, 27.5 and the funds deposited with the Minister of Finance for investment are exactly the same amount for the Manitoba Telephone System, it was 27.5 in both cases, which to me makes sense. How come that the same reflection doesn't occur with regard to the others, the Hydro Board? There's \$126 million which the government has, Sinking Funds for securities issued by Government Agencies; shouldn't that also show the same amount as funds deposited with the Minister of Finance for investment, or are we talking apples and oranges?

MR. ZIPRICK: The sinking funds are a part of the funds for investments. The Minister of Finance is trustee for the sinking fund, the money is turned over and invested separately and that is why it is shown separately, and the other are other funds that are available, Manitoba Hydro . . . on all government agencies, or I think pretty well all the government agencies are required by law to turn the money over to the Minister of Finance for investment, so this is the investment. As a matter of fact, just to give a more concise picture, we have there in the middle of the page, Manitoba Public Insurance Corporation and it is a total of 139.4 against 120.4 the year before, an increase of 19 million - Page 12.

MR. MILLER: I can understand that, but I am wondering this. If the Manitoba Hydro-Electric Board has sinking funds to the value of \$126 million, which they then turn over to the Minister of Finance responsible for that, for investing it, shouldn't that figure of 126 be reflected in the columns immediately below that, don't they take that full amount of money and turn it over to the Minister of Finance for deposit with him for investment?

MR. ZIPRICK: This item lower down is for investment other than sinking funds . . .

MR. MILLER: Other than?

MR. ZIPRICK: . . . other than sinking funds which are required to be maintained separately by law.

MR. MILLER: I see, okay, all right, I got it.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: I had a question under the Manitoba Lotteries Commission. Mr. Ziprick has got figures here which indicate there is an increase. What I am concerned about is that there seems to be so much of a cry for sports development and that which I guess is government policy, but at what point in time does the Auditor express some alarm at the amount of money that the government is hoarding? Is this 4.7 million a rather large amount or is it the largest there's ever been in the operating trust of the Lotteries Fund or is this sort of a standard amount that's there?

MR. ZIPRICK: Mr. Chairman, no, the amount would fluctuate. Now I couldn't say whether the 4.7 is the highest at any point in time, would have to go through the years to see how much it's been, but the money is placed in trust in accordance with the Act to be used for these specific purposes and when it's used is the decision of the government and I really don't express a view on it.

MR. WILSON: I see. In other words, your job as Auditor is just to put down the amount of money that's in this particular fund and it's up to us as the politicians to express alarm that the fund is growing and doesn't seem to



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be used for the purpose of which it was intended. So I thank you for those remarks.

MR. CHAIRMAN: Any further questions on Page 12? 12--pass; Page 13. Mr. Uskiw.

MR. USKIW: Yes, Mr. Chairman, there is an item on Page 13 that I would like to have some explanation on, and that's the Beef Producers' Insurance Plan. Why were those funds held in trust as such? I'm trying to understand that.

MR. ZIPRICK: I'd have to take this question as notice. I can't recollect right at the moment.

MR. USKIW: I'm not sure if this is the proper place to ask the question of the Provincial Auditor. Is the Provincial Auditor satisfied that all the moneys that are to be recovered are being recovered from that particular plan? Or is this not the place to put that question, Mr. Chairman.

MR. ZIPRICK: Yes, we have been checking and seeing that appropriate collection procedures are being followed. I just don't know the exact position at the moment but just going by recollection, whatever the legal requirements are, they are being pursued.

MR. USKIW: Yes, there seems to be quite a difference of opinion as to that question. The original contracts that were entered into between the province and the producers provided for only one option for the province to recapture any money from that particular advance and that was through the option of purchase of the cattle. I am wondering whether it is reasonable to expect that notwithstanding the fact that the province isn't approaching it in that way, which is the only way mentioned in the contract, that there is reasonable expectation that those moneys are collectible in a legal way.

MR. ZIPRICK: There again I wouldn't want to speculate, I'm just vague on the details so I think it would be better if I took the matter as notice and provided the information.

MR. USKIW: Well all right. Perhaps then the Provincial Auditor would be prepared to undertake to evaluate the system that is now being employed for the collection of moneys from the producers and perhaps get some legal opinion to determine whether or not it can be reasonably expected that that procedure will in fact result in the province of Manitoba complying with the agreements entered into originally and realizing all of the moneys that are outstanding.

MR. ZIPRICK: Mr. Chairman, yes, one of the things we have been carrying out is following up to see that all the various requirements are being complied with. I just don't know all the ramifications and the particulars, so I'll check with the files and indicate as to whether there are any difficulties and if there are any difficulties in compliance we would naturally report in the normal way next year.

MR. USKIW: Well I'm not sure if the Auditor is in a position to make this determination. Perhaps he has the flexibility within the scope of his activities to determine this, but as I understand it there are conflicting legal opinions as to the methodology now employed with respect to collection of moneys pursuant to those contracts. Can the Auditor assure me that he has the latitude through which he might be able to get a legal determination on that point and report on that at the time that is appropriate for him to report?

MR. ZIPRICK: Mr. Chairman, I don't recollect, but if there are conflicting legal opinions, well then I don't know whether a third opinion would help very much to pursue this, but we would report on what the conflicting

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opinions are and which one the government has chosen to follow. If there are conflicting opinions the only way that it could be positively settled is in court, otherwise you could get a half a dozen opinions and each one could have some variation to it. So I don't know whether I'd even want to be prepared to spend the money to obtain another legal opinion if there are two already. But we will take a look at it and if there are conflicting opinions we'll determine which one the government is following and why and provide a report.

MR. USKIW: Is it reasonable to expect that the Provincial Auditor would offer an opinion of his own on that kind of a question?

MR. ZIPRICK: Mr. Chairman, not a legal opinion. I am not a legal expert. I'd have to rely on the legal opinions that exist.

MR. CHAIRMAN: Are there any further questions on Page 13? Mr. Miller.

MR. MILLER: Mr. Chairman, on Page 13, the Manitoba Health Services Commission, 23.8, ending March 31, 1979. Since we moved to the new funding formula, the established program financing, how would the Health Services Commission accumulate a 23.8 reserve? Since there is no flow of funds from Ottawa direct to the Commission any longer, it all comes through the department, would this be an old reserve? In other words, the 23.4 of '78, would there simply be an add on to that of .4, or is the old reserve gone and this is a new reserve for the fiscal year?

MR. ZIPRICK: From my recollection this was not a draw-down, just remained from the previous year.

MR. MILLER: I didn't hear that.

MR. ZIPRICK: Mr. Chairman, my understanding is that this was money that's available. They have been using the ongoing money from appropriation, they've just not drawn this down so that it's been remaining there to take care of their accounts payable.

MR. MILLER: All right, is it something that they have to have continue to keep for an accounts payable fund or is it something that conceivably they built up in 1977-78, for example, the transfer of funds when they were sort of half in and half out, whether the Health Services Commission, let's say next year, could simply say, all right we will require less from government and now we'll use the reserve and wipe it out?

MR. ZIPRICK: Mr. Chairman, that arrangement could be used but then the government would be behind on the actual that has been incurred, the cost incurred by the Health Services Commission would be unprovided for to the extent of \$23 million. If that was a decision then naturally the cash is not required in April to pay it and so that much could be deferred or a cash requirement could be deferred.

MR. MILLER: That's what I'm asking, whether . . . you see, if this amount of money was made available in 1977-78 in a lump sum, around \$23, \$24 million, because some of the funds from Ottawa, I believe, were still coming in direct to the Commission, so a little nest egg was developed there. And instead of taking it into consolidated fund with the creation of the established program financing arrangement, instead of putting it into consolidated revenue, the government decided in its wisdom to still have the money kept by the Health Services Commission. And so at any given year they could simply drop their appropriation by \$23 million, MHSC would pay its bills because they have the money, that's what they got the money for in the first place, but the appropriation could drop substantially for that particular year until this amount of money is wiped out. It could be a one-year holiday in a sense.

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MR. ZIPRICK: Mr. Chairman, as I understand it, last year there was a change from the federal government paying on the basis of claims to a block-funding system. Now if the claim system had continued, this \$23 million would have been shown on the books of the Health Services Commission as an account receivable from the federal government. In this case because it was a block-funding system involved it would have been a receivable from the province of Manitoba. The province of Manitoba, because the federal government had made the transfers to completely take care of the closing out from a billing system to a block-funding system, \$23 million was set aside to offset this amount that would have been normally receivable from Canada.

MR. MILLER: Mr. Chairman, that's the point. Actually the government could have chosen, if it so desired, since they went to the block-funding system and the money was flowing to the consolidated fund rather than to the Commission, when the money came in from Ottawa, lump sums or different sums than this, it doesn't matter, but obviously about \$23, \$24 million was taken by government and transferred to the Health Services Commission. They could have chosen if they so desired to simply keep the money and simply pass on to the Health Services Commission whatever the appropriation required rather than turn over to the Commission a lump sum of money which they are now holding in reserve for some future time, because I imagine it will be used in time. It's not just a matter to tide them over for the months of April, May and June. I suspect it's money that they now really aren't going to be touching so long as the flow of funds comes from the provincial government from consolidated fund.

MR. ZIPRICK: It could have been handled that way, then on the Commission's side of it there would have been, either they would have to have a receivable of \$23 million that the province would have not had at March 31 in its appropriations to pay it, or if they didn't set it up as a receivable they'd have had a deficit of \$23 million that they carried for that particular year in their operations. So in order to not avoid the deficit, \$23 million was taken into revenues to arrive at a balanced position. To show a \$23 million receivable from the province for which the province has no funds to pay is not appropriate neither, so this is why \$23 million was transferred and is held in trust, to reflect the position of the Manitoba Health Services Commission as being fully paid for, or funds fully available to cover all their costs to March 31.

MR. MILLER: Mr. Chairman, you say March 31st. Isn't their fiscal year the same as the province's?

MR. ZIPRICK: That's right.

MR. MILLER: All right. Then their flow of funds from the province is identical to our fiscal year, so that, why would the commission at any time require a reserve since they are paying out monthly, I assume, to hospitals and doctors and so on, and they're getting the money from the government monthly. Weren't they always in phase?

MR. ZIPRICK: Mr. Chairman, the Health Services Commission's accounting is exactly the same as the province. Now if the province was looking after this, this \$23 million would have been bills that would come in and would be taken into the March 31st old year expenditures as April payments, and the Health Services Commission does the same thing. They would pay that \$23 million as April payments, then of course, the new money starts flowing and there's a continuing balance remaining. But it's there because of that fiscal year cut-off.

MR. MILLER: Mr. Chairman, is Mr. Ziprick saying that next year when we look at this, we'll see, if not the same amount, but a similar amount, shown as a reserve in next year's Health Services Commission account? Has it been going on for years?

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MR. ZIPRICK: As far as I can make out, Mr. Chairman, this will go on indefinitely, because this is money that's required to pay the March bills in April, and to maintain it on the same accounting system as the province, we pay the March bills in April but we put it into the old year appropriation, so that for accounting purposes, this is how it has to be handled here. Otherwise, if it was handled some other way, there would be a deficit of \$23 million of costs that would be carried over and wouldn't even be consistent with the method of accounting that the province does.

MR. CHAIRMAN: Any further questions on Page 13? Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, with regard to the question raised, the 1.8 million under the Manitoba Beef Producers Assistance Plan, I have been told that last year there was an arrangement whereby the federal government, there was a possibility the federal government was going to contribute something, and so to comply with this arrangement, this money was put into trust, it carried on, it fell through, then it was applied.

MR. CHAIRMAN: Page 13--pass; Page 14 - Mr. Wilson.

MR. WILSON: I think I understand this page, but down at the bottom, I wonder if Mr. Ziprick could explain to me, does this mean that despite inflation, under the word Expenditures, that in this report the government spent \$.8 million less money in 1978-79 than in 1977? Would that be a correct assumption?

MR. ZIPRICK: That's correct, on the same basis of accounting, that's the difference.

MR. WILSON: Well, I'll leave it at that. It seems to me to be rather clear. I just wondered if Mr. Ziprick could explain, was there any earth-shattering amendments because in the first paragraph, in accordance with the amendments to The Financial Administration Act, has there been any changes, or would Mr. Ziprick like to see any changes in the method of reporting to this committee?

MR. ZIPRICK: Mr. Chairman, there were substantial changes. The Financial Administration Act was almost completely revised, and the system that I've been previously recommending, that the distinction between capital expenditure and revenue and expenditure be done away with, was done away with, and now all the expenditures made by the province are all in the appropriations voted, and any dealing with capital are just set out separately in the appropriations, but it's all combined.

MR. WILSON: Am I to assume then, this would make it easier for this committee and yourselves to examine government expenditures?

MR. ZIPRICK: Mr. Chairman, yes, this brings in all the expenditures made by the province into one area. It's being spent through the appropriations, and the total expenditure made during that year is reflected, the total revenue is also reflected, giving a net cash, or revenue deficiency or excess, whatever the case could be.

MR. WILSON: I just wanted to, maybe this is not the place for it, but to Mr. Ziprick. The former Member for River Heights, Mr. Spivak, had wanted at some time in a previous examination of Public Accounts to have a resolution, which I believe was defeated by the former government, whereby heads of departments and Ministers in the Cabinet would be brought before Public Accounts Committee to explain some of the expenditures that this committee was examining, and I'm wondering, in light of the changes in other provincial jurisdictions, if Mr. Ziprick would support the thinking or the thrust of such a resolution if one was brought forward for this government to examine.

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MR. ZIPRICK: Mr. Chairman, this will be coming up again on Page 38 where I have again emphasized that that would be a desirable procedure, and we could probably leave it to that point.

MR. CHAIRMAN: Any further questions on Page 14? Page 14--pass; Page 15 - Mr. Miller.

MR. MILLER: Apparently free from this, it would appear that revenues increased about \$106 million, and on Page 15 we see some of these figures. As between the larger increase in the individual income tax, would that be because of the arrangements with Ottawa on the dropping of the sales tax from five percent to two percent? And then the abatement of about \$40 million?

MR. ZIPRICK: \$44 million.

MR. MILLER: \$44 million. I see. So that accounts for this large increase. But I notice there was, established program, cash transfers were up about 27 million, and the national equalization was up about 13.7 million, so that these were over and above what the government had estimated, or had been given an indication by Ottawa that they could anticipate in the way of revenue, so that Ottawa had forecast low; is that what this indicates?

MR. ZIPRICK: Mr. Chairman, this is over what was the previous year, not over what was; the estimate must have been fairly close because we don't comment on it, otherwise we would. So it's just so much higher than the year before, but not the estimate.

MR. MILLER: I see. So it's not the forecast of the estimate of revenue, but rather that compared to 1977-78, the flow of funds from Ottawa for these various programs increased considerably above the 1977-78 fiscal year, whatever the reason is. I notice in one case you talk about an acceleration of federal payments. Is it because they owed money from previous years and they were catching up, or that they changed their method of payment and accelerated the payments?

MR. ZIPRICK: Mr. Chairman, I'd have to take a look at the exact specifics, but there was some acceleration of payments and Ottawa has been doing that on a number of occasions, where possible, has been accelerating payments, but I don't know how much influence that acceleration had on that 27 million and how much the other factors. I would probably guess the other factors had more influence.

MR. MILLER: By other factors, you mean what? The updating of information on the GNP, which is the base for the calculation of these grants?

MR. ZIPRICK: That's right, the various elements going into the calculation, when they were gathered together were higher than the estimates that Ottawa was working on and as a result there would be a bigger return.

MR. MILLER: As I recall, the calculation for health costs, I believe was based on 1975-76, according to this, and so in recalculating what was due in those years there was a catch-up because they had underpaid in 1975-76, 1977-78, and so this was a catch-up to balance the accounts.

MR. ZIPRICK: Mr. Chairman, as I understand these agreements, in the first instance, figures are used on an estimated basis and in due course when the actual is known then they revise the actual; it's a standard procedure of the agreements.

MR. MILLER: Okay, but now that we are in the new established program funding arrangement for health services, for example, or post-secondary education, have they caught up with all the previous years, because they are always one, two, sometimes three years behind, they have been, but is it just that

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they are dealing here with the year 1975-76 and it still leaves two more years to go, 1976-77? --(Interjection)-- Oh, 1977-78 was already the new program. 1976-77 is still to come?

MR. ZIPRICK: I'd have to check the agreements, but each year under the agreements you move forward one and keep updating. I'm not sure just how the block funding of the health programs had been worked into here. There is the block funding, there is an agreement, and as far as I am aware of, this money is flowing in accordance with the terms of the agreement. Then there is also still outstanding claims that were still under negotiation, there are still a few claims outstanding and it will be noted further on somewhere, and these are in the process of being collected. But the claims apply to previous years.

MR. MILLER: I appreciate that. I'm wondering, perhaps the Minister or Mr. Curtis could indicate, because I read this, the old system, Canada had to audit the books, to make sure the claims were in accordance with the arrangement, so there was always a delay. Sometimes they overpaid and they wanted to collect it back. In this case, however, there was an increase because of the updated information on GNP. Would this apply to 1975-76? I'm assuming there will be another adjustment for 1977-78, or 1976-77 rather, but from here on in there won't be that requirement because it's not based on any accounting or checking of expenditures within the province, because we're not tied to the actual expenditures in hospitals or in doctors' fees.

MR. ZIPRICK: I'd have to check, I'm not sure when this runs out, unless Mr. Curtis can enlighten. I'm not sure what year this runs out.

MR. CURTIS: Mr. Chairman, there was a guarantee period, I think it's over at the end of . . . I think it's at the end of this year. So there will be adjustments coming through for this last year, 1980, the year we're in now, plus I think into next year. Then the payments at that point will flatten out.

MR. MILLER: I realize that. I'm talking about the adjustments which would be affected by the old agreement.

MR. CURTIS: My recollection was three years . . .

MR. MILLER: So they were going to adjust over a three-year period. So there will still be money flowing to Manitoba for 1976-77 and perhaps for 1977-78. I see.

MR. CHAIRMAN: Mr. Hanuschak.

MR. BEN HANUSCHAK (Burrows): Yes, Mr. Chairman, I suppose one could check back in the records and get this figure, but perhaps the Minister could tell us what the estimated revenue increases were for this fiscal year. The actual apparently were 161.1 million. What were the estimated revenue increases? I'm looking at the figure, 161.1, the first total figure, top of Page 15. --(Interjection)-- I appreciate that, but these are the actual increases. What were the government's estimated revenue increases?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, it is on Page 2-9 of the . . .

MR. CHAIRMAN: Mr. Hanuschak.

MR. HANUSCHAK: I am sorry, it commences on Page 2-9. One has to look - oh yes, there is a variance of \$20 million. So if I am reading this correctly, the actual revenues exceeded the estimated revenues by \$20 million. However, I note, and the Auditor comments on this, that in the government's estimate of corporation income tax it overestimated the actual revenue by about 50 percent, because the actual revenue was \$16.7 million,

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whereas the estimated increase in revenue was \$24.6 million. I note that the Auditor says that this increase is mainly attributable to improved economic conditions. But it would seem to me, Mr. Chairman, that in actual fact the reverse had occurred, that the economic conditions were not improved to the point to which the government had anticipated they would be, but in fact it was a sluggish economy or whatever, because the revenue fell short by \$7.9 million. Can the Minister comment on that?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, the amounts shown in the Public Accounts are on the basis of the actual amounts that were shown last year. What we have done here is adjusted the revenue and expenditures, and that is shown on Page 12 in the preceding paragraph, to bring it into line on a comparative basis. Having made those adjustments then we arrive with a net increase of \$106 million, so that we are talking about the same comparison. Then we take and explain each individual increase, or decrease at least in the major items, and wherever there was a significant departure between the estimated revenue and the actual, we also comment. Where there was no significant departure we don't comment. So that, for instance, in the individual income tax the established program Cash Transfer from Canada Corporation Tax, those were fairly close to the estimates. The Corporation Income Tax on Page 16 is the first one that there was some significant variance from the estimate. So that these ones here that we are dealing with now, the estimate and the actual were pretty close to being what was realized.

MR. HANUSCHAK: Yes, I appreciate that, Mr. Chairman. I can understand the Auditor's explanation for the variance in the individual income tax, etc., however on the corporation income tax, as I had indicated previously, the government had estimated an increase of 16.7 plus 7.9, the figure appearing at the top of Page 16, because the Auditor does indicate that the actual revenue was under the estimate by 7.9 million, so I take it that the government must have estimated an increase of \$24.6 million. And then the Auditor goes on to say that the \$16.7 million increase is attributable to improved economic conditions, but it would seem that the government must have been even more optimistic about the forthcoming economic conditions, because it had estimated 50 percent more, \$24.6 million. This is my question to the Minister, and I think that the Minister ought to answer this and not the Auditor. What happened during that fiscal year that the corporate income tax did not increase by \$24.6 million but rather by 33 percent less?

MR. CRAIK: Mr. Chairman, if the member would look at Page 2-10 he would find that the actuals there, the actual in 1977-78 was 81.6 million, the actual in 1978-79 was 98.3, the actual increase over those two years was 16.7 million, which I think a 20 percent increase in the return from the corporation income tax would be a reasonable basis to say that it was because of improved economic conditions.

MR. HANUSCHAK: But obviously, Mr. Chairman. . .

MR. CRAIK: Mr. Chairman, if I might finish. The estimates that we use here for both income taxes, individual and corporate, are the estimates provided by the Federal Department of Revenue to us and we accept their submissions to us.

MR. HANUSCHAK: I am sorry, I missed some of it. Did I understand the Minister correctly that this is based on data supplied by the Feds?

MR. CRAIK: The federal government provides the estimates on those two taxes.

MR. HANUSCHAK: Okay.

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MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, what the Minister says is correct, looking year over year, but assuming that the Federal Government did indicate, forecast for Manitoba what it might expect to receive for individual income tax and corporate income tax, that's how they operate - they obviously assumed that Manitoba's corporate income tax would yield \$106 million, because that is what the Minister estimated in the way of revenue, and Ottawa, of course, does it on the basis of looking nationally in deciding what Manitoba's corporate income tax would yield. But in fact Manitoba's corporate income tax yielded about \$8 million less in actuality than what the Federal Government indicated. As far as individual income tax, as a matter of fact they are even higher, but for the corporate income tax there appears to be a drop from what Ottawa thought Manitoba should yield in corporate income tax, a drop of close to \$8 million. So it is not a matter of year over year, but rather the extent to which Ottawa's perception of what was going to happen in Manitoba just wasn't realized and the corporate income tax dropped by \$8 million in 1978-79 over what they thought and what the province thought the corporate income tax would bring into general revenue. Am I right in that, Mr. Minister?

MR. CRAIK: Yes, Mr. Chairman, the returns were up by around 20 per cent; were estimated to have been up around 30.

MR. MILLER: Okay.

MR. CHAIRMAN: Are there any further questions on Page 15? 15--pass; Page 16 - Mr. Wilson.

MR. WILSON: I wanted to maybe ask the Minister, since part of this might come under his position. Under Mining and Mineral Taxes, am I reading this right where it says that the former revenues under mining were 10.8 million and that under the present government they are 25.2 million, which would be an increase of \$14.4 million, and Mr. Ziprick has made the comment apparently these profits were not as high as anticipated. Maybe what I am asking the Minister, are we looking for a new boom to the taxpayers or possibly a new thrust that would increase these revenues even further in the coming years? What would the Minister like to comment under this section, because it does seem like \$14.4 million is somewhat of a substantial increase?

MR. CRAIK: Well, Mr. Chairman, there has been a change in the mining tax legislation as of a year ago, the 1979 Spring Session, and there will be a difference in the coming year. I don't recall the numbers exactly, but I think the estimates under the new taxation will provide more total revenue than what showed up here as well despite the change. There is no doubt that there is a resurgence of health and activity in the mining industry, which will reflect itself in mining taxes.

MR. WILSON: I wondered, without asking for an Order for Return, does the Minister have any provincial comparisons. I appreciate that probably British Columbia is somewhat higher than ourselves, but would there be any provincial comparisons of either provinces across Canada, or i.e. the western provinces to indicate Manitoba's possible coming strength in the future or how far are we behind our neighbours to the west? In other words, is there stats available based on their government Public Accounts which would show the revenues from taxation from mining production? And can the Minister answer e, does this also include petroleum revenues, this section?

MR. CRAIK: I think so, yes.

MR. WILSON: Would the Minister be able to give an indication of - could someone in his department be able to supply me with those comparisons of the four western provinces with regard to. . .



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MR. CRAIK: Yes, we can pick that out of the statements for the various provincial reports.

MR. WILSON: All right, thank you very much.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Yes, how is the government going to handle the overpayments from the mining companies on their royalties and taxes. There's a \$4 million figure there; what is the Minister going to do to refund, or whatever, that money - or what has been done, let's put it that way? Where does it show up?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: As I understand it, it will just be applied as a reduction of the current year's assessment. In other words, so much assessed last year is reduced because of lower profits on an actual basis so much and the difference will be paid.

MR. USKIW: In terms of the Legislature though, where will we find that adjustment, where will it show up?

MR. CRAIK: Presumably reduced revenues in this year.

MR. USKIW: With a footnote as to why or . . . What I am saying is, it is going to be identifiable as a loss of revenue cause?

MR. CRAIK: Apparently not, Mr. Chairman.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, it will only show up in the explanations of next year's comparative revenue just as it is doing this year, that there are elements of more was realized, but some of it applies to the previous year and so on.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Looking at these figures of the increases of moneys flowing from Ottawa, I am reminded that there was about \$30 million paid by Ottawa to Manitoba in 1977-78, which the government chose to not treat as cash flow in the normal way and take it into revenue for 1977-78, but rather set it up as an accounts payable because it was considered it was an overpayment by Ottawa to Manitoba and they would have to repay it. And I recall arguing that this goes on every year, overpayments, underpayments and eventually balances off. Looking at the amounts that flowed in over and above what was anticipated, the increases in established program, cash transfers, the income taxes, the corporation income taxes, the national equalization, including the adjustments, that in fact the amounts more than cover the \$30 million which they had to repay to Ottawa. So I find it ironic that the amount that was not taken into revenue, but is set up as an accounts payable to inflate the 1977-78 shortfall as between revenue and expenditures, this year, the year we're looking at, the increased flow of funds from Ottawa, recognizing GNP adjustments and so on and health costs, more than exceeded that \$30 million.

MR. ZIPRICK: Mr. Chairman, I don't know that this year, I don't think that there's been any overpayment or underpayment adjustment for this year. There was some adjustment but it's not being made by Canada on an instalment adjustment but applied as a one item adjustment.

MR. MILLER: Well, whether there's one line or two lines, doesn't matter, I'm simply commenting on the fact that in a given year the government chose to treat a payment from Ottawa as an overpayment and set it up as

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accounts payable rather than using it in the traditional way as cash flow, or showing it in the year in which it was received so they set it up as accounts payable which would, as I say, increase the shortfall in the fiscal year 1977-78. In the next year Ottawa paid more money to Manitoba than had been anticipated and of course that shows as increased revenue from Ottawa. So that the imbalance which you have is a ballooning of figures for one year, when if it had been treated in the traditional way, the revenues in 1977-78 would have been shown as higher and the revenues in 1978-79 somewhat lower. It would have balanced off. But because a new government came in and a new method of treating these things was put forward, you have the sort of yo-yo effect of a high shortfall of revenue one year, and the next year an increase in revenue; whereas on the same 24-month period it would probably have balanced off and had shown a nice smooth pattern of revenues. Isn't that in fact what happened?

MR. CRAIK: Well, Mr. Chairman, this is, of course, one of the arguments that the Member for Seven Oaks has put forward on other occasions as well but aren't accepted as being a fact. There is an explanation on Page 2-14, in the Public Accounts of the amounts, that does fully explain the amount referred to by the Member for Seven Oaks.

I point out, Mr. Chairman, that in the current fiscal year, just finished yesterday, we had, of course, very substantial adjustments that are going to be reflected in next year's Public Accounts when they are produced that will raise many of the questions we have been discussing this morning; which will show up because it was a major adjustment year.

MR. MILLER: Mr. Chairman, I haven't read those notes on Page 2-14, referred to, but be that as it may, the fact is that if the treatment of funds from Ottawa had been treated consistently as previous years, going back to the 60's, and everything had been continued on a cash flow basis, then over this 24-month period you wouldn't have had these peaks and valleys which developed because the government chose a new method of handling funds. That's what I can see here now, the extra increase in funds from Ottawa, higher than anticipated, was just about equivalent to the amount that the government claimed was an over-expenditure in the previous fiscal year, and had they chosen to simply include all revenue received within that fiscal year, it would have shown more revenues for 1977-78 and less revenues for 1978-79, but in the final analysis it would have evened out the cash flow and evened out the deficit figures for the two years.

MR. CRAIK: Mr. Chairman, the last line indicates in Note 1, that the amounts have not been shown in 1978-79 as a revenue.

MR. MILLER: I'm wondering could the Minister explain? I'm still trying to read it. Could the Minister explain it?

MR. CRAIK: I think the nub of the problem, Mr. Chairman, is that Mr. Miller is suggesting that the traditional rules were not followed and the department is insisting that the reasons for this was in order to follow the traditional rules.

MR. MILLER: It was in order?

MR. CRAIK: So that's the difference.

MR. MILLER: It was in order not to follow the traditional rules?

MR. CRAIK: No, the department felt they were following the traditional rules by treating the amount as they did. I think that your argument is that the traditional rules would not have provided for that, so I suppose never the twain shall meet.

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MR. MILLER: I'm afraid never the twain shall meet in this case, because what the Minister is saying is that this \$30 million which is shown here, which was received in 1977-78 was not entered into the books of Manitoba as having been received in 1977-78, and then they are saying but we didn't show it in 1978-79 either, so it sort of balanced off, but what the net effect was that . . .

MR. CRAIK: No . . . Well they were withheld from the revenue advances of the federal government in 1978-79. They would have shown up in the usual revenue . . .

MR. MILLER: They were deducted from revenues received from . . . you're not sending cheques back to Ottawa. They are simply deducting it from their cash flow to you, I assume. That's how they usually work it. I don't remember Manitoba issuing cheques to Ottawa, but they deduct the amount that they feel they've overpaid from new amounts that they are sending you. So that in that sense, accounting wise, it comes through, but looking at it from the point of view of how to treat two fiscal years, you didn't show it as . . . the amounts were withheld from similar revenues in 1978-79 doesn't really indicate very much except that you simply withheld it from revenues because they were deducted from federal revenues.

MR. CRAIK: Well the payments were payments intended for the 1978-79 year.

MR. MILLER: The \$30 million was intended for 1978-79? You are saying that the federal government actually accelerated its payments, sent you a cheque in 1977-78 which was really due in 1978-79? I don't believe so.

MR. ZIPRICK: In this case as I understand it, the province would have owed, or did owe on an overpayment as at 1978 of \$30 million and Canada said well we won't take it off today, we'll take it off over the next number of weeks in remittances in the new year and thereby reduce your future revenue by that \$30 million.

I may just add that prior to that there was no specifically defined policy. There is a defined policy now, which I completely agree with, is to treat Canada on an accrual basis. In other words, Canada is the major contributor of money and our accounting should not depend on what Canada decides right at the tailend of the year as to when they are going to send it, either on the 1st of April or on the 31st of March. So on the present basis, 60 or 90 days, I think it's 60 days, within those 60 days, the best known accrual position at that particular time is established I think is the best approach that we can have.

MR. MILLER: Mr. Chairman, I'm not arguing about the whole question of moving to the accrual system. It's regrettable that it occurred mid-term and that although Ottawa may have deducted from their payments to Manitoba an amount sufficient to recapture the \$30 million, which is obviously what they did, nonetheless the increases in revenue from Ottawa were still sufficiently high and would have been even higher by \$30 million because the books had been kept the same way as before. In other words, as far as Manitoba's books were concerned it would have shown higher revenues from Ottawa and a repayment, in a sense, to Ottawa of an overpayment in the previous year. But we've been through this before. The Minister is not going to agree with my position. But I do know that the impact it had on the 1977-78 fiscal year was substantial by, in this case by \$30 million.

MR. CHAIRMAN: Any further questions on Page 16? Page 16--pass; Page 17 - Mr. Wilson.

MR. WILSON: I wonder if Mr. Ziprick could explain . . . - I realize that this is a study of a couple of years, it's called, Government of Canada Shared Cost Receipts. I've always been alarmed at the fact that the federal

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government either doesn't agree how many patients we have under the hospitalization or they don't agree how many treaty Indians we have, or they don't agree this, they don't agree that, and it's all based on figures, and down in the next paragraph you say that the actual revenue received of \$130 million was under the estimate by 8.9 million because this revenue is dependent on the amount of expenditures, and the key to it in my opinion is the timing of claims. Are you satisfied that our present system and the team of civil servants working on this have all the latest technology and systems used to be able to present our case to the federal government, so because of high interest rates, that we do get these moneys in what I consider a very prompt manner? I kind of get the feeling from my short time here that there seems to be an awful delay in the timing of a decision being made between the two levels of government and I wondered at some point in time, it always seems to be in favour of the federal government, I wondered if there would be any consideration given to the government paying some interest in the delay in not arriving at these figures in a prompt manner. I wonder would Mr. Ziprick care to comment? Is he satisfied about the timing that takes place in getting this settled with the federal-provincial fiscal arrangements?

MR. ZIPRICK: Mr. Chairman, there were some difficulties in that regard, I reported in previous years, and I comment further on this on Page 27. Now we can leave it until we get there but I just say that there is a substantial improvement as can be noted from Page 27 and I think that we are at the point in time now that the Department of Finance has a section that's directly involved to ensure that claims are made as promptly as possible; if there are disputed conditions and there's a fair amount of money they try to negotiate some kind of an advance to speed up the cash coming and from our observations now we feel that the situation is well in hand.

MR. WILSON: Well in other words this is another area of which our government can take some claim in having made some improvement. So I'll look to Page 27 for an explanation from the Auditor. Thank you.

MR. CHAIRMAN: Any further questions on Page 17? Mr. Miller.

MR. MILLER: Mr. Chairman, I notice there was a decrease of 5.1 million in revenues "due to the timing of projected approvals, expenditures and recoveries under the Manitoba Northlands Agreement". When you talk in terms of project approvals, was it because of the delay in signing the agreement itself, that's occurred?

MR. ZIPRICK: This gets into this accrual system and now that we will be handling it on an accrual basis, the timing will be matched as to the expenditure and the revenue to offset it will be matched through the accrual system. Now, as to how promptly the money will flow from Canada is the other area that I'm talking about of once the claim has been made, to expedite as quickly as possible the payment of money, so that's also a thing that's being worked on and pursued. But here, the timing is that expenditures were made, the claim didn't get in until the new year, and under the present basis where it was not accrued, then it wouldn't be taken into revenue.

MR. MILLER: That's true, that's where a project has been approved, and for whatever reason there's a delay in making a claim or the work is taking longer than anticipated and the claim can't be made. That happens too, I suppose. I'm wondering about, when you use the term, "due to the timing of project approvals", that would be in the original instance before any work is done. This is sort of the agreement that Canada-Manitoba will undertake something jointly, and there is a delay in approving the project.

MR. ZIPRICK: I'd have to refresh my memory, the detail behind there, but it could well be that there are situations where Manitoba proceeds with the work because they are quite prepared, there is money voted in the appropriations, quite prepared to do that. Then an approach is made to Canada and

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a negotiation goes on and an approval. Now in that case if approval does not happen until some time later, well then even under the present system it will be a recovery in a subsequent year because we cannot set up something as accrued on the basis of some negotiations not knowing whether they will be approved or not. It would have to be approved within the limits of that fiscal year, otherwise to set something up in anticipation that it may get approved, would be wrong.

So this is probably an item where the school construction was proceeded with, it was paid for from the province of Manitoba appropriations, but negotiation was going on with Canada and there was a delay in approval.

MR. MILLER: But couldn't this happen, that Manitoba assumes, and has every right to assume, that a certain project which is cost-shared, 60-40, or 50-50, they include it in the Estimates for the coming fiscal year, any coming fiscal year, and then they start negotiating with Ottawa, finalizing negotiations, and those could drag on for six, seven, eight, nine months. The question is whether it is because the federal government is difficult to get an agreement with, or the provincial, whatever the reason is, can't a situation arise where the Estimates indicate authority to go into some construction under some agreement and then the agreement itself is delayed for whatever reason, and so the appropriation may never be spent, it may be indicated as an authority, but it may never be spent because maybe either party, or both parties, can't agree on the nature of the agreement to be entered into. Can that happen?

MR. ZIPRICK: Yes, Mr. Chairman, and I think that either situation can happen. You can have a situation whereby the province of Manitoba is quite satisfied they are going to proceed to do the work regardless, whether they are going to get any money from Canada or not, and then the appropriation is spent. In another situation, there is money in the appropriation and Manitoba does not intend to go it alone, and then if their agreement is not arrived at, the money for that particular amount would lapse and would not be spent.

MR. MILLER: I see. So it differs, of course from the the general purposes capital, or the old capital account we used to run, because it simply lapses at the end of the fiscal year if an agreement with Ottawa is not arrived at.

MR. CHAIRMAN: Any further questions on Page 17? Mr. Hanuschak.

MR. HANUSCHAK: Yes, Mr. Chairman, I'm reading the paragraph titled Retail sales tax and revenue tax and there are figures of 211.3 million and 166.4 million appearing there, and I'm also looking at page 2 10 in Public Accounts, Retail Sales Tax, and there appears to be about a \$13 to \$14 million variation in both figures. Well, certainly in the 166.4, which, if I'm reading page 2-10 correctly, that is shown to be 153.2 million.

MR. ZIPRICK: Mr. Chairman, you have to add two, there's the retail sales tax and the revenue tax and we combine it, and when the two are combined . . .

MR. HANUSCHAK: Yes. I'm sorry. Thank you very much.

MR. CHAIRMAN: Any further questions on Page 17? Mr. Uskiw.

MR. USKIw: Well, Mr. Chairman, I would like to know from the department whether or not they are able to tell us what the net effect of that exercise was to the economy of Manitoba, because I believe there was some argument made at the time when this decision was taken that that volume would substantially make up the reduction in revenue, but it appears not to be the case. I'm just wondering whether the department has some figures or comment to make.

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MR. CRAIK: Well, Mr. Chairman, at the time it was undertaken, the federal government felt that the sluggish economy across the country could be triggered with the sales tax reduction, and we were willing to go along and provide this kind of break for the taxpayers in an attempt to provide some stimulation for the economy, and as a result we reduced it by 3 percent to 2 percent for a period of . . . from 5 to 2 for the six month period. There was certainly a stimulation of retail activity during that period. Over the longer term, averaging out over the two year period, there's not a great deal of evidence that there was any massive triggering of the economy as a result of the move. The biggest thing that it did do probably was, on some of the larger, what they call the large ticket items, bring about more purchases and consumption in those areas than would normally have occurred. But not so in the smaller items. So in automobiles, refrigerators and others, the evidence is that in fact it brought about greater consumption in total than would have been otherwise.

MR. USKIW: Well, I just wondered whether the Minister, in retrospect now, would want to agree or disagree with that kind of a measure as a means to stimulate the economy in the future, or whether that experience convinces him that that is not the way to do it. That's really what I want to find out.

MR. CRAIK: With the federal government's participation and with a proper differential across the country, I think it could be reasonably examined again. For instance, the large ticket items provide more stimulation in Ontario than they do in Manitoba, and so when the reduction is done, we felt it would have been more appropriate for them to, of course, pick up the full three percent, which I think they did in the Maritimes. And under those conditions, if they wanted to do it on a differential basis, with the knowledge that you are going to stimulate certain sectors more than others, then I think it could reasonably be entertained.

MR. CHAIRMAN: Any further questions on Page 17? Page 17--pass. Before we get to the next page, the Department of Finance has provided answers to questions previously raised at the committee. There are copies for all members, I'll ask the Clerk to distribute them. And we'll go to Page 18. Questions on Page 18? Page 18--pass; Page 19--pass - Mr. Miller.

MR. MILLER: These were asked in the the previous Public Accounts, or there was written . . . ?

MR. CHAIRMAN: Asked at the meeting on June 8th of last year.

MR. MILLER: I see, okay.

MR. CHAIRMAN: Page 19--pass; Page 20 - Mr. Wilson.

MR. WILSON: I wondered if Mr. Ziprick looked at, I guess possibly I should have asked this question in the Department of Highways, but you can't be in two committees at once. I wondered if . . .there's a special warrant to provide additional funds to cover costs of improved gravelling standards under the Highway Maintenance Program. Does your Department, Mr. Ziprick, ever monitor or examine the method of buying gravel by the province of Manitoba as compared to other provinces? Is there any comparative methods used with the view of . . . my concern is one of what appears to be vast amounts of stock-piling by the previous government and possibly even our own, of gravel, and I wondered, is this an administrative thing, or does your department look at this, because we are looking under public accounts of ways to examine the expenditures of government and ways to become more efficient, and I wondered if your department had ever monitored this particular area?

MR. ZIPRICK: Mr. Chairman, we do look at the stockpiles to ensure, be satisfied that there is gravel there in existence. The measurement of it gets to be not that easy, but at least we are satisfied that the substantial

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amounts that should be there are there. As to whether there is excessive quantities of inventory on hand, that's a pretty technical engineering and highways maintenance assessment. If it was very blatant and very unusual I think we would notice it, but when it's down to somewhere in that working level, I think we require a group of specialists to re-assess the whole thing, and unless there is every reason to believe that there is waste, I don't know whether that would be warranted.

As far as the obtaining of gravel is concerned, the procedures of tendering, buying up pits and this kind of thing is employed to insure that it's being bought on an economical basis.

MR. WILSON: I'm not looking for . . . I believe it was down in Texas where they had a soya bean scandal where they had huge storage tanks where you put in a yardstick and it showed that it was full, in the meantime it was empty, they just had put a cylinder down where they stuck the yardstick. I appreciate that all governments stockpile large mountains of gravel throughout the province, and I'm not looking for the little man that runs around with his half ton truck and grabs a couple of yards of it. I'm wondering, I think you've answered my question to a certain degree that you do not have the technical staff and it probably is an in-House matter for civil servants to look at, but I'm saying that at some point in time I would suggest that your department should have an idea of the gravel bank, how many of these mountains of gravel we have scattered where, maybe pinpointed on a map or something, and monitor them to see that they do exist. I just leave that with you.

MR. ZIPRICK: Mr. Chairman, this is exactly what we do. The department has a map or indications of where the gravel pits are and quantities involved. I have a field man on my staff that travels around and takes a look at these gravel pits, does rough measuring on a rough basis to determine that it's approximately within that range, and while he's doing that he also performs contract inspections where there are measuring requirements in the highways for contractors to provide certain quantities; he checks to see the kind of measuring procedures that are used and whether they're up to date and also on a payroll, people working and this kind of thing. So during the summer months particularly, a good portion of the time one staff member on my staff travels around and does these things.

MR. WILSON: Well, I'm very pleased to hear that, that governments don't work entirely on a complaint basis. I'm very encouraged by that. I think that's something that the public should be made aware of that we do have inspection proceedings and might be an area which we might look at hiring additional summer student people to assist in this monitoring program. That's the only question I had on page 20.

MR. HANUSCHAK: Yes Mr. Chairman, I note that on page 20 we're given some of the larger and more significant warrants. Okay, that's fine, it's not my desire to raise questions with respect to the minutest amounts that may be included. However, looking at Exhibit 7 - Attorney-General, on page 20, there's one item there for legal aid, \$351,000.00. However, the total amount issued by way of special warrants to the Attorney-General's department is over a million dollars, \$1,082,000, a difference of about \$730,000.00. So that raises the question in my mind, is the \$730,000 made up of some fairly large and sizeable item or just a sort of a potpourri of small items. If it's small items, under \$10,000, \$15,000, \$20,000, then of course I do not want to take up the committee's time.

And I also note, perhaps in answering that question, the Provincial Auditor could also look at the second last line on Exhibit 7, Tourism, Recreation and Cultural Affairs, practically a million dollars, \$933,000, and I would ask the same question whether that \$933,000 or any portion of it is made up of large, fairly significant items or, again, just a collection of small ones.

MR. CHAIRMAN: Mr. Ziprick.

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MR. ZIPRICK: Mr. Chairman, this would be a collection of small items because we've picked out all the bigger items. Now, in addition, there's detailed information in the Public Accounts 4-14 that shows every warrant that was passed . . .

MR. HANUSCHAK: Thank you, that answers my question.

MR. ZIPRICK: . . . so, if you take a look between the two, I think . . . now if we've made a mistake and omitted to take a look at a bigger one, if you draw it to my attention, we will.

MR. HANUSCHAK: Well, yes, I'm glad that Mr. Ziprick did make that comment because I sort of had the impression, just from looking at page 20 that about \$350,000 for some reason or another was the cut-off line, but I note under Tourism and Recreation one item for \$387,000.00. Well, that is the only one under Attorney-General, the others are - well, there are two or three of \$100,000 plus, and a couple following within that range under Tourism.

MR. ZIPRICK: I'm not sure, just . . . that it was around the \$300,000 mark that we employed the cut-off, but maybe in certain departments we lifted one or two items that are a little smaller. So, we'll take a look at it and at the next time, if there are any other items that we should comment on, we'll point that out.

MR. CHAIRMAN: Page 20--pass. Mr. Miller.

MR. MILLER: Mr. Chairman, on the Department of Northern Affairs, Renewable Resources, the forest fire unanticipated costs of \$1.2 million, was the major part of the forest fire efforts of Manitoba that year done on a contracting-out basis - the Minister may not have this information and if he hasn't I'd appreciate perhaps his getting it - because if I'm correct in recalling, I believe there was a change in Manitoba's method of fighting forest fires, that a great deal of it was done by the government itself by renting planes in advance or arranging for planes. But I believe that in 1978-79, that was changed and it was done on a contracting-out basis. So, firstly, am I right in that assumption?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, first of all, I think that forest fire fighting, it's pretty normal practice to put it in at a nominal \$1 million.

MR. MILLER: Yes, oh, yes.

MR. CRAIK: \$1 million.

MR. MILLER: I'm not questioning that.

MR. CRAIK: And every year there is this special warrant.

MR. MILLER: Yes, I'm not questioning it.

MR. CRAIK: One million doesn't sort of represent, I guess, an average year, but the problem is that it's such an unpredictable thing that it's put in at an arbitrary amount. I can't answer it in detail; the two Canso water bombers are contracted. I think that's historically been the case. There's now the CL-120 or whatever it is, the larger one that the government owns; and then there are some smaller Beaver, I think, that are equipped with pontoon connections for water bombing. And there are contracted other smaller aircraft, in the event of - well, there are other smaller aircraft contracted. I don't think that there's any significant change. Most of the cost is the manpower payments and what smaller aircraft that are contracted at the time of need.



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MR. MILLER: Well, I was curious to know whether, in fact, there was a change in the government's handling of forest fire and whether it was more contracting out than in the past, because we didn't have our own planes, I was wondering whether Mr. Ziprick had looked at this and whether there was any significant difference in costs between the way it was handled in previous inhouse versus the contracting out. Was there any significant difference in the handling of it and, therefore, in the costs?

MR. ZIPRICK: Mr. Chairman, yes, we can take a look at those particular figures from that point of view. Now more detail will show up when we get to the expenditures in the Public Accounts for that particular department. So we'll gather some information, but will not undertake to get involved in the explanations that the department . . .

MR. MILLER: As long as you supply the figures and the relationships, that's fine.

MR. CHAIRMAN: Are there no further questions on Page 20? 20--pass.

A MEMBER: Mr. Chairman, it's 12:30.

MR. CHAIRMAN: It's about time for our noon adjournment. Before we do, the Minister has a recommendation for the committee and a small handout to Mr. Craik.

MR. CRAIK: Mr. Chairman, I wanted to recommend to the committee that we examine the salary categories or limits which are included in Volume 2 of the Public Accounts. There hasn't been a change for some time, in fact, the last change was 1963, where it was decided that anyone over \$7,500 be included in the listing in the Public Accounts. We'd like to recommend to the committee that a limit be set at \$15,000.00. I've attached a table here that indicates what they're doing elsewhere; \$15,000 would put us in about the bottom end of the range, I guess. But if we had followed the sort of normal escalation in costs since '63, we would have been advocating a \$24,000 cut-off limit, but it cuts down somewhat the volume in accounts and there's a lot of clerical and other staff that's probably questionable, whether they should have to be included in the Public Accounts.

If you like, I can distribute it, you can look at it, and we can deal with it at the next sitting.

A MEMBER: Yes, fine.

MR. CHAIRMAN: It's 25 to 1, gentlemen, committee rise? Committee rise.