



**Legislative Assembly of Manitoba**

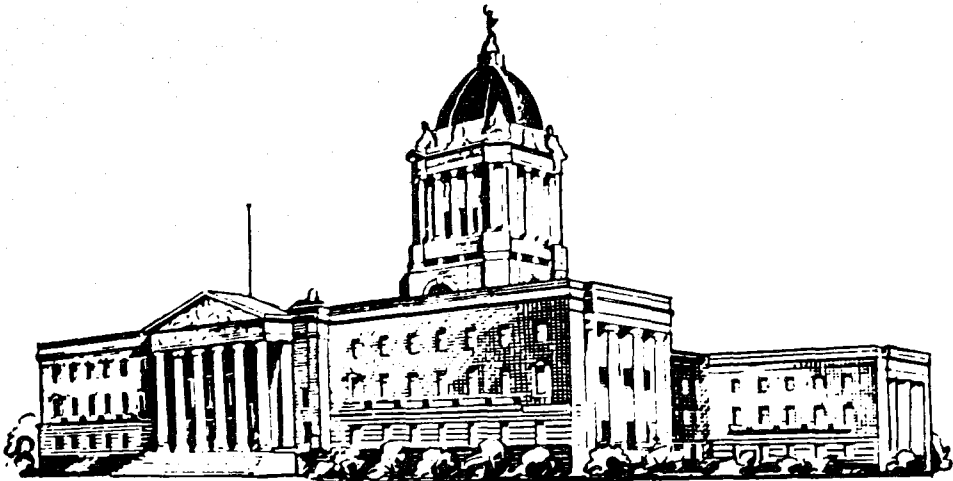
**PROCEEDINGS OF THE STANDING COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

Chairman

Mr. D. James Walding  
Constituency of St. Vital



**2:00 p.m. Tuesday, February 28, 1978**

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**Time: 2:00 p.m.**

**CHAIRMAN, Mr. D. James Walding (St. Vital)**

**MR. CHAIRMAN:** Order please. We have a quorum, gentlemen, the committee will come to order. When we adjourned at 12:30 we had reached Page 7 of the Auditor's Report. Page 7—pass; page 8—pass. Page 9. Mr. Cherniack.

**MR. CHERNIACK:** I'd like to know, this recommendation regarding the School Lands Fund whether the government has reacted to that and given any directions for change.

**MR. CRAIK:** Page 8, isn't it?

**MR. CHERNIACK:** Page 8. The last sentence under School Lands Fund. The suggestion is that the School Lands Fund should be eliminated, I guess, transferred to revenue.

**MR. CRAIK:** Well, Mr. Chairman, it's under consideration but there hasn't been any action taken on it at this date.

**MR. CHERNIACK:** Will we be informed in due course?

**MR. CRAIK:** It could well be. If it were done it would show up I presume in the next Auditor's Report.

**MR. CHERNIACK:** Then, Mr. Chairman, may I ask Mr. Ziprick if it's not done does he intend to repeat this next year?

**MR. ZIPRICK:** Yes.

**MR. CHAIRMAN:** Any further questions on Page 8? Page 8—pass. Page 9. Mr. Blake.

**MR. BLAKE:** Yes, it was along the lines of a general comment, Mr. Chairman, under Provision for Premiums on United States Funds whether the Minister or Mr. Curtis would just make some general comment further down: "The exchange rates prevailing at the date of the debt was incurred except for debt repayable in United States Dollars which is recorded as a dollar to dollar basis." I wonder if he could just maybe give us a brief generalization on the provision for premiums on United States funds as well as our other foreign borrowings.

**MR. CRAIK:** In overall terms, we're at the point now where it's turning the corner where the interest advantage on former borrowings in the U.S. in a similar situation if they were being done now would be as profitably or as equitably done if you could borrow in Canada. But the difficulty in presenting this information is that your current rates aren't necessarily — the average rates at which you are going to pay it off, the current rate can only be used if it remains the same, the exchange rate remains the same from now till the end of the various amortization periods. So therein lies the difficulty. The current rate only really gives you a snapshot picture of the total. It's the same concern I had, I think, the first day I was in office when the same thing was happening and I asked for a full report. In fact I think there was a public statement made on it at that time.

But we are in the position now with the devaluation of the Canadian dollar that we would at this point in time be as far ahead, if we could look back in hindsight we could say we would be as far ahead borrowing in Canada. The catch is that since the borrowings were made back over the years up until now we've gained roughly \$50 million and until that \$50 million is used up, is eaten up, you can still say that you were better off to have borrowed U.S. I think that's the only way you can really. . .

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** As of this morning, we're one-quarter of one cent ahead.

**MR. ZIPRICK:** I would like to just make an observation, this provision for premiums on United States dollars, it's to some degree a misnomer and I've had several people sort of asking me how do we arrive at that provision. Well it's really not arrived at, it's just the difference between the cash intake and the stating of the U.S. dollars at U.S. par on our balance sheet. And so it's no way an evaluation at this point in time that this is adequate to discharge our liabilities when they become due. So this year I am going to be suggesting that we change that name somewhat away from "provision" to something different so that the people don't misunderstand and feel that we've done some kind of an evaluation and at that point this would be adequate to look after the discharging of our liabilities when they become due because really that's not what it is.

**MR. MILLER:** But you're not going to know what they are ten years from now.

**MR. ZIPRICK:** No. But the impression some people get because it's designated as a provision for premiums that somehow we have sat down and assessed and made a provision, that that's going to take care of it. . .

**MR. CRAIK:** A reserve fund.

**MR. ZIPRICK:** A reserve fund that's going to take care of it and I always say, well, no, that's not that kind of a provision, this is just a mathematical difference at that point in time but it's not any kind of an assessment. So I am going to suggest that maybe we change that word "provision" to something else so it doesn't give the people the wrong impression that we've made some kind of an assessment.

**MR. BLAKE:** Yes, I think that's what I was looking for, Mr. Chairman, I wanted something in a general comment. I know that we're not going to overlook the Canadian market and I think our European borrowings at the time have probably been done with a good deal of research and they probably were the best deals that could have been made for the taxpayers but as I say I wouldn't want to see us overlook the Canadian market because there might be times when we have to lean on it and it might be nice to use it once in a while and make sure that it's there when we need it. But I just wanted some general comment on whether we had set up a reserve fund for United States premium and how we arrived at it. That answered the question.

**MR. CHAIRMAN:** Mr. Parasiuk.

**MR. PARASIUK:** Mr. Chairman, I think this question is appropriate since we're talking generally about interest rates. I would assume that the Department of Finance has done research regarding the average of Canadian dollar value to American dollar value over a period of time so that when you made these judgments or provided advice that in fact the loans should be made and repayable in U.S. dollars you weren't just doing so on whim or whimsy, that there was basically research, that it showed that this was to your advantage. I raise this because there was innuendo raised this morning that somehow there was some type of incompetence on the part of staff regarding borrowing in repayable U.S. funds. I would think it's on the basis of judgment, it's on the basis of research, experienced judgment, research done over a period of time and in that sense I think that it's hard to start trying to scapegoat people on a hindsight basis. Do you have any material that you might be able to table at some time regarding some of the research done regarding the long-term average of Canadian dollars to U.S. dollars?

**MR. CRAIK:** Yes, in fact we did put out one piece in October or November right after the new government took office and that might be for a start. But I don't think it's a matter of anybody trying to scapegoat. The problem is that you can do all the research in the world and your position basically is more vulnerable to future changes in the currency rates so you're really crystal-balling on these things. New Brunswick borrowed this week in the Swiss market at a little under 4 percent and no doubt we will probably do the same or somewhere around that range. Now what you're doing is trying to determine whether in the long run you can maintain a differential that keeps you thinking ten years from now that it was a good buy.

**MR. CHERNIACK:** Well, Mr. Chairman, I have a few comments to make, firstly on this very point. One of the reasons why we are in a speculative area is that you can't really project what the loss or gain might be on exchange rates, not only because you don't know what the market will be but you also don't know the extent to which you're going to roll over in the same funds and that may increase or decrease the benefits when you get a low interest rate like in the Swiss market. If you keep rolling over at 4 percent then the exchange rate is no factor until you have to convert back one way or the other. So that's just a comment.

Two other points. Firstly, Mr. Blake was saying something that he hopes that the Minister of Finance will not overlook the Canadian market. I am under the impression that at all times the Canadian market is looked at before any borrowing is done at any time and that the full extent of the Canadian market is explored and used at all times and has been for the last 30, 40 years, I don't know how long the province has been borrowing. So I think that we shouldn't leave the thought that it is possible that up to now there has been any neglect of the Canadian market nor would there ever be unless the interest rate is so much higher or moneys are not available.

The final point I'd like to make is to indicate that I never did quite understand and I admit I never did explore why it was that there was a differential shown for U.S. dollars compared with that of the other currencies. If we show the net of Swiss or units of account or whatever as a net Canadian, why do we bother to show the Canadian-U.S. dollar for dollar and then show that term — I forget the term now, the one Mr. Blake questioned — the provision for premium, why don't we just eliminate that and show it in Canadian dollars. Now we would have to go all the way back to I don't know when to do it properly because it would be wrong to do it now but henceforth we could do it.

**MR. ZIPRICK:** No, we could do it now, just add it back into the debt, this total amount into the . . .

**MR. CHERNIACK:** This total amount?

**MR. ZIPRICK:** Yes, this total amount into the debt and then all debt would be stated on the same basis.

**MR. CHERNIACK:** Yes, I wonder if Mr. Craik would not think about that in the future and it may be that that would take away what seems to be an anomaly, why show it in U.S. and not in the other accounts.

**MR. CRAIK:** Well it's one of the things that we likely will recommend that in subsequent years that the outstanding debt be transferred or converted to up-to-date dollars that will reflect more accurately the total debt. In other words it will be of the conversion factor. Anything you do is arbitrary. This reflects the day you borrowed debt. Now if you take the change in the currency values for all of these that are listed on this page here and they would all be different. You would have a real figure which was the day you borrowed, you'd have a more realistic figure if in fact you converted it to year-end March 31 dates or the day of the end of the accounts. That may well be worth looking at as a possibility. It would in fact give a truer picture of the debt although that may not be the debt that you are paying off at the end. But the chances are that that sort of debt reflection would be more accurate than stating it from the point at which you borrowed.

**MR. CHERNIACK:** Well, Mr. Chairman, I would strongly caution against that. Mr. Craik is just speculating but I would caution against that. That might be if you want to have the kind of a statement that reflects true assets, true liabilities in the expectation that there may be a liquidation or a sale or a bankruptcy and under those circumstances when you have a profit and loss statement you want to minimize your tax exposure, you might take advantage of this kind of device to eat up some profit. But when you are looking at a government and a province that will go on forever and which will pay its liabilities 20 years from now, 25 years from now and there's no problem concerning liquidation or bankruptcy or anything like that, then I think this constant updating should carry with it what we talked about earlier, a present value on all assets, all buildings, all roads, all highways. I think you are looking for a problem.

I think it is not improper to disclose as we do the public debt. We show the date of the debt. We show the due date of the maturity of the debt and if we showed the Canadian equivalent of the borrowing at the time of the debt, I think it takes care of the problem Mr. Blake raised but also does not invite other speculative problems. I'm sure that no other jurisdiction updates itself, I assume no other jurisdiction does what Mr. Craik thinks might be feasible. I'd caution him against that.

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

**MR. CRAIK:** I have to admit that we've talked about it and we're giving some very serious thought to it simply because neither one gives you necessarily the actual figure you're going to pay back.

**MR. MILLER:** But you don't know what it is.

**MR. CRAIK:** You don't know what it is. But what it is, the reasoning behind updating it would be that it's likely that the current figure if you take into account the difference in the currencies from the time you borrowed up till now is going to be closer to what you pay back than if you take it back to what it was. In other words the trends that have set in would appear not likely to be trends that are going to reverse themselves to the same extent as they move that direction, principally because the effects of the, you know, the international dollar flow as a result of the oil markets.

**MR. CHERNIACK:** Nevertheless in the last two years there's been a tremendous variation.

**MR. MILLER:** November 18, 1976 the Canadian dollar was \$1.03 as compared to the American dollar. That's not many months ago. You're going to end up . . . I shouldn't give you advice, but don't do it.

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

**MR. CHERNIACK:** Well, Mr. Chairman, I already gave advice to Mr. Ziprick.

**MR. ZIPRICK:** That's different from Mr. Miller.

**MR. CRAIK:** I'm indicating too that we've given some thought to it and it may well be that we come back to the committee with a recommendation or discuss it further with the Provincial Auditor as well.

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

**MR. ORCHARD:** In consideration of the public debt and the relationship between the U.S. dollar and the Canadian dollar is established at one dollar per one dollar, as stated here, the Swiss franc, the European units of account and the Japanese Yen, now when we borrow from those currency groups and we establish an interest rate, do we pay that interest rate whether it be 4 percent, 8 percent or whatever it is in their currency?

**MR. CRAIK:** Right.

**MR. ORCHARD:** So there's where the true implication of this dollar \$1.03 to 89cents that Mr. Miller brought up really catapults your public debted charges, your interest charges.

**MR. CHAIRMAN:** Mr. Parask.

**MR. PARASIUK:** I pass.

**MR. CHAIRMAN:** Mr. Einarson.

**MR. EINARSON:** Mr. Chairman, I just wanted to ask a question with regard to Hydro again, we're talking about the public debt. I'd like to ask Mr. Ziprick if the present division of the public debt into a direct and indirect, or the direct and guaranteed debt actually make any sense when on Page 235 of the Public Debt we have a figure of \$694 million which shows as a self-sustaining debt, and most of this is for Manitoba Hydro, while of our total debt prospectus 3.4 billion, I understand 2.5 of that is Hydro. Why cannot that whole figure be in here or should any of it be in here? We have about 487 million.

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

**MR. ZIPRICK:** Yes. It's a problem that the present split between the direct debt and the guaranteed debt is somewhat artificial and legally technical and doesn't really convey the picture because just like the point you're making there's about half a billion dollars in the direct debt of Hydro and then there's about a billion and a half or something like that of guaranteed debt.

Now really, there is no difference between the two other than one piece of paper is written with the Hydro on it and guaranteed by the province and the other one doesn't have the Hydro on it, but both borrowings are for the same purpose and looked after from the same revenue source, that user source.

Then you have on the guaranteed debt for schools there is approximately about 200 million that's borrowed from schools from the Canadian Pension Fund. That is, well I would say, 80, 85 percent or probably about 90 percent funded from the consolidated fund. So in effect it's more than just guaranteed, it's actually a debt that has to be carried from the consolidated fund. So to me a more logical split would be on the basis as to where are you going to service it from? And the Hydro debt, whether it's Hydro paper or issued by the province and made available for Hydro, if it was pooled together and shown would present a bigger picture.

I have run into the same problem that a lot of people think that the direct debt is a direct debt of the consolidated fund and even though there is this back part in here that says that some of it is self-sustaining, this is not what they think. So they think that the direct debt of one and a half . . .

**MR. EINARSON:** Public utility.

**MR. ZIPRICK:** . . . billion is all consolidated fund. Well, that's not the case because there's a half a billion for Hydro, there's a substantial amount for the telephones in the direct debt, then there's also in the guaranteed debt. And I agree that a better presentation would be to pool these things together as to what source are they being sustained from.

**MR. EINARSON:** Well, thank you, Mr. Ziprick, for your comments then, because the reason I asked that, too, partly is because we're talking about foreign currencies and the borrowing thereof because some of it is borrowed for the purpose of developing our Hydro program, that's why I asked that.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** Just following up on comments made. The European currency borrowings the interest is paid back in interest of the European currency and it was also indicated by both Messrs. Miller and Cherniack that the principal itself is repaid in the foreign currency whether it be Swiss franc, Japanese yen, when it comes due. Then am I misreading when it says, "Long term debt repayable in foreign currencies as stated in equivalent Canadian dollars calculated at exchange rates prevailing at the date the debt was incurred."

**MR. CHERNIACK:** That's right. Mr. Chairman.

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

**MR. CHERNIACK:** But, Mr. Chairman, if I may. Well, when you pay it back you pay it back as of the rates prevailing at the time you pay it back? You have to buy that currency at that time. It may cost you less or more than you originally got it.

**MR. ORCHARD:** So that, okay, what would the implication be then in the example of our \$1.03 in November 18, 1976, if we had borrowed those Swiss francs then the interest implication is pretty obvious for this past year where our dollar has dropped to 89 cents — if we had to pay that principal back at 89-cent dollars we'd be paying them back less dollars, or more dollars?

**MR. CHERNIACK:** More dollars.

**MR. ORCHARD:** A lot more dollars by about 14 percent.

**MR. CHERNIACK:** Yes.

**MR. MILLER:** It's been indicated we're still ahead of the game' over the long haul.

**MR. CHERNIACK:** Don't forget your interest rate.

**MR. ORCHARD:** Because we've borrowed at a lower interest rate from those people.

**MR. CHERNIACK:** Much lower.

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

**MR. CRAIK:** That in turn only applies also if the Canadian dollar has stayed the same as the American dollar because most of these are bought on the basis of the American dollar which if that ratio changes it compounds through to the Swiss franc.

**MR. MILLER:** You'd get a double shot in the ear.

**MR. CRAIK:** That's right. If they both move away from you, you get it twice.

**A MEMBER:** It's called a wax job.

**MR. CHAIRMAN:** Mr. Orchard, have you finished?

**MR. ORCHARD:** Well, I suppose I'll never be finished but I think I am.

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

**MR. CRAIK:** Well, the foreign purchases I think, both the Japanese and the Swiss which are the major ones, our major ones here, are bought in terms of your guarantee back to them as in terms of their relationship to the U.S. dollar and if you move away from the U.S. dollar and they in turn strengthen in relation to the U.S. dollar, then the two compound and you're caught twice.

**MR. ORCHARD:** Right.

**MR. CRAIK:** Now you've got those two things, that on those two issues that are both working.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** Then that can have . . .

**MR. CRAIK:** Your interest rate doesn't change in relation to what you are paying them in their dollars . . .

**MR. ORCHARD:** That 4 percent. . .

**MR. CRAIK:** . . . but the present interest rate back to you and the capital you pay back as well is changing.

**MR. ORCHARD:** I guess it has got pretty serious implications on how many dollars in revenue we

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have to raise every year when our dollar is at 89 cents and maybe dropping, like it vastly compounds the problem then, is what my original conception was and I assume that's right then.

**MR. CRAIK:** As you say foreign borrowing is a calculated risk and you just borrow at a spread that's great enough you think that protects you against what's going to happen in the future.

**MR. ORCHARD:** I hope you're right.

**MR. MILLER:** The Canadian dollar is dropping.

**MR. CHAIAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, Mr. Chairman, what Mr. Orchard raises is of course very important and I'll just give him another factor that he must bear in mind that he touched on.

We talked here about the exchange rate being beneficial or harmful depending on the international exchange rate market. You must always assess this in relation to the cost of borrowing and when you heard 4 percent that rate doesn't change, and if you are borrowing at 4 percent in Switzerland, then let's say 9 percent in the U.S. or 10 percent in Canada, you have to take the term of that borrowing and extend it if you roll over and consider the saving you'll have in the interest rate you're paying as between 4 percent on Swiss and say 10 percent in Canada, that's a saving in itself. So that's another factor you have to take into account, that is the time of repayment. Money is worth not only what it is worth today which it's going to be worth later, but your cost over that period of time. And if you have a low interest rate spent over a long period of time you may find a very substantial saving. I think that \$50 million Mr. Craik referred to is on the exchange alone, isn't it?

**MR. CRAIK:** Yes, it's the accumulation of savings to date in reserve.

**MR. CHERNIACK:** Of exchange.

**MR. CRAIK:** Plus the interest savings.

**MR. CHERNIACK:** Plus interest savings, so that that is a factor.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** Well, then in elementary arithmetic then, if we could use elementary arithmetic when we're talking reasons, if our interest is 4 percent and we could borrow on the Canadian market at 10 percent, we have a 6 percent spread, we've had a 14 percent drop in the dollar, so does that mean we would have had to borrow 14 percent better to be even?

**MR. CHERNIACK:** That arithmetic went away into the last statement, 14 percent.

**MR. MILLER:** A snapshot in time, yes, but we're not using the snapshot in time.

**MR. ORCHARD:** Okay, just so long as this 14 percent differential is only a temporary thing. If we pick back up where it stays, we're . . .

**MR. CHERNIACK:** Don't forget the 6 percent per annum is a lot more than 14 percent over so many years.

**MR. ORCHARD:** Yes, and as long as we don't stay at 14 percent ad infinitum.

**MR. CRAIK:** Right now if you really want to get to the bottom line on the American borrowings at least, if the American dollar went so that the Canadian dollar was less than that . . . was less than 80, something less than 80, in the 70s range, you would then be at the point where you would irrevocably conclude that you should not have borrowed American.

**MR. ORCHARD:** But you'd have to go to 78 to 80 cents. You would then be eating up your reserves, your accumulation savings in addition to the fact right now you're starting to shift that way, but you've got a \$50 million reserve, you can accumulate it from your original decision, but you have to eat into it, and if you get down into the 70s you then at that point know that you're going to lose what you've gained up to . . . date.

**MR. MILLER:** And the Swiss francs have to go down to the 50s.

**MR. CRAIK:** Anyway it might be best, Mr. Chairman, for Mr. Orchard to work out a typical example on the next foreign borrowing issue, we'll refer it to him first.

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**MR. CHAIRMAN:** Any further questions on Page 9? Page 9—pass; Page 10. Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I just want to clarify on Page 10 the statement, "The public debt is overstated by not reducing it by the sinking fund and securities held as investments," and therefore what Mr. Ziprick has done is to show that the public debt — that's the "X" sustaining, isn't it?

**MR. ZIPRICK:** The direct debt.

**MR. CHERNIACK:** The direct public debt really in his estimation should be \$13,015 million, not \$14,067 million. That's correct?

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

**MR. CHERNIACK:** Would you also reduce that in terms of others of your recommendations by the 17 million that came up earlier as a reserve? Did you reduce that or would you do that further?

**MR. ZIPRICK:** No that 17 million is an increase in the bank overdraft not in the borrowing.

**MR. CHERNIACK:** So it wouldn't show here.

**MR. ZIPRICK:** So I would reduce the bank overdraft by . . .

**MR. CHERNIACK:** But not the long term debt.

**MR. ZIPRICK:** Not the long term.

**MR. CHERNIACK:** What about the 3.4 million of the School Lands Fund? Would that reduce there?

**MR. ZIPRICK:** Well no, the 3.4 of School Lands Fund is also shown unallocated cash. You've increased the current account bank overdraft and put three million as unallocated cash, it's an asset. So I just close that out and have a reduced bank overdraft.

**MR. CHERNIACK:** Just for clarification, Mr. Chairman. The bank overdraft as it is shown here is gross not net, is that right? We didn't actually owe the bank that money at that time did we?

**MR. ZIPRICK:** No.

**MR. CHERNIACK:** I think it was Mr. Wilson who earlier used a figure, a very large figure for bank overdraft. What was actually owing to the bank at that time, do you know that? How much did we actually owe the bank on the date when . . . in your statement there is a bank overdraft of many million dollars? Do you see what I mean?

**MR. ZIPRICK:** I think probably we have to go back to page eight to get a better view of that situation where the net working capital position is reflected and there you take the term deposits, the short term investments, then you take the current payables and then, of course, you get the trust funds and it gives you a picture of a working capital reduction of 53.6.

**MR. CHERNIACK:** So, Mr. Chairman, I am asking Mr. Ziprick and maybe the Finance Department should enter it, on this statement it says as of March 31, 1977 bank overdraft 136.3 million. How much did we actually owe to the bank on that date, in actual dollars owing to the bank?

**MR. ZIPRICK:** I guess other than the 17 plus the unallocated school cash about 20 million. The rest of it was in overdraft.

**MR. CHERNIACK:** Actually owing to the bank.

**MR. CHAIRMAN:** Mr. Curtis indicates he can answer that.

**MR. CURTIS:** Well can I just make this point. We very seldom actually carry a physical overdraft to the bank. All of our accounts are lumped together in the bank. At the year end I am not sure whether we had a physical overdraft, if it was it was quite small. The bulk of the amount that you see here is either accounts payable or outstanding cheques that were issued between the period March 31st of the year end to April 20th when our books are closed. So you have a fairly long period of cheques being issued.

**MR. CHERNIACK:** Right, and we take advantage of the float instead of giving it to the bank.



**MR. CURTIS:** We very very seldom have an actual physical overdraft.

**MR. CHERNIACK:** I wanted to clarify that so that no one would think that there is actually interest being paid to the bank on an overdraft figure such as may be shown here.

**MR. CHAIRMAN:** Any further questions on page ten? Mr. Wilson.

**MR. WILSON:** I just wanted by way of explanation . . . It said a net increase of 191.2 million on this trust account. Is this the section, Mr. Ziprick, that I refer to as the government hoarding the moneys? By that I mean in Manitoba Lotteries Commission it says 1.5 million. Does that mean to say that we have on hand a million and a half dollars as of March 31st in a trust account somewhere that we hopefully will give out some day?

**MR. ZIPRICK:** That's right, for the Lotteries Commission.

**MR. CRAIK:** Not hopefully give out, will give out.

**MR. WILSON:** Well under the past administration we never seemed to get them to give it out. I wonder by way of explanation if he could explain to me what it means by the public trustee as 2.5 million. Could you give me an example of that?

**MR. ZIPRICK:** The public trustee is for the mentally incompetent. The official trustee is looking after the

**MR. WILSON:** It doesn't seem to vary from year to year. Going back to 1975-76 it was 2.2 million, it seems to stay at a constant level. Is there any reason for this?

**MR. ZIPRICK:** Well generally they've got some in their sort of current account whereby they use for repaying or paying when people leave from administration and the amount that's placed here is more the excess funds and those don't vary that much.

**MR. WILSON:** Yes, could you give me, Mr. Ziprick . . . You've got 1.5 million, how long would you estimate that that million and a half dollars would sit in the trust account for the lotteries? I mean if people in Manitoba and elsewhere are buying lottery tickets for the year 1975-76 and there's that money sitting there, at what point in time . . . Is this being rolled over fairly constant or is it. . . Why such a large reserve?

**MR. ZIPRICK:** I guess it's being rolled over reasonably constant. The procedure is that the people apply to, I think it's the Department of Tourism requesting for contributions and this is processed through the department and then through the government and when it is determined that a grant will be made an Order in Council is issued and that's when it first becomes public that a grant is being made. Once an Order in Council is issued then the money is disbursed on the basis of the Order in Council. Now the inner workings of getting that money across, who is going to get it and all that, we don't get involved in that.

**MR. WILSON:** I notice the lack in your report of dealing with this. I wondered is this money from Corporations A, B and C? Is it from all the three corporations that are . . . You don't seem to make any comment of the fact that three ministers seem to be handling the Lotteries Fund, like the licensing comes under the Attorney-General, Tourism seems to give out money and the Minister of Health seems to give out money. You don't seem to comment on the fact that there's three corporations and there seems to be three different ministers handling this. I wondered has your office ever looked at the lotteries to see that they are being run in a manner satisfactory to you.

**MR. ZIPRICK:** The money for this lottery is the government-run lottery. It was previously run by the Manitoba Lotteries Commission, now it is by agreement run for the western provinces. The proceeds from these lotteries are put in a trust account. There's an Act that specifies that all the proceeds from this provincially-run lottery is to go into this trust account to be used for these specific purposes, cultural, sports and other activities. The use of them is by approval of the Lieutenant-Governor in Council.

Now as to the pressure groups who are making representations to the government and to the various ministers and how it gets to the Order in Council stage is really no particular concern of ours. We become concerned that the money is spent or granted for the purpose that the legislation says it must be granted and it's approved by Order in Council. When that situation is there then the money is paid out to that particular organization.

So it doesn't concern us as to how many ministers can be involved or can be approached. All this money is placed in trust, it's sitting in one account and it cannot be taken out of there except for the purposes specified by legislation. Now the representations and determination and that as to who is

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going to get it before it is actually approved, that's between the citizens and the government and whoever else is concerned in that process.

**MR. WILSON:** But, Mr. Ziprick, in your past Auditor's Reports you have alluded to the fact the accountability seemed a little lax and that you wanted to at some point in time be able to say the money was spent for the purpose of which we originally made the grant. There seemed to be some accountability problems in some of your past reports pertaining to money given to these autonomous groups.

**MR. ZIPRICK:** Oh now we're getting into a different area. You see once the grant is made to the organization then there is a financial statement generally requested, an audited financial statement, to say the money was spent by the organization. Now what concerns me is this money together with any other money that's by way of a grant, that it is not subject to the same kind of audit that the public money in the public sector here is subjected to. It's a question of should it be or shouldn't it be and that gets into a different area of accountability. And yes, these grants made to various organizations would fall into the same kind of accountability concern that I point out under that accountability for grants. But mind you it is a very small portion of what this other really is.

**MR. WILSON:** What I am trying to get at. . . You don't seem to feel that it is any concern of yours yet I am concerned about the fact that we have say three or four, or five, organizations all with offices, desks, chairs, secretaries, everything, all with expense accounts and everything else, and you say that the government isn't concerned. And yet on the other hand we seem to be concerned about making sure all the money that is generated comes into the trust account. Are you not concerned, your particular area about accountability, for expense accounts in marketing the lottery tickets?

**MR. ZIPRICK:** I think the marketing of these provincial lottery tickets, they are not marketed as part of the Manitoba Lotteries or the Western Canada Lotteries Commission or if they are marketed, whichever are, they are paid a fixed commission and whatever that commission is that is what they get and naturally we are not going to go and start checking as to what they do with their commission, that's a commission that's been established that they are entitled to and they get.

Now you are maybe thinking of another organization and that's the Manitoba Lotteries Licensing Board that licenses agencies to carry on lotteries on their own. That is completely outside the government other than the policing part. But the Manitoba Lotteries Commission and its agreement with the Western Lotteries Foundation — I think that is its official title — the tickets are sold at a designated price and if an agency is selling, whatever commission they are entitled to that's their commission.

Now we ensure whatever net money that is supposed to be turned over is being turned over and then comes into this fund. The Western Lotteries Commission we don't audit, there is a private firm that does the audit of the Western Lotteries Foundation. The Western Lotteries Foundation turns the money over to the Commission. So now our operation with the Manitoba Lotteries Commission is relatively small. It used to be large when the Lotteries Commission ran their own show but once it was transferred over to the Foundation the accountability for tickets and everything else falls under the Foundation and it is the Foundation that is accountable.

Now we're concerned there again. We look at the financial statements that are submitted to the Manitoba Lotteries Commission on the Western Foundation but we don't go and audit their expense accounts, no.

**MR. WILSON:** This is the thing that concerns me, that you seem to be under an illusion that there is a set commission. Rumour or innuendo or whatever has it says that those commissions vary anywhere from 87 cents to 85 cents, to 80 cents, to 90 cents or whatever. And also articles appear in the paper where there's these particular groups being run — one the Tribune reported, Dynamic Distributors — and they are all being run and people are siphoning off money and yet the general public feels that these are government lotteries. I think that the Auditor's Department should some how or other have a window into these expenditures and my concern about having it under all these different ministers and the very fact that the Licensing Board and the Manitoba Lotteries Commission are two separate deals, all with expense accounts, all with different appointments, political or otherwise, who are all supposed to be performing an autonomous situation, yet they are linked to the government whether we like to admit it or not.

So that was basically my concern, that the Auditor's Department should be monitoring the expenses incurred by these people handling the tickets that the public thinks are being handled on behalf of the taxpayers i.e. the government. They show up as \$1.5 million — thank goodness on the plus side of the ledger — but they show up in here as money being held. I'm asking, is there any consideration to looking at their financial statement.

**MR. ZIPRICK:** As far as the question you raised that was reported in the Tribune and the point you raised and you've raised it with me before, yes we're taking a look at that to see what the difficulties seem to be in there. I was really not aware that there was different kinds of rates. There well may be but we'll find out about that.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** I have a question on Trust and Special Division. The Manitoba Development Corporation as at March 31, 1977, had \$7.8 million on deposit with the Minister?

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

**MR. ORCHARD:** An increase of 2.4. Can you indicate where the increase came from? Was it retirement or payments from Corporation-funded companies?

**MR. ZIPRICK:** Most of the government agencies use the province as a banking system for the larger amounts. Generally speaking they only have in their bank accounts the immediate working capital or working cash. The money that is not immediately required, they use the Province of Manitoba as a banking system. So it could be from any source. In other words they could have got a fairly large repayment on an account and it was put in there to bank with the province because they get a higher rate of return by placing the money with the province. These are really equivalent to a banking account so the money could go up or down depending on their cash needs or their cash position at that point.

**MR. ORCHARD:** Would it be an unreasonable request to find out what the \$2.4 million was and where it came from?

**MR. ZIPRICK:** It wouldn't be difficult to determine as to why the Manitoba Development Corporation at March, 1977, was in a better cash position, it's just a matter of looking at their statements.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Just a brief question, Mr. Chairman, to Mr. Ziprick. Dealing with the Western Lotteries Foundation, is the Western Lotteries Foundation required to have an audited statement at the end of the year?

**MR. ZIPRICK:** To the Commission.

**MR. MINAKER:** To the Manitoba Lotteries Commission. So there is an audited statement that does travel from the Western Lotteries to the Commission?

**MR. ZIPRICK:** Yes, and we examine that. It's part of the accountability system.

**MR. MINAKER:** And every other province would do the same?

**MR. ZIPRICK:** Yes.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** I wondered — if particular 10 and 11 are linked. I wonder if Mr. Ziprick could answer me: Manitoba Lotteries Commission re Cultural and Recreational Development, would I be adding that \$1.9 million and the \$1.5 million to equal \$3.4 million as to the amount of money the trust account is holding for lotteries? On Page 11. It says, "Trust Accounts cont'd."

**MR. ZIPRICK:** Where did you see the other one?

**MR. WILSON:** Under the Mining Community Reserve. What I'm trying to get at is, would I add 1.9 and 1.5 from the previous page?

**MR. ZIPRICK:** Yes, they work on the same basis as all other agencies. The \$1.5 million on the previous page — as they collect the money and they're not sure as to their finalized position they put it in here equivalent to a bank account and when it's finalized it will be transferred over to this disbursement account. There is no money paid from this account except if they need something for operating expenses to finalize it. Once it's been finalized it's transferred from that account to this account. Now basically yes, by adding the 1.5 to the 1.9 is 2.4 provided whatever they may take off the 1.5 for their immediate use.

**MR. WILSON:** I didn't want to lose a million dollars, it's 3.4. The point that I wanted to make was on March 31, 1977, the Minister of Health, Mr. Desjardins, was hoarding \$3.4 million of lotteries moneys which to a large . . .

**MR. CHERNIACK:** An absolutely false statement.

**MR. WILSON:** Well when were they going to be paid out?

**MR. CHERNIACK:** The Minister of Health didn't have it at all, the Minister of Finance had it.

**MR. WILSON:** All right, well that's the former Premier. Maybe the new Minister of Finance could sort of reduce that \$3 million down and get it out to where it belongs.

I did want to raise because Mr. Cherniack — and again I didn't want to attack his fraternity — the Law Society has \$1.4 million here, an increase of almost a half million dollars over the previous year. I wondered if someone could explain the sudden rise in what I consider seems to be an acceptance of the program, to pay these moneys into a particular trust account. I wondered if the Auditor has any comment as to who — does the Society police themselves to make sure that the lawyers pay this money into the Consolidated Fund or do you have a look at it as well.

**MR. ZIPRICK:** No, the Law Society does the policing.

**MR. WILSON:** I wonder why then we would be dangling this carrot or holding a tag day for the members of the Society because I note with interest in the Public Accounts of the previous year there was a \$338,000 grant given to them and last year there was a \$251,000 grant given to the Law Society. What I mean is do the lawyers pay all the money to the government here and then the government for being such honourable citizens to give them this trust interest then give them a carrot or donation or something by means of a grant. It bothers me that no other society, the chartered accountants or the teachers, seem to be getting this size of a grant.

**MR. MINAKER:** What about the engineers?

**MR. WILSON:** And the engineers.

**MR. ZIPRICK:** But that grant is not to the Law Society, I think that grant is to the Legal Aid which is to look after . . .

**MR. WILSON:** Maybe there is a misprint here because on Page 198 of Public Accounts it lists it as the Law Society of Manitoba, \$250,695.00.

**MR. MINAKER:** Because the disbursements for Legal Aid go through there I would imagine.

**MR. WILSON:** Okay. Then the former government has to answer this question. They held themselves out as the champions of Legal Aid saying they were doing all these favours for these people on low incomes, yet if they got \$1.4 million from the lawyers and they got \$750,000 from the Federal Government you were really giving out somebody else's money. So really you in fact didn't pay for Legal Aid.

**MR. CHERNIACK:** That's nonsense too.

**MR. WILSON:** Is it? Well if the lawyers were paying for Legal Aid as per your statement and the Federal Government gives you \$750,000 then how can you tell the people of Manitoba that you're paying for Legal Aid?

**MR. MILLER:** It costs more than that.

Mr. Chairman, firstly on the 1.5, 1.9, the Minister can correct me, the 1.5 is an amount as of a given day which is being held in trust and being invested by the Department of Finance. The 1.9 is commitments which are known and established but where the money has not yet been paid out because perhaps the organization receiving it hasn't met certain requirements, certain conditions that they have to meet before they'll get the money. So the 1.9 is earmarked for organization X once they have met their part of the bargain. In the case of say an arena or some other thing that is being built, or has to be built and the community is putting up a certain amount of the money.

**MR. BLAKE:** Like 75 percent of the cost.

**MR. MILLER:** So the 1.9 represents a number of grants being made but they would be conditional upon the recipient doing certain things and so it's being held in trust until those conditions are met and then it's paid out because it's already earmarked for that. So to suggest that the government has been somehow sitting on 1.5 and 1.9, lumping it all together, is I think incorrect. If I'm wrong I'd like to know that. I don't think so.

With regard to the Law Society Solicitors trust funds I believe that money is the amount of money that comes in to the Department of Finance, then through arrangements with the Law Society to help support the Legal Aid system. That I think was done about four years ago and some of that money

certainly goes to pay for Legal Aid but doesn't cover the full cost of Legal Aid.

**MR. ZIPRICK:** Part of it is for the education as well.

**MR. CHAIRMAN:** Mr. Blake.

**MR. BLAKE:** I just was going to make a comment. I don't know whether it was here or not. The Provincial Auditor added the 1.9 and 1.5 and got 2.4 a minute ago instead of 3.4. I realize there probably was an error in his arithmetic but it seemed to me there was a million dollar payment of lotteries that got into MDC. Is this the area where it happened or is that going to come up later in the Lotteries statement . . .

**MR. ZIPRICK:** There is an error in Public Accounts.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** The reason that I bring this up is again I think I'm here to examine what the former government spent and things that they told the public which may or may not have been slightly coloured to present a certain picture. On the same page that I alluded to, 198, Legal Aid Services received \$2.161 million and the moneys received from the lawyers' trust account and the \$750,000 grant from the Federal Government come to \$2.15 million, so there is a difference of approximately \$11,592.00. I guess the former Minister of Finance, Mr. Miller, is correct when he says Legal Aid cost more than came in on the ledger, but to hold themselves out to be the champions of Legal Aid and really they were paying for it in large part with moneys they had received from other sources.

I did want to comment that it seems very strange, the sudden meteoric rise in these interest rates because interest rates have dropped some, I remember a few years ago they were quite high. It seems that this interest rate on lawyers' trust account is going up by 50 percent a year or something along those lines and at the same time the Law Society continues to enjoy part of this money being given back. I just wondered why this particular agreement had been entered into and is there a copy of this agreement somewhere where a particular member could look at, because as my colleague from St. James pointed out, the engineers don't enjoy such a favourable position as well as chartered accountants and other societies and memberships in the province. I get the feeling that it's really just a carrot to insure that the Law Society indeed collects the interest from these trust accounts.

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

**MR. CHERNIACK:** Mr. Chairman, I would not presume to take upon myself the burden of educating and correcting Mr. Wilson every time he distorts the facts, knowing they are otherwise, but I believe he should be aware that there is a requirement that lawyers "shall" deposit trust moneys in interest-bearing accounts and "shall" turn the money over to a central authority which redistributes it, so that the lawyers themselves do not get the benefit from the use of these trust funds. I would ask the Minister of Finance if he could clarify this amount that Mr. Wilson refers to of \$250,000-odd to the Law Society, as none of which I believe goes to Legal Aid. Now the Minister I believe can ascertain quickly the nature of this expenditure.

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

**MR. CURTIS:** It's all education expense, books and so on, that are paid out. We can get a breakdown if you really want to have the specific detail of it.

**MR. CRAIK:** Perhaps we should do that. It appears that the amount in question, two hundred and some thousand, that went to the Law Society is to the Legal Education Fund or whatever it's called. But we can get you a breakdown.

**MR. CHAIRMAN:** Can we have just one member at a time please. Mr. Cherniack. .

**MR. CHERNIACK:** Well I think again for the benefit of those people who might believe some of Mr. Wilson's statement it would be helpful if we could ask for a statement of the moneys received for Legal Aid and the disbursement because this statement of account does not show it as one sum. It shows income revenue in one place some \$400,000 and it shows disbursements in some other amount and since it's one program — I know we could wait for Estimates to get that and we certainly would then, to get it both for last year and for the current year, but I think it would be helpful to Mr. Wilson who wants to know the truth to have the information a little earlier. Would that be a reasonable request, Mr. Chairman?

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

**MR. CRAIK:** I think so. I think first of all if there is a breakdown to be achieved we'd better get the full details of it and as far as the rationale behind it is concerned there's going to have to be some further explanation of it. I don't recall why it was set up in the first place in that way but presumably it's still in existence and perhaps Mr. Cherniack can even recall if it was part of the legislation at the time that the legislation was put in to collect these moneys that the majority of it was to fund Legal Aid and presumably a proportion went to Legal Education.

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

**MR. CRAIK:** It's probably statute regulation. But as far as the amounts are concerned we can get you that breakdown. That's our job here, not to determine why the law is that way. If you want to look into that further we can look into it at another occasion.<sup>3</sup>

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

**MR. MILLER:** As I recall, Mr. Chairman, when the Law Society was approached with regard to contributing to Legal Aid through the interest rates that they accumulate an arrangement was made, after negotiation, whereby a certain amount — in this case \$200,000-odd — would be paid for education purposes. This was an arrangement and agreement arrived at in order for the government to be able to get these considerable moneys towards Legal Aid. So it was just simply a matter of negotiation I believe and arriving at a figure. Whether that's a percentage or it's a flat amount per year I'm not sure but I do recall there was some understanding that the Law Society would make these moneys available for Legal Aid and in return certain moneys would be going into the educational fund for the Law Society because they run special programs which require funding.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** Well again, the point that I want to make, the former Minister of Finance has said that the government in their wisdom made a deal with the Law Society. Despite the fact that it said they shall pay the interest moneys I believe it was April 1st, 1972, they shall do this and they shall do that, somehow or other they charged a fee for that and that fee seems to reflect itself in the Public Accounts as \$250,695.00.

It was also suggested to me that one of the reasons to curtail, by the former government, the opposition to Legal Aid was that there was this carrot dangled with them to make sure that part of the money collected from this fund to support Legal Aid — now if this fund is indeed to support Legal Aid, which I have no quarrel with, then why is part of the action given back to the Law Society for doing something they're supposed to legally do because it's written up as "shall" turn the money over. It seems to me that the Consumers' Bureau and the credit industry has an obligation that all trust moneys collected and not paid out are turned over to the Consolidated Fund of the government and I don't believe anybody in the credit industry receives a particular slice of the action to turn this money over to the particular trust account or the Consolidated Fund. So it's with interest that I will wait to see how this \$250,000 is being expended and I might make the observation that it's nice to see that we're having this tag day or bursary for all these hard-to-do people that are going through and becoming lawyers.

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

**MR. CRAIK:** Just for information of the committee. The proportioning is at the discretion of the Lieutenant-governor in Council of the total moneys collected to be split between the Legal Aid

Services Society of Manitoba, educational programs of the Law Society and costs incurred by the Law Society of Manitoba in the administration and enforcement. So that the \$200,000-odd that's in question is the part that would go for purposes of the education programs plus the amounts incurred by the Law Society in the administration of . . .

**MR. WILSON:** In other words we're paying for those offices over at Lakeview Square that the Law Society occupies. It's the expense of running the Law Society that we're helping to pay for.

**MR. CRAIK:** That's not what this says. This says that it's incurred by the Law Society in the administration of this section.

**MR. WILSON:** Oh I see, I see.

**MR. CHAIRMAN:** Mr. Parasiuk.

**MR. PARASIUUK:** Mr. Chairman, I have a hard time understanding the point of Mr. Wilson's questioning. I notice that he said — the implication was that Mr. Minaker was pursuing the same line of argument in saying that the Engineering Society doesn't receive any funds. Is that so? Do you see the point of Mr. Wilson's argument and do you go along with it?

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I guess I'd better clarify the ad lib comment I made to my colleague, Mr. Wilson, a few minutes back when he recited that there was no tag days for — I think he mentioned doctors or teachers or something — and I just said don't forget the engineers. I was referring to the tag days.

**MR. CHAIRMAN:** Any further questions on Page 10? 10—passed, Page 11—passed, Page 12 - Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I wonder if Mr. Ziprick could advise, with regard to Manitoba Housing and Renewal Corporation indebtedness are you just drawing that to our attention or are you making a point that you feel this should be included somewhere shown as a debt.

**MR. ZIPRICK:** It's noted in the Public Accounts this year, I think, as a note. In the present context there does not seem to be a basis for recording it as a debt because this is not guaranteed by the province. CMHC doesn't require a guarantee. This money is made available by CMHC; there are mortgages registered against these particular properties. Now we note that there's that much obligation, that where the province really comes in is that they have to pick up half the deficiency that arises from running the subsidized housing plus carrying the interest for this. So it's really a matter of information that this is the amount that there is a form of subsidy on.

**MR. MINAKER:** So you're not making any recommendation at this point in time but just to the fact that there is an oddity here.

**MR. ZIPRICK:** No, it's just information only and it's now also indicated in the Public Accounts. We are looking at it further as to whether it should be highlighted even more. I don't know just what the conclusion will be.

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

**MR. MILLER:** Mr. Chairman, isn't this the same paragraph that was in last year's Public Accounts?

**MR. ZIPRICK:** It's the same with the amounts updated.

**MR. MILLER:** The amounts are different but the same statement was made last year.

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

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** Well if you've finished with Page 12, I wanted to speak on 13.

**MR. CHAIRMAN:** We haven't yet. Mr. Cherniack.

**MR. CHERNIACK:** Just to Mr. Ziprick. Any consideration he gives to further indicating this indebtedness surely ought to carry with it a recognition of the asset. He said just now that it's mortgaged through the CMHC. So even in this statement itself there is no statement made that the debt to the CMHC is backed by a real property mortgage on the property which one would hope is worth at least as much as what's owing to CMHC.

**MR. ZIPRICK:** I don't think under any circumstances it should be shown as a debt as such because it's not a direct debt to the public anyway. CMHC is another government agency so it's an internal situation. The big thing is to recognize that there is an annual provision that Canada and Manitoba must meet to service in addition this debt and its instalment repayments any deficiency in operations that may arise.

**MR. CHERNIACK:** That's not my point, Mr. Chairman. My point is that in all clarification or clarity it seems to me that this paragraph ought to — well this first sentence ought to have incorporated with it a statement to the effect that this indebtedness to CMHC is secured by real property mortgage. I think it should have been in there.

**MR. ZIPRICK:** I don't disagree, I'll make a note that we'll add that. It's a good point.

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

**MR. MILLER:** Mr. Chairman, as well, dealing with MHRC, it's true the province does participate in

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the subsidy for possible recovery of the mortgage but also the Federal Government is paying 50 percent towards the retirement of that mortgage, is it not? And yet the full asset will be owned by the people of Manitoba when that mortgage is paid off. Therefore the Federal Government is also helping to pay that mortgage as part of their 50 percent subsidy, are they not?

**MR. ZIPRICK:** It's shared 50 percent.

**MR. MILLER:** That's right. So that the asset when it is finally realized will be totally owned by Manitoba even though the interest and the subsidy is shared by Ottawa.

**MR. PARASIUK:** There is one other aspect here. I think about two-thirds of the rent is paid by the tenants on average and the shortfall between full recovery rental and say 25 percent of income is picked up 50-50 by the provincial and federal governments. There's some type of assumption that somehow government is paying the entire rent and it's not.

**MR. ZIPRICK:** No, that's true. This is housing that the rent is established by way of a means test and so the rent that's charged depends on the individual's income and getting as much as is realized from the rent, then Canada and Manitoba share the deficiency only.

**MR. PARASIUK:** This is amortized over what, 20 years is it? Is it 25 or 50. . . ?

**MR. ZIPRICK:** No, I think it's more like 40 years — 40 or 50 years.

**MR. WILSON:** Well I wasn't going to speak on this until we got to housing authority on Page 31 but it seems to me that if the shortfall from the subsidized housing which is based on an alleged means test determines the rent and there is a shortfall which is split 50-50 with the federal and provincial governments, I've made inquiries with MHRC — and I maybe should be asking Mr. Ziprick this — it seems to me that a lot of these people who are living in subsidized housing have the gall to not even pay their rent on the subsidized portion and apparently the amount of collections by the housing authorities of the rent is falling to an extent where, I believe on Page 31 Mr. Ziprick alludes to a weakness in internal administration. I am wondering if he could comment as to whether that means that the housing authorities are having a reasonably poor or alarming or just somewhat above average non-payments of rents by the occupants of this subsidized housing.

**MR. ZIPRICK:** I think about a year ago there was difficulties in following up some of these rent arrears and now the system as I understand has been improved and working reasonably satisfactorily. It will vary from area to area but in some areas the collection is very good, in other areas it's not as good. They are now pursuing a fairly vigorous collection policy in trying to get as much as possible but there are situations where it just would not pay to pursue and even through court cases you just get a bad debt that you could not recover.

So I think that generally speaking now we are satisfied with the kind of approach and policing that the Manitoba Housing and Renewal Corporation are following in this area, but there are bad debts. Now as far as the particulars of the bad debts, we don't have the information here, that would have to be compiled from some other source.

**MR. WILSON:** Then could Mr. Ziprick allude to the fact, could we find out or is it the policy that people who are constant non-payers of rent are asked to leave the public housing complex or are they allowed to stay on? Maybe one of the members opposite could comment on that. I see Mr. Parasiuk. . . But it does concern me. I've asked the current Minister to supply me with these figures and I am pleased to see the obvious weakness in the housing authority has at least improved itself.

**MR. EINARSON:** Well, Mr. Chairman, in light of some of the questions Mr. Wilson asked, I'm just wondering if Mr. Ziprick could tell us of all the property that MHRC has bought over the years, how much of it has never been used to build homes on. Has he any idea about that? Does that reflect in this figure at all, of the \$155.3 million, money that's been actually paid out for property and has never been utilized?

**MR. ZIPRICK:** No, the item we're dealing with on this page deals with money from CMHC. Now the CMHC does not provide money for property until it's ready for development, so whatever property . . .

**MR. MILLER:** Land banking . . .

**MR. ZIPRICK:** I guess to the extent that land banking is in there, this would also be covered but I know know how much vacant property there is.

**MR. EINARSON:** That answered my question, okay.



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**MR. PARASIUK:** Mr. Chairman, I would like to comment in response to Mr. Wilson's comment. I think we should know that . . . you know, I am doing this because I don't want the bailiff instinct to get the best of all of us — but 50 percent of those people in public housing are in elderly persons' housing and I don't know if they have the gall as such when some of them aren't meeting their payments but is it Mr. Wilson's suggestion that any elderly person not being prompt with his rent should be thrown out?

**MR. CHAIRMAN:** Any further questions on Page 12? Page 12—pass. Page 13. Mr. Wilson.

**MR. WILSON:** Well again Page 13, I have an item under education here where it says that a lot of these subsidies depend on funding from appropriations from the Consolidated Fund. I notice the Universities Grants Commission has increased by almost \$8 million and one of the concerns that I have, again turning to Page 45, is that the budget has seemed to jump from \$165 million to \$182 million. I made an inquiry and it seems that Alberta doubled their enrolment fees for foreign students and yet the enrolment didn't drop and I wondered if we could possibly look at a user fee which would help to stem some of this particular obvious increase in the cost. So again I will leave it to Estimates but I wanted to make that observation. It seems that it's costing us more money every year for education and I think there should be some look at tuitions for out-of-province people.

**MR. BLAKE:** Page 13, Mr. Chairman. It was your remarks about the Financial Administration Act not permitting contracting indebtedness for the purpose of extending beyond the legislative term and down near the bottom of the page in particular Highways contracts. I wonder maybe if you could generalize on this and indicate if there are instances where there's been a problem with contracts being let before the money was voted and the money being voted not sufficient to cover it. Are there any particular instances?

**MR. ZIPRICK:** No, there is no problem, it just shows how unconcerned the contractors are. They will go into a contract with a provision that says if the money isn't voted by the Legislature they just don't get paid, so obviously they must have a lot of confidence in the Legislature voting the money.

**MR. CHERNIACK:** Well they have up to now.

**MR. ZIPRICK:** So from that point of view it's been no particular problem. I think where the problem lies is that in reading the Financial Administration Act one would get the impression that the Legislature wants to have some control as to the liabilities or commitments undertaken in a practical operating way. I'm just wondering by using this approach as to whether that really lives up to the spirit of that legislation and we would much prefer to see the legislation modified to give some, within limits, operating scope to the government to make it possible without using this kind of a system.

**MR. BLAKE:** You mentioned that it wasn't considered a satisfactory arrangement. I wonder what would you consider a satisfactory arrangement.

**MR. ZIPRICK:** Well I would consider an amendment to the Financial Administration Act to allow for scope of operations of that kind because I agree that the firmness that the Financial Administration Act specifies that no Minister under no circumstances should go into a commitment unless there's money voted by the Legislature in the present context of operations is not too practical. You take the leasing over a period of two or three years, a longer term lease, it's a very desirable and appropriate way of doing things yet to do it within the present legislation you have to incorporate these kinds of gimmicks. I think that it would be better that the Financial Administration Act be amended to indicate that this kind of operation is quite acceptable.

**MR. BLAKE:** That's fine, Mr. Chairman.

**MR. WILSON:** Well the comments of the Auditor are very interesting. I had marked here that I felt that the former Minister of Public Works should be made accountable for this, I have "blunder" here, but it seems to me that if the Act says no circumstances no way and Mr. Cherniack has indicated it happens all the time but it seems to me that . . . I would go for the changes in the Act but I think that the former Public Works Minister should be held up for some kind of criticism for engaging in gimmicks and breaking the law.

**MR. ZIPRICK:** Well I must . . .

**MR. MILLER:** Mr. Chairman, did in fact Mr. Ziprick say it was gimmicks and breaking the law? I didn't hear him say that.

**MR. ZIPRICK:** No, this is not a breach of the law. As a matter of fact we have a legal opinion that says with this proviso in the contract that it's completely legal, so in no way was there a violation of the law.

**MR. WILSON:** But did you no say gimmicks?

**MR. ZIPRICK:** Well maybe I didn't use the best possible terminology. I was just pointing it out as a legislative officer that reading the Financial Administration Act, there may be some concern that using this kind of approach may not be living within the spirit of control which was envisaged by the legislature when the Act was passed. Now having pointed it out and suggested that possibly the Act should be amended or clarified in that area, I wouldn't go any further. Now other provinces and the federal government have provisions that cover these kinds of things in law.

**MR. WILSON:** Well I am just saying I am pleased the Auditor is encouraging us to make these changes because it certainly puts a particular Minister in a very powerful position to commit the government for moneys that haven't been voted on.

**MR. CHERNIACK:** Mr. Chairman, if Mr. Wilson understood Mr. Ziprick, I am wondering if he would like to avail himself of the opportunity of withdrawing the statement to the effect that some person broke the law, in other words committed a crime, especially since his immunity as an MLA is not protected in this room. I wonder if he would like to withdraw the statement that he made before . . .

**MR. WILSON:** Yes, under the circumstances that I was told it was a financial administrative act, a piece of legislative rulings, I thought for sure that if somebody had gone against that, that they would be i.e., you know, stretching it a bit, so I will withdraw the remark if I did say that he was breaking the law, yes.

**MR. CHERNIACK:** I think that's fair of Mr. Wilson, Mr. Chairman.

I'd like to explore with Mr. Ziprick that whether he suggests that the Financial Administration Act ought to be amended to provide that a government may commit its future spending program to the extent of 1.6 times its approved authority in a year. Is that your thought, Mr. Ziprick?

**MR. ZIPRICK:** Well I don't know whether it should be in any percentage amounts but it could be in a way that would say that the government could commit up to a program for the next half-year undertaking or something of that nature, and the same way with the longterm leases, that under certain conditions long-term leases could be gone into and would be quite acceptable. Now as to the kinds of restrictions and the working it out I haven't given it too much specific thought but I am sure something could be worked out.

**MR. CHERNIACK:** I have a rather hazy recollection that to cope with the problem of the possibility of a good spring season when it would be advantageous to enter into early building contracts, we provided a sum — I think initially it was something like 10 million and I think it was in capital — to give the authority to the Highways Department to commit future work.

**MR. MILLER:** Pre-tendering.

**MR. CHERNIACK:** Pre-tendering, is that it? Was that process a satisfactory one?

**MR. ZIPRICK:** Yes, that process was satisfactory. Now I understand the reason that process didn't continue is because by voting so much capital authority, it gave the impression that you're spending more than you really are.

**MR. CHERNIACK:** That's because the Opposition says that, eh?

**MR. ZIPRICK:** Well, the Opposition. . . Now one way of doing it is to indicate that you are asking for a program of this to be spent over these periods and then reflect in the statement as to how it was spent. So there would be a number of ways of doing it. I can understand the concern of putting these big figures in capital authority and it could give the impression that there's big figures spent but it just happens that the program is accelerated to the point of working a pre-tendering system and may not reflect the proper picture for the year.

**MR. CHERNIACK:** So you do see that there is a disadvantage to including a figure in the capital authority for future years for pre-tendering, also in the current revenue you have to raise the money and it would be wrong to raise the money in a current year for expenditure in the following year, I assume that is a problem. So you're saying amend the Financial Administration Act to permit a Minister to commit future ministers and future governments to a certain limited extent?

**MR. ZIPRICK:** That's basically . . .

**MR. CHERNIACK:** Have you had consultations with the government about that in connection with this year's Estimates which, I believe, are ongoing now?

**MR. ZIPRICK:** Well it's a matter that would very closely tie in with pulling together the capital and revenue expenditures and showing the whole program.

**MR. CHERNIACK:** Why? Why would that . . .

**MR. ZIPRICK:** Well because in estimating your capital side of the program, you would have to indicate what you expect to spend for that year, to indicate your cash surplus or deficiency. Now the way Ottawa has done it recently in these situations which looks very good, that when they show that particular capital program they show the total requirement for that capital program. If let's say it's a building, it's \$25 million, then they say they will spend \$10 million this year, then 10 million the year before and now they raise a general provision that if the program is accelerated further expenditures could be made provided it's still within these total authorized limits.

So it gives you an immediate picture of the whole program and as I mentioned, if it's a building the total cost of the building. Then it shows how much you expect to spend in that particular year and how much you are going to commit in the next year and then the remainder of course will be, if it's a four-year project, it will be followed through until completion.

**MR. CHERNIACK:** Do you visualize a capital authority for two years?

**MR. ZIPRICK:** Well you see they don't vote capital authority in that sort of a way.

**MR. CHERNIACK:** Oh.

**MR. ZIPRICK:** They vote in the regular Estimates. When there's 25 million for a building, that's their 25 million because their Act actually is basically much looser . . . their Financial Administration Act is much looser than ours and they had no control on commitments.

**MR. CHERNIACK:** Yes.

**MR. ZIPRICK:** So they didn't have to . . . and their capital was always in the amount that was spent, so they didn't have to get an authority for the whole . . .

**MR. CHERNIACK:** Which side are you on, Mr. Ziprick, for that looser Financial Administration Act or . . . ?

**MR. ZIPRICK:** No, but what you see, the Auditor General of Canada has taken exception to their loose system and they are introducing this system that I'm saying here which he, himself, found to be quite acceptable. I think it's very informative, acceptable and shows the total amount that you're going to commit or you're going to spend on that particular program.

**MR. CHERNIACK:** Well, how would that work then, Mr. Ziprick? You are saying rather than putting it into Estimates, either capital or current, you would provide in the Act giving the authority to a Minister to pre-commit in advance of the following fiscal year. In that circumstance how would it work if you get a new government coming in, half-way in, and stopping all construction and saying, "We're not going ahead with that program that was planned." How would that work? (—Interjection—)  
) What about the commitment?

**MR. ZIPRICK:** I would take it that under any circumstances, just because money has been voted in the Legislature, be it the same government or another government, that at some point or other there is an assessment, that there's no more need for that particular program, that it would be stopped even though . . . you know having regard to the losses pick them up at that time and stop. So the stopping of a program as to whether you go ahead with it and continue to complete it or stop it and wind it up is a decision that is made by the government that has to be ratified by the Legislature in due course and acceptable to the people.

**MR. CHERNIACK:** Well, the system that you call 'not satisfactory' would have enabled the previous government to enter into a contract for the entire construction of the — let us say — the Seven Oaks Hospital, the entire cost, I don't know, \$35 million say. At the present time I believe under the present law they could only commit themselves on the basis of an authority.

**MR. ZIPRICK:** Under the present time the way it is now they could commit themselves to any amount because by putting the proviso in the agreement that . . .

**MR. CHERNIACK:** . . . the contractor takes a risk.

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

**MR. CHERNIACK:** You are saying, take the risk factor away from the contractor and commit the government to completing that construction or not, is that right?

**MR. ZIPRICK:** Yes. Well you know in practical terms I don't think the contractor is taking too much of a risk. At least they don't seem to think they are. But I'm saying that the way Canada is doing now and they've only done it in a certain number of departments on the Auditor-General's urging, they put the amount that's going to be spent for this year in the Estimates for the program.

They show in the Estimates also how much is expected to be committed in that same year that certain amount is going to be spent. So they've got an amount that's going to be spent, an amount that's going to be committed and then the remainder is still left over but the total program is shown. Then the next year the same thing is repeated until the program is completed. So it discloses a complete picture and indicates what you're going to do. But as far as the stopping of the program that gets into another area.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, just a question on the same subject to Mr. Ziprick. What happens in the case of a Manitoba Hydro project, say a Jenpeg station, where you're getting into hundreds of millions of dollars that you know aren't going to be expended in that first or second and maybe it will be over a period of time? Couldn't we handle it in the same manner as we do the Hydro or is there different legislation governing the capital set aside for Hydro?

**MR. ZIPRICK:** Well, Hydro is doing the same thing, they are issuing contracts with the proviso that the contractor will not be paid unless the money is voted by the Legislature. So that Hydro is following the same procedure and it's for just this purpose that they had to vote such large sums in advance that it was hard to even predict exactly what was . . . because you had to forecast the speed of the construction program and everything else. So I think that the system that I just recited even in Hydro would be a much better system in that you would indicate that the total program than you're starting these contracts are on your present Estimates is, you know, 200 million. You're going to spend 25 million this year, you're going to commit 50 million this year and the remainder of course is going to come in due course, but at that point in time you know that it's going to be 200 million.

Now at the next year when it comes up that figure of 200 million would be updated to the best known position and the actual expenditures for that year plus the next year's commitments would also be restated. So to me it presents a much more informative picture as to what is going on.

**MR. MINAKER:** Thank you.

**MR. CHAIRMAN:** Any further questions on Page 13? 13—pass; Page 14—pass; Page 15—pass; Page 16. Mr. Blake.

**MR. BLAKE:** Under the liquor control revenue, Mr. Chairman, I noticed there's a remark there that the revenue was down something like 3.2 million over the Estimates because of the 10 percent increase. I wonder if there is any consideration to reducing the price of 10 percent and boosting sales to regain that lost revenue.

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

**MR. ZIPRICK:** I noticed this. This appears to have been but I won't guarantee that the reduction is purely because of the increase in price.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** ~~When~~ not for cutting back liquor costs by 10 percent. I would rather see them do something about the motor fuel tax because that really affects tourism and I wondered if there is any criteria that . . . is each department told to go out and establish a certain increase because it seems to me that in every section there's an increase and of course inflation probably allows for that, but at some particular point in time, is there any study done to see the effects of these increased taxes on some of the particular industries that are suffering?

**MR. CHERNIACK:** It seems to be increasing two cents a gallon.

**MR. WILSON:** This is one of the reasons. Well over here it talks about the two-cents-a-gallon tax on the Autopac, too. But it's just one of the comments that I just feel that the fuel tax increase is putting us out of the tourism market.

**MR. MINAKER:** It says right here, "It's mainly attributable to the 1975 tax increase of two cents per gallon," since 1975.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** This is just a question. What was the original purpose of the motor fuel tax and the gasoline tax? Were those funds when the tax structure originally came in, were they to be designated to a given area, namely highway construction, or am I mistaken?

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

**MR. ZIPRICK:** No, the whole . . . —(Interjection)—

**MR. CHAIRMAN:** Order please. Mr. Ziprick.

**MR. ZIPRICK:** No, the whole approach to this taxation is that it's a pot taxation and all money goes to the consolidated fund and then the expenditure is all spent on the basis of a rationalization of the expenditure and not tied in one against the other.

**MR. ORCHARD:** I see. So that there's no ledger called expectation that if we have a considerable increase in revenues from gasoline tax or from motor fuel tax that there's no requirement that that goes into road construction or whatever, it just goes into the general fund.

**MR. ZIPRICK:** No, it just goes into the consolidated fund and this is basically the reason for the consolidated fund, is to avoid the matching and the proposition. Now in the rationalization of setting taxes in the planning stages and policy decisions these factors could well come into account. But when the decision has been made all the money goes into the pot then and is used to run the . . .

**MR. CHAIRMAN:** Are there any further questions on Page 16? Page 16— -pass; Page 17. Mr. Orchard.

**MR. ORCHARD:** Mr. Chairman, under the category of Mining and Mineral Royalties and Taxes there is one area that I just want some clarification on. Is my interpretation that we have a \$20.2 million tax collection for the fiscal year ending 1977, "Is mainly attributable to instalment payments on metallic mineral taxes in 1976-77 based on higher anticipated mining profits than in the previous year. Now apparently these higher profits did not materialize which may result in significant refunds and/or reductions in metallic mineral taxes in 1977-78."

Now do I read in there that we may have to refund a portion of that tax base as an averaging program?

**MR. ZIPRICK:** That's right, that's what our indication was, that this increase it just happened on the returns but the returns were already indicating that chances are it's an increase that really has not materialized because we'll have to make refunds in 1978.

**MR. ORCHARD:** Now any idea of the size of refund, any indication?

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

**MR. CRAIK:** There's a second part. Part of this is currently in the courts as well and there's an outstanding case where the government has been ruled against by the courts, it has been appealed which could have a substantial effect on this same amount too.

Now as far as the refunds under the averaging scheme is concerned would be . . . do you have a figure?

**MR. ZIPRICK:** No, I don't have a figure on that.

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

**MR. ZIPRICK:** I understand that we estimated it would be roughly about 2 million, but I don't know just . . .

**MR. CRAIK:** The court case is \$2 million.

**MR. ZIPRICK:** The court case is \$2 million. The other . . .

**MR. ORCHARD:** But the averaging . . .

**MR. ZIPRICK:** We don't know it at this point.

**MR. ORCHARD:** There is no indication there, but realistically we could be refunding some tax

revenue.

**MR. ZIPRICK:** Could be, yes.

**MR. ORCHARD:** And that would affect us up until March 31st, 1978, then. It's going to be a new taxation year?

**MR. CRAIK:** Well, we've already paid some back but I wouldn't call it a refund. We lost the court case.

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

**MR. ORCHARD:** Well, I'll pass for now, thank you.

**MR. CHAIRMAN:** Page 17—pass; Page 18. Mr. Einarson.

**MR. EINARSON:** Oh, I'm sorry, if I may go back to 17, I'm sorry I missed here.

**MR. CHERNIACK:** Sure, I move we go back to 17.

**MR. EINARSON:** The gasoline tax . . . thank you, Mr. Cherniack. We were talking about the two cents a gallon that was imposed two years ago as far as Autopac was concerned. Now am I given to understand this is put into the general revenue to the pot and how does Autopac get credit for that? I mean this is what it was intended for.

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

**MR. ZIPRICK:** No, it was turned over to Autopac as it was collected.

**MR. EINARSON:** Is that right? Oh, it was turned over to Autopac then.

**MR. CHERNIACK:** It never went through the government. It did not go through general revenue.

**MR. ZIPRICK:** This was paid over to our Autopac on a monthly basic as it was collected.

**MR. EINARSON:** I see. Thank you very much.

**MR. CHERNIACK:** It's not recorded as a receipt nor a disbursement, is that correct?

**MR. ZIPRICK:** It's shown in the revenue Estimates as a receipt less to Autopac with a net amount.

**MR. CHERNIACK:** So it's not shown as revenue to the province, is that correct?

**MR. ZIPRICK:** No, it's not. It reduces the province's revenue. In other words it's not shown as revenue and an expenditure, it's shown as a reduction of revenue.

**MR. CHERNIACK:** Now your minister is trying to switch it into revenue.

**MR. MINAKER:** Mr. Chairman, to Mr. Ziprick. How does that vary from how Manitoba Housing Renewal Corporation subsidy is collected and turned over to Manitoba Housing Renewal? To pay the subsidy of 6.7 million, how does that vary from what we're talking about with Autopac? Is the entry right into general revenue?

**MR. ZIPRICK:** No, the subsidy to the Housing and Renewal Corporation, after the deficits are established, one-half of the deficit is billed to the province and the province pays it.

**MR. MINAKER:** But they collect it through taxes for MHRC.

**MR. MILLER:** General revenue, consolidated funds, half from the Federal government, half from Manitoba.

**MR. ZIPRICK:** But the Autopac gasoline tax was designated by law for that purpose.

**MR. MINAKER:** Thank you, Mr. Ziprick.

**MR. CHAIRMAN:** Page 18. Mr. Wilson.

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**MR. WILSON:** Well, other than the fact that the former government had an increased spending of \$125 million, I wanted to raise the point under Colleges and Universities Affairs . . . When I talked to the former Attorney-General about a number of interesting ways that people had got student loans and so on and so forth he immediately alluded to the fact that one of the reasons there was no convictions — I believe there was one conviction — was the fact that it was a federal program. My concern here and maybe Mr. Ziprick could comment on it, it says the deferred bursary is paid to the student and I wondered if there was any safety valve to see that the educational loan by the same taxpayer through the federal program had indeed been paid before this bursary was paid over. It would seem to me that there should be some obligation to see or insist that the loan is paid because what would happen, a student would have gone through university under the Student Loan program, have an outstanding loan still outstanding, almost into the collection area, and then receive a windfall from the government of an additional bursary. I wondered, is it just a moral obligation on the student to pay this bursary money towards the loan or is there some monitoring on behalf of the provincial government to see that the cheques are made out to both people, both the Receiver General of Canada and the student so that the bursary would indeed go to pay the student loan as envisioned in the comments here on page 18.

**MR. ZIPRICK:** As far as I know the cheque is made out to the student but as to what steps are taken to ensure that the federal loan is paid off I am not sure, we will have to take that as notice and we will let you know.

**MR. WILSON:** All right.

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

**MR. CRAIK:** Mr. Chairman, on that point, they are both administered by the provincial office. Both the loan and the bursary are administered by the one provincial office. He doesn't get a loan from the federal people and then a bursary from the provincial.

**MR. WILSON:** To the Finance Minister, does . . . The way it says here that this loan becomes due and payable after a student's studies are completed and after his studies have been completed and there is a loan outstanding the student is paid this bursary. My comment is if they are both being administered by your department is there any way that the cheques in the future could be made out jointly to the Receiver General of Canada and the student.

**MR. MILLER:** The bank and the student.

**MR. WILSON:** The bank and the student, all right.

**MR. CRAIK:** Well, in the event that he did pay back his loan I am not too sure that there would be anything wrong with it because it is an interest free loan.

**MR. WILSON:** I can agree with you there but it seems that there is an alarming amount of money not being repaid but it is guaranteed by the government. In other words the banks have a co-signor which is the taxpayer of Canada.

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

**MR. ZIPRICK:** I don't know for sure just what it is so we will take that as notice and bring back the information.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** Mr. Chairman, under the Expenditure (Statement of Revenue and Expenditures) if we get down to the finance are we to assume, due to the alarming increase of 33 percent, that the Finance Minister didn't have proper control on his department or are we to assume — (Interjection) — because a 33 percent increase in budget is quite alarming in one year, or are we getting back to the discussion we had earlier of the sinking dollar and the exchange rates having a drastic effect on public debt interest charges?

**MR. ZIPRICK:** Yes, it's mainly the increase in the interest and just on the next page, Page 19, under the Department of Finance, I think that indicates the substantial rise in the public debt is accounting for the increase . . .

**MR. CHERNIACK:** Come on, read it. There is more of a tax rebate than there is an interest, Mr. Ziprick. Read your own statement, \$27 million to \$28 million in tax rebates.

**MR. ORCHARD:** An increase of 15.2 million to 50 million in public debt charges.

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**MR. ZIPRICK:** But 15.5 million in property tax rebate is in there too.

**MR. MILLER:** And 12.3 in the cost of living tax credit.

**MR. ZIPRICK:** Yes, it's not more than 12.3 . . .

**MR. CHAIRMAN:** We are on Page 18, gentlemen, any further questions? Mr. Wilson.

**MR. ORCHARD:** There's no reflection on the former Finance Minister's operation of his department then in that alarming increase in budget.

**MR. WILSON:** Well I am very pleased the Member for Pembina is as confused as I am about the shell game that the former government was involved in —(Interjection)— Well, I think the voters made the decision. But anyway, in 1972 the Consumers Bureau had a budget of 1.2 million and I notice it is 3.4 million and under Rent Stabilization Board .7 million — would that be included in the 3.4 million because it seems to me every year this particular department seems to be going up by a substantial increase to protect us against ourselves. I wondered if the \$.7 million in the Rent Stabilization Board was included in the 3.4 million because then the increase wouldn't be quite as alarming.

**MR. ZIPRICK:** That's under Consumer, yes, it is included in there.

**MR. CHAIRMAN:** Anything further on Page 18? Page 18—pass. Page 19. Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I am not through with the Department of Finance on 19, I am through with the Minister but not the department. Could Mr. Ziprick explain to those of us who find it difficult to follow how he talks about a 15.2 million to 50 million — which I read to be a \$35 million increase — plus 15.5 million, plus 2.3 million — which I read to total something like \$63 million — is in some way indicated as being an explanation of a \$42 million increase?

**MR. ZIPRICK:** Isn't it a \$15.2 million increase in public debt plus 15.5 property taxes . . .

**MR. CHERNIACK:** Oh I see, I think I did the same as Mr. Orchard. I read that the difference was from 15 to 50 and that's where Mr. Orchard seems to have been led astray. So that actually it's 15 plus 15, plus 12, which means that \$27 million, \$28 million out of the 42 was a rebate to the taxpayer and only 15 million was an increase in the debt.

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

**MR. CHERNIACK:** That helps a lot, Mr. Chairman, to understand the statement.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** In view of the 1976-77 budget being generous enough to give 27 million back in that year I don't think our honourable friends opposite should criticize us for some of the menial tax cuts we've made this year.

**MR. CHERNIACK:** Menial to the rich, not to the poor. There's the difference. You are so right.

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

**MR. CRAIK:** I think the importance of this public debt figure though has to be pointed out quite apart from the segment that goes into rebates. The carry forward of combined accounts deficit for instance for the year that we are looking at and if you combine the current year and combining the year before, if you add them all together you are looking probably at pretty close to \$400 million and service charges at 10 percent you are looking at a \$40 million increase in debt service alone over those three years. Mr. Miller knows and Mr. Cherniack too, \$40 million in debt service blasts your current account budget right out of the water when you come to look at the next year following those three years and that's effectively what we are faced with on this. So I don't want to see this change here in the public debt charges discounted because if you combine what's happened over three years it has a drastic impact. This is not just what's happening in Manitoba but if you look at what's happening this year at the federal level where they are going at a debt of \$10 billion on a \$48 billion budget, which means over 20 percent of it is going to be debt financing on combined accounts which is exactly what it looks like they are looking at. This can cripple your ability to mount programs, desirable programs, very rapidly. And it doesn't take very long to do it.

In this particular case, as I say, we've got this year and the year before and the current year. If you add it together we've got \$400 million of class B, schedule B debt, 1 around 100 million for the current year and if you add with the current account deficits of this year and the past two years it totalled 400



million. It overweighs what you can do in the way tax rebates.

**MR. CHERNIACK:** Mr. Chairman, I appreciate your Minister of Finance preparing his Estimates and Budget Speech for the coming session and I will certainly debate it at that time.

**MR. CRAIK:** Mr. Chairman, I raise the matter simply because it has been . . . I gather from Mr. Cherniack's remarks he is playing down the effect of the public debt charges portion of this change.

**MR. CHERNIACK:** Mr. Chairman, let me clarify. When Mr. Orchard asked about the increase of \$42 million and suggested it was some form of incompetence of the former minister, Mr. Ziprick said it is an increase in debt charges and he didn't say anything further and I made it a strong point to mention that of the 42 million 15 was an increase in debt charge and 28 million was a rebate of taxes to inability to pay principle. And I make that point based not on future or on anything other than what is in the report itself and I think it was a valid statement to correct and to make. When it comes to debating our economic position we'll do that during budget time.

**MR. CHAIRMAN:** Any further questions on Page 19? Page 19—pass. Page 20—pass. Page 21. Mr. Blake.

**MR. BLAKE:** I have a question on near the bottom of the page, the Department of Education — bank interest charges for school divisions. I think last year we questioned this matter and the Provincial Auditor had indicated that there was going to be some attempt made to have the grants dispatched to the school divisions earlier to preclude the school divisions having to borrow or go into an overdraft position because the bank charges on the local school division borrowings or on their overdrafts is a direct levy against the local taxpayers and I just wondered if he could comment further on what progress had been made in having these payments expedited or the payments from the municipalities made earlier.

**MR. ZIPRICK:** A year ago there was a change to expedite the payment in the interim position but then the final period, that's toward the end of December, there was no progress payments and no expediting. As a result the increase has again started to rise quite substantially and there seems to be, you know, some concern here that there should be a smoothing out of this process. Now there was some discussion and an odd municipality where the tax collection is slow, if it was speeded up unduly could get them into a position of borrowing instead of the school division. So there's quite a reluctance. But on the other hand there are other municipalities that are in pretty good shape that are holding the money and not sending it across. Prior to Unicity, I know St. Vital was one and I think that other school divisions had made arrangements with their respective cities to accelerate on a special arrangement basis. Now I understand there was some discussion with the City of Winnipeg as to whether some arrangement could be made, I don't think it's materialized. I think it's in this area particularly that the interest rate is growing substantially. So when the school divisions go bargaining on their own, I'm not sure just how well they're doing.

**MR. MILLER:** They do as well as the municipality does.

**MR. ZIPRICK:** Actually the province basically picks up most of this tab with the interest and the question is, could the province do better? I think that they could.

**MR. BLAKE:** You mention later in your report that significant economies could be realized by reducing red tape. Are you referring to the method of getting the advance payments out or . . . ?

**MR. ZIPRICK:** Well I think, and I have been told by some people, in no official way, but there is a feeling that the costs to the school divisions for interest are quite substantial and when you try to rationalize this, when the taxes are basically in most instances being paid by individuals on a monthly basis and fairly promptly . . . and these are just for working capital. This interest has got nothing to do for buildings that's paid on debentures through the Province of Manitoba system in addition to this. So when you look at this size of an expenditure to supply working capital, I am just concerned as to whether it should not be reduced. Now I appreciate that the municipalities that have excess cash are investing it, but as to whether the amount earned on investments, on the amount paid, will offset itself, I am doubtful. So a smoothing process of having the money flow from the taxpayer through to the source where it's really designed, in cases of schools to pay the teachers' salaries and other expenses, making it flow as directly and as quickly as possible, I think is probably in the overall in the best interest of the taxpayer.

**MR. BLAKE:** That's fine, Mr. Chairman.

**MR. CHERNIACK:** Mr. Chairman, I'd like to get clarification from Mr. Ziprick. Just how does the province pay these interest charges?

**mr. ZIPRICK:** As part of the foundation levy.

**MR. CHERNIACK:** Well is that a cost that's charged to the province under the foundation levy?

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

**MR. CHERNIACK:** The foundation levy takes care of a certain percentage of the school board costs, right?

**MR. ZIPRICK:** Right.

**MR. CHERNIACK:** And when a school board shows in its estimates or in its actual that it has paid interest, then that's part of the cost and the province pays a percentage of that? Is that right?

**MR. ZIPRICK:** Part of the administrative . . .

**MR. CHERNIACK:** So the foundation levy includes the interest costs?

**MR. ZIPRICK:** On working capital, that's right.

**MR. CHERNIACK:** Well then on that basis, you say the province should interfere into the otherwise autonomous operations of a municipality, in effect. Is that what you're saying?

**MR. ZIPRICK:** They do now because the rate that the municipalities pay now is the rate that's directed by the province.

**MR. CHERNIACK:** Municipalities?

**MR. ZIPRICK:** That's right. The payments to the school divisions . . .

**MR. CHERNIACK:** Pardon me, I'm now confused by what your . . .

**MR. ZIPRICK:** The rate that the municipalities are turning money over to the school districts are on the basis of a regulation passed by the Province of Manitoba.

**MR. MILLER:** You don't mean the rate, you mean the timing.

**MR. ZIPRICK:** The timing I should say, I'm sorry, the timing.

**MR. CHERNIACK:** So the municipalities are required to pay what, a percentage of their levy regardless of whether or not they collect the money. Is that what you're saying?

**MR. ZIPRICK:** They are required to pay a certain percentage of the school levy by this time and then the final . . .

**MR. CHERNIACK:** So that if in a year a municipality does not receive any tax payments at all, which is theoretically conceivable, it still must pay the school division?

**MR. ZIPRICK:** As I understand, legally that's the situation.

**MR. CHERNIACK:** So what you are suggesting, you are not suggesting in so many words, but you're suggesting that there should be a review which could then say to the municipality you shall pay it faster. Isn't that right?

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

**MR. CHERNIACK:** Or are you saying to the municipality, all your surplus cash should be deposited into a special trust fund administered by the province?

**MR. ZIPRICK:** No, I'm not saying that we go and tie up the cash with the specific collections, I think generally that the collections from my observations, at least a summary of the municipal financial statements are quite good, that it's just a matter of accelerating the payments so that the municipalities are not left with that much money for investing, or what's happening in some instances, they're delaying their capital borrowing and using this money to finance their . . .

**MR. CHERNIACK:** Their current revenues.

**MR. ZIPRICK:** Yes, their capital and then when they are required to turn it over to the school division, that then they raise their money.

**MR. CHERNIACK:** So you are suggesting that the rate at which municipalities now turn over tax moneys to the school divisions should be accelerated even though it may cost the municipality interest to do so.

**MR. ZIPRICK:** No, I wouldn't suggest that it be accelerated to the point where it would put the municipality into a deficit position itself, but there are quite a number of municipalities, as we understand them, and we can't make a complete assessment because we don't have access to the school division books but, as I understand, there are quite a number of municipalities that are investing short term and earning interest while the school division is going to the bank and borrowing and paying interest.

**MR. CHERNIACK:** What do you estimate is the provincial cost of this 5.6 million dollar program?

**MR. ZIPRICK:** I don't know, I . . .

**MR. CHERNIACK:** Is it 50 percent, 45 percent?

**MR. ZIPRICK:** It will be in excess of 50 percent.

**MR. CHERNIACK:** 55 percent? It might be \$3 million cost to the province? You're saying the province should step in and tell the municipalities that they must either lose revenue from their reserves or pay a debt if they don't have reserves in order to save the 3 million to the province plus 2.6 million to the same taxpayers in effect in the school board?

**MR. ZIPRICK:** I'm not suggesting that the province step in, I am just suggesting that the province review its present regulation because the timing of the payments are presently made under a regulation of the province. So I am just suggesting that they review the present regulation and if a review shows that it can't be accelerated any more, that's fine. I've been told by people that it can and I've been told by some school board officials that they're quite concerned and quite alarmed at the rate that their working capital interests have been rising.

**MR. BLAKE:** I would understand, I may be wrong, that there's only a small portion of the school board funds that comes from the municipalities, the bulk of it comes from the Provincial Government, and I was wondering if these payments were going to the school board —(Interjection)— No, I was wondering if these payments were getting to the school divisions fast enough. I think that's where the problem is more than the funds coming from municipalities, that they are not getting the money from the Provincial Government fast enough. That's where the big interest charges are coming.

**MR. CHERNIACK:** You speed it up.

**MR. ZIPRICK:** I don't know. The Department of Finance could probably elaborate on that.

**MR. BLAKE:** The fact that we're picking up a portion of those interest charges, is that the same for hospitals because they're funded also, and I understand in their budget they have to include the amount of interest they pay in bank charges or whatever on their budget, they have to come back each year and negotiate with the government before that interest is picked up or goes as a general levy now.

**MR. MILLER:** Well let's separate it, let's talk about what is in here. There were changes made so that the flow of money from the province to the school boards was smoothed out and accelerated. I think what Mr. Ziprick is talking about, and he can correct me if I'm wrong, is the flow of money from the municipality to the school board itself because the school board's budget . . .

**MR. BLAKE:** Twenty percent or whatever it is.

**MR. MILLER:** Well the school board budget is simply handed to the municipality and they are required to pay whatever that budget calls for — half a million, one million, whatever it is. They simply have to find the funds to do it. A schedule was worked out a couple of years ago which was a little better than the previous one but Mr. Ziprick said maybe it can be improved even more. The fact is that the municipalities — well he mentioned he was talking to school trustees who feel that there is a way of doing it and they would all be in favour of having the municipality pay the full amount of whatever is due to the school board like October 1st and let the school board invest it. But you're getting involved here, Mr. Chairman, in local, perhaps, infighting between elected school trustees and elected municipal men, each one of whom is trying, from their particular perspective, to show the best

picture. I know and I think others around this table as well know that municipalities pay what they're required to pay and if they do have surplus funds they try to invest them to the benefit of their ratepayers who are the same ratepayers of the school board. It's just that school trustees don't like to be tagged as the villains in the piece and that's about the size of it.

But I know it has been improved, the timing I think is quite in order now and to try to change that, maybe it should be looked at certainly because I think these things always should be looked at, but it's the period before . the moneys flow to the municipalities before the tax bills go out and very often they are delayed, they can't get the tax bills out perhaps until April, May or June sometimes. It's in that hiatus, that period where the school board is in a jam as are many of the municipalities who then have to borrow because their calendar year is January 1st and there's no income at all for five, six months.

**MR. ZIPRICK:** Each year a summary is prepared of all the municipal finances and just looking at that summary, at the end of December of each year, the municipalities have millions of dollars of cash in short-term investments. They also have millions of dollars of liabilities to the schools. In the meantime the schools have millions of dollars owing to the banks and the question is why do we have to wait till the — what is it — the end of February before the municipalities send these moneys on to the schools. I appreciate what you're saying, the interest is to the benefit of the municipalities but I think that in the long run the taxpayer is the loser because the amount that the school divisions are paying is much more than the amount that the municipalities realize on these short-term investments.

**MR. MILLER:** Yes. So it's a question of regulating the flow and not a question of the amount of money being paid by the province to the school boards?

**MR. ZIPRICK:** I think that the province's share now is reasonably prompt but I don't know we would have to review that, but I think that the province submits its share on a pretty well monthly basis and fairly promptly.

**MR. CHERNIACK:** Mr. Chairman, two matters. Firstly, since nobody seems to be protecting the banking industry, I would like to rise and say that there is no discredit to the banking industry in this discussion. In my opinion there shouldn't be.

Secondly, I want to move that this committee appoint the Ministers of Finance, Education and Municipal Affairs to consult with Mr. Ziprick on this problem and report back to this committee.

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

**MR. CRAIK:** Mr. Chairman, I think that this sort of thing as Mr. Cherniack knows is usually taken under advisement. The particular issue that's being discussed here is one that gets discussed. I was interested to hear the comments of Mr. Miller who has been on both the schoolboard and on the council and has seen both sides of it and has been Minister of Education and Minister of Finance and has gone through all sides of it. He knows the changes as well as the rest of us know the changes that have gone on over the years in this respect and it's very difficult to find a clear-cut answer that is going to remove the problem that arises every year. Now that doesn't mean that we can't try and reduce this thing here, but when you've got transfers taking place, province, municipal and school board, between the three of them, you're always going to have some charges that are going to be ended up in somebody's ball court . . .

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

**MR. CRAIK:** . . . and I don't think we need that resolution to work on, on trying to reduce the amount of it. The only thing you can assume from it that it may show up as a cost here in servicing the school boards, but somebody is going to pick it up somewhere, it's either going to be the province or it's going to be the municipality.

**MR. CHERNIACK:** Mr. Ziprick said the banks.

**MR. CRAIK:** There's nothing necessarily falling between the stools because if in fact the province is running at an overdraft of near zero most of the time as been indicated in the earlier discussion this morning, then there may well be a responsibility on the province's part for delaying payments, not only the school boards' but to some others who in turn are having to pick up the tab. If it's advanced then it comes back on the province, but I don't know, what you lose on the peanuts you're going to make up on the popcorn.

I don't wish to downplay it, it's a problem but that problem as I recall, it saved time when Mr. Miller was on the school board in 1962, that it was a great issue on the school board I was on. We finally reached an agreement with the council . . .

**A MEMBER:** But then I was a councillor.

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**MR. CRAIK:** . . . where they very diligently got us the money within 30 days of when it came in which was a major achievement, and where you've got good relations between your school boards and your councils in those days anyway before there was any move to try and force the councils into advancing the money, at least we had good relations, you didn't have a problem, where there were bad relations you did have a problem. We can have a look at it but it's not a new problem, it was here 15 years ago and 20 years ago and we'll try and have it all solved next year.

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

**MR. CHERNIACK:** Well, Mr. Chairman, I would guess that my resolution is not likely to pass.

**MR. CRAIK:** I think not.

**MR. CHERNIACK:** If Mr. Craik confirms that then I won't press the matter.

**MR. CRAIK:** You won't press for a seconder.

**MR. CHERNIACK:** Oh, I've got a seconder.

**MR. CRAIK:** Oh, you did.

**MR. CHERNIACK:** Sorry.

**MR. CHAIRMAN:** The Chair is rather under the opinion that the motion is out of order in any case. Can we proceed, gentlemen?

**MR. CHERNIACK:** As a matter of personal grievance, I think that you were not called upon to make a ruling, we'd just as soon you'd withdraw it.

**MR. CHAIRMAN:** I assume that the Minister of Finance was speaking on a point of order to the motion itself.

**MR. CHERNIACK:** He was speaking on a point of voting.

**MR. CHAIRMAN:** Anything further on Page 21? Mr. Wilson.

**MR. WILSON:** I have an item here under Community Economic Development Funds which the former minister, I believe, Mr. Toupin used to always tell me it was a very interesting success story or what have you and I noticed that every year — I'll go back to 1976 — there seems to be a \$2 million swat every year to the taxpayers for some special warrants, and I wondered if Mr. Ziprick could explain why this is necessary. It does say operating costs but in his report last year he mentioned that 37 borrowers had collapsed on their obligations and I wondered, is part of this money to cover co-signing abilities that the government has done to banks and what have you or is it truly an operating cost to operate the Communities Economic Development Fund?

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

**MR. ZIPRICK:** Well, quite a substantial amount of that is the operating costs because the Community Economic Development Fund, its lending rates probably about covers the interest.

The operating expenses are then picked up over here. The operating expenses for the fund are much larger than one would normally on the surface expect, but as far as we're concerned they are quite legitimate because the fund operates in an area where you don't have much sophistication as yet in financial management and operations and they do provide a lot of guidance and direction in the bookkeeping, financial management, budgeting and whatever have you. I think it's very necessary if you're going to create any kind of entrepreneurship capabilities, so quite a bit of this can be ascribed to a teaching position, so if the conditions in the North are to be developed then it's necessary that this kind of administrative attention should be given and that you cannot look on it just simply as overseeing an account for a lending institution. It has to be much broader and more in depth to provide the kind of accountability that's necessary. So we're completely in agreement with the kind of action that the fund is taking in that regard, to obtain accountability and then provide the kind of training in managerial and other kinds of responsibilities.

**MR. WILSON:** Does that mean that you're taking a 180-degree turn compared to the previous year because this year's report doesn't contain anything about the lack of collection pertaining to 37 borrowers — I guess it totalled almost a million dollars — and I wondered, does the lack of mentioning it in this year's report mean that the program of education and overseeing and teaching has met with some measurable success so that a lot of these bad loans and bankrupt companies have been wound up and the rest that are there are running smoothly?

**mr. ZIPRICK:** Well, there again you know, these people are going into business and most of these businesses are sort of difficult situations. So you can expect a fair number of bankruptcies one way or another and these bankruptcies with giving this kind of direction and assistance in managerial skills, then when the bankruptcy does occur at least you can then be assured that the bankruptcy occurred because the business was not viable and not because somebody may have misused the money. So that a fairly high rate of bankruptcies and difficulties in businesses in that area can also be anticipated much more so than in any other area.

So it's a combination. You've got to spend a fair amount to assist in developing these managerial skills if you're going to develop any kind of success in the North and then you've also got to appreciate that you're taking fairly high risks in quite a number of these businesses. So you'll have quite a few bankruptcies and they are legitimate bankruptcies and it's a question of, do you take the risk or you don't take the risk and naturally if you don't take the risk the business will not be available there and also whatever education has been provided will also not be available, so it's a combination. There's the expense of operating it and then it's a more risky business.

**MR. WILSON:** Yes, I see, I see. So your comment hasn't really changed from the previous year, it is a high-risk venture?

**MR. ZIPRICK:** Yes. Previously when we were concerned was that there was not enough spent in this accountability and managerial side and when their difficulties were being encountered we could not assess as to whether the difficulties were because the business was not viable or because somebody was, you know, allowing assets to be abused and misused and whatever have you.

**MR. WILSON:** Yes.

**MR. ZIPRICK:** Well, now we're basically satisfied, we're away with that kind of monitoring and controls that there are, we're satisfied that the accountability is there, but the businesses still run into difficulty so then we know that they ran into difficulty because of their viability and not because of other reasons.

**MR. WILSON:** Yes, that's right. Okay.

**MR. CHAIRMAN:** Any further questions on Page 21? Page 21—pass; Page 22. Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I want to deal with the budgeting Accounting and Reporting to Legislature section of the report at this stage. I want to, firstly, remind Mr. Ziprick that a few years ago we changed in an experimental way, we changed the form of presentation of Estimates for, I think, three departments to conform with, I think, it was Alberta or Ontario, some of the other reporting provinces which was considered to be a greater opportunity to understand the presentation of Estimates. And if Mr. Ziprick is aware of that, is he also aware of the fact that the MLAs took little advantage or seemed to realize no benefit from the fact that there was a change in the reporting presentation form? If that is the case, what is he saying now? What is he suggesting other than saying that it's not improved?

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

**MR. ZIPRICK:** Well, Estimates is the one side only and admittedly if we are going to get a better system of accountability we have to have the Estimates that define the objectives and commitments of what's expected to accomplish from those Estimates much more closely if we're going to use them to monitor the accountability of the expenditures.

But then there is also the other side, that you've got the Estimates, then the expenditures have to be lined up and produced so that they match off against the Estimates. You've got to come out with a variance of over and under expenditures in the various categories so that you can make reasonable, analytical assessments and conclusions to arrive at these variances, and on the basis of that determine how the costs are running and if there are overruns, why there are overruns and in what area? This is the area of concern, and the concern that was expressed a number of years ago and I'm fully aware that there was an attempt at improving the Estimates.

I am also aware that there wasn't that much interest but as far as I am concerned when I take a look at the accountability for this large amount of expenditures and the control over it with regard to the Estimates and really explaining in the Estimates, not just in a general way but in fairly specifics, what's expected to be accomplished and then measuring that against actual performance, that we're far, far from what would be a satisfactory approach for this kind of operation.

**MR. CHERNIACK:** Well, Mr. Chairman, I remember seeing — I think it was Michigan — is it that state that has voluminous reports?

**MR. ZIPRICK:** That's one of them.

**MR. CHERNIACK:** Wisconsin, Wisconsin. Is that what Mr. Ziprick is recommending and is he continuing to recommend it in the light of the system which we operate under now?

**MR. ZIPRICK:** Well what I have been recommending, or started recommending about five or six years ago and still recommending, is the same thing that the Auditor-General of Canada is recommending and steps are being taken, and other Provincial Auditors have been recommending and in the process that is going on in the United States there is a concern for much better accountability and measurement of expenditures and their effectiveness than there is now.

**MR. CHERNIACK:** Well, auditors are recommending much more extensive reviews. What jurisdiction in Canada have undertaken more than Manitoba has to give the fuller or the better, or the improved methods, which Canadian jurisdiction has a better system for that?

**MR. ZIPRICK:** Well Ontario has done quite an extensive amount of work in there; it's revamped its Estimates even further. It is also revamping its accounting to tie up with the Estimates. Canada now is getting deeply involved in the area. So I would say Ontario, Canada, Quebec . . . Alberta has done some substantial changes in the last year. I just saw their 1977 Public Accounts. They have substantial improvements in there. British Columbia is organizing to move. So, you know, they are not unduly advanced, there is no particular one that is unduly advanced over us as yet but if we don't move they will be.

**MR. CHERNIACK:** But you do agree that when we tried it it was not accepted by the MLAs as a useful tool.

**MR. ZIPRICK:** The Estimates, I agree.

**MR. CHERNIACK:** Since you are no doubt working closely with government are you aware whether government is picking up your suggestions vis-a-vis this current Estimate review?

**MR. ZIPRICK:** I have been advised that substantially in a number of areas they are moving in that direction but to what extent, Mr. Craik will have to . . .

**MR. CHERNIACK:** But with your experience would you say that this will put a greater time burden on MLAs? Will we have to work longer hours and harder to carry out your objectives?

**MR. ZIPRICK:** No.

**MR. CHERNIACK:** Like is this going to be a full-time job?

**MR. ZIPRICK:** No, as I envisaged, both the Estimates process and this review of the Public Accounts would be much more effective in that the presentations would be much more objective, would explain the variances wherever they are and you could do a much better job in a shorter period of time.

**MR. CHERNIACK:** A shorter period. May we ask the Minister of Finance if he has had an opportunity yet to investigate the recommendations by Mr. Ziprick and whether there is an opportunity that we can look forward to to improvement in this way in this coming Estimates year.

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

**MR. CRAIK:** Yes, we've been looking at it, Mr. Chairman, and to go back to Mr. Cherniack's earlier comment about this committee having had examined it back several years ago, I don't think the committee at that time decided against it. It was left rather open. As I recall there were samples circulated and we looked at them. I don't think that the committee in assessing it, you know, really came down on one side or the other on the matter. It sort of faded into the background and never got finalized or dealt with.

**MR. CHERNIACK:** I'd like to, if I may, remind Mr. Craik that it is not this committee, this committee saw it originally. But we actually did it in the Estimates process in the Committee of Supply where for three departments we had concurrent booklets, one in the old form and one in the proposed new one. And after doing it for a complete Estimates year, we found that the reference was always to the old system and the new one was not looked at all by MLAs. It is not this committee. However that is something that I am sure the Minister would want to discuss . . .

**MR. CRAIK:** But this committee spent a fair amount of time in looking at the format. I guess it must

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have been in advance of it being tried in the House.

**MR. CHERNIACK:** That's right and then we did it.

**MR. CRAIK:** But we have been looking at it and we've been attempting to, you know, pick out as many items as possible out of the Auditor's Report to review and this is one of them and we've been looking at changes for Estimates presentation as well.

Now, I don't know whether you want to deal with that here on the same item. In addition to that this all comes under the Department of Finance — although I guess it is the next item, Comptrollership function. We've tried to rectify the concern that the Auditor has mentioned here about the lack of financial analysis because of the non-staffing of some of the positions in the department. That has been started on and some of the positions are now being filled. And I think in general on these items the only bottom-line statement we can make on these pages, although members certainly want to look at them one by one, is the proof of the pudding is if in fact the report is the same next year. And most of these items we have taken very seriously, we're looking at them and intend to make a number of changes. The presentation style of the Estimates is one of them. On matters that refer to the Public Accounts or the format of the Public Accounts we would want to come back some time during the session and discuss it with this committee.

**MR. CHERNIACK:** Mr. Chairman, since Mr. Craik already led into the comptrollership function aspect, I would like to ask him whether he can assure us that the freeze of which we hear so much and the reduction in staffing of Civil Service will not affect the item referred to by Mr. Ziprick to the extent that the department will continue to be adequately staffed, that there will not be any reduction in man years applied to this comptrollership function, so that we can be assured that there will be a continuation and improvement as Mr. Ziprick expects.

**MR. CRAIK:** Yes, well the positions referred to, as you are probably aware, Mr. Cherniack, or Mr. Miller will be aware, existed there. It wasn't a case of creating new positions, it is just that the vacancies were there.

**MR. CHERNIACK:** Well, yes, but my point is, according to what I read in the newspaper and that is all I know about it, that there is a freeze that no vacant positions are to be filled. I'd like an assurance that that does not apply to this comptrollership function.

**MR. CRAIK:** Well even the filling of these positions keeps the total complement under the 90 percent level of the positions involved. I mean there are sufficient positions in Finance alone where this doesn't affect and this is one area in which we have moved. There have been some positions filled, not only in Finance but otherwise as well, positions that were considered to be critical positions.

**MR. CHERNIACK:** Mr. Chairman, I don't know what this 90 percent figure is, I am not knowledgeable of that.

**MR. CRAIK:** Well it is basically the position, the 90 percent rule that you had applied in the former government.

**MR. CHERNIACK:** It so happens that I had nothing to do with applying it so I don't have to know what it is. All I want to know is whether all positions for which there has been an allocation made in the financial analyst area have been filled and if not, is there any restriction on their being filled so that they could comply with Mr. Ziprick's comments?

**MR. CRAIK:** Well as I indicated, Mr. Chairman, they are being filled, some have been filled. But these people who are being referred to here are not found overnight. They are pretty highly qualified people and they are not . . .

**MR. MILLER:** And you don't pay enough.

**MR. CRAIK:** They are pretty highly qualified people and I expect that they will, if they are available, will entirely be filled.

**MR. CHERNIACK:** So we are assured — I interpret this to mean that there is an active effort being made to fill all the positions and there is no intention of reducing the staff complement in this department, I mean the comptrollership function, the financial analyst area.

**MR. CRAIK:** Yes, they are all bulletined now.

**MR. CHERNIACK:** They are all bulletined and there will be no restriction or no freeze. You know if we have that assurance then I have to ask Mr. Ziprick if he is satisfied that there will be adequate



staffing on that basis.

**MR. ZIPRICK:** As Mr. Craik indicated there is a bulletin out for four positions here and I understand there has been a very good response and they are holding the board, I think, on this coming Friday and there looks like a good indication that there will be success in obtaining the four people necessary to fill these positions.

**MR. CHERNIACK:** When that is done then do you believe they will be adequately staffed to carry out the function that you describe on Page 22?

**MR. ZIPRICK:** Yes, it will certainly go a long way. Now I can't pre-commit myself on the results but it will certainly go a long way toward alleviating the situation that exists now.

**MR. CHERNIACK:** Can we be assured to the extent that if it is not adequately staffed that you will so inform us?

**MR. ZIPRICK:** Oh I can assure you without any hesitation that if the situation is unsatisfactory there will be a report next year.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** I find it interesting that members opposite, after Mr. Ziprick reporting this for five years, are now encouraging action. This possibly is one of the most important comments by the Auditor and when he again after five solid years says they want to assure the public that they're getting full value for money spent and talks about some of the red tape that I alluded to and what have you, and I think that the establishment of this committee who, I submit, does a different role than an MLA examining the Estimates can certainly by the very establishment of the committee monitor the value. I think we would operate and carry out our duties a lot less expensively than a group of efficiency experts and I think after possibly next year we could evaluate the role of this committee and the MLAs on it as to what they've accomplished because it seems to me to be one of the most major ways of getting Cabinet to act. By that I mean changes in policy. Now I know Cabinet deals with a lot of minute details and small things and much to my surprise, again I just noticed a small item of a number of purchases of coffee and I alluded to the fact that what is the government's policy on coffee. Now I know it is humorous but the point is that if you get into moving companies, if you get into the purchase of coffee, or whatever you get into, you find out that the Cabinet is not aware or will investigate through the Auditor's comments that many many people through it becoming morally acceptable seem to feel that they haven't got the money in their pocket to pay for their own coffee so therefore they will just submit the bills to the taxpayers.

So while these are small details I think the establishment of this committee would allow us to get into the grey books and by the very examination of those expenditures raise questions that would help not only make government more efficient but cause a rethinking on behalf of many senior civil servants and possibly politicians as to why they are here, what they are doing and their role in protecting the taxpayers' purse. So I think the very fact that this committee would be allowed through requests to the Department of Finance to do some of the work themselves and not tie up expensive civil servants. I am quite sure that I for one would welcome the challenge to be able to cause some changes that would effect savings because in my area I am fighting to save a hospital, I'm fighting to avoid cutbacks in day care, I'm fighting for adolescent psychiatric care for juveniles and I have to explain to the women why they're getting roughed up and everything on the streets because these juvenile psychiatric people are running around the streets because there is no where to put them. And these are the kind of things that if I can do my job and save \$200,000 or \$300,000 then I would expect when I come forward for recommendation for my constituency that would be listened to based on the fact that I could say I've caused these changes to happen.

I don't think MLAs, the nature of the animal, is going to, between sessions, unless they are on a committee, going to take the time to investigate the Public Accounts thoroughly like Mr. Ziprick is alluding to on Page 22 where he says that we have to have more control and effective accountability for some of these expenditures. I think it is a very important message that he is giving us here.

**MR. MILLER:** Well, Mr. Chairman, I wanted to comment — I think Mr. Wilson commented about the fact that he finds it strange that the members of the former government are sitting on this side of the House and suddenly they're asking questions on the comptrollership and the function and the staffing of the comptroller's office — I am wondering whether the chairman or the present Minister would enlighten Mr. Wilson that in fact the staff man years to increase the size of the office were in fact passed at the last session, and I can tell him that an attempt was made to fill them and was bulletined but the number of applicants were very very low and apparently because the salaries offered weren't that attractive. I find it interesting that now there are apparently more applicants than in the past which maybe indicates what's happened in Manitoba in the last few months where any sort of job is obviously now something you grab onto. But I am just guessing at that.

I want to just say to the Minister that if the Minister would look back to 1974, 1975 where the new

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format in the Estimates, it was the year 1974, 1975 that two or three departments, the new format in the Estimates was put forward to the House, and that was the reference made by Mr. Cherniack, but as was indicated the House didn't appear to give too much attention to them, they prefer to use the old format that they are used to and found it more effective than the new format which set out objectives and so on and so forth and which we thought at the time would be more advantageous but the members didn't seem to take advantage of it.

**R. ZIPRICK:** I'd just like to comment on the format of the Estimates. Now the format of the Estimates in this summary form and any improvement is fine but what I was suggesting all along is that there should be more supportive information given behind the Estimates and the kind of information, the black books that are assembled, I can't see anything wrong with putting together and maybe refining them and submitting them to the Legislature as a support to the summary of the Estimates. So that then they could be studied and the information would be available in much more understandable form as to what's behind there.

Now I know that the Department of Health and Social Development have on their own accord supplied quite a bit of additional information. A number of MLAs mentioned to me that it was very helpful. I think it's much better to have the information before you a little while beforehand so that you can review it and think about it rather than have a summary and then the Minister has to provide from the black book a lot of detail that's been listed and queried back and forth. So in the first instance it doesn't have to be a very elaborate expansion and at a submission of these I would just introduce guidelines for departments so that there is some consistency but leave a fair amount of initiative for each department and naturally the department that does a better job of supplying the detail, that it's better understood by the taxpayers and by the MLAs, would be setting the pattern for others to follow. So I think with this kind of an initiative we could come up with something that would be much more informative, constructive and then this kind of estimates could be used as a measuring guide of what is actually performed.

**R. MILLER:** Mr. Chairman, I believe that Mr. Ziprick indicated that the Ontario system was something that we should of try to emulate and what I was trying to say was that in fact we introduced very similar to the Ontario system in 1974-75 fiscal year, the Estimates at that time, in two or three departments and that's what was being referred to. It was very similar to what the Ontario system was, was based on the planned program budgeting system and that was the attempt made at the time.

**R. ZIPRICK:** Yes, well that's the summary and I know that Ontario is not happy with the backup material and they are improving on their backup material, so the summary was fine, there was improvement but you can only go so far in summaries. It's the backup material that really should be available and Ontario didn't have it, I don't think they still have it but they are working on it.

**R. CHERNIACK:** Well, Mr. Chairman, I want to come to this in a minute. I just want to suggest that maybe it's a surprise to Mr. Wilson to know when he speaks of the establishment of this committee that it was established long before his memory would serve him and it's only a pity that we had to limp along these last eight years in that time without the benefit of his participation. Maybe now he can come Minister in charge of Public Accounts. . . .

**R. MILLER:** He can be hired as a comptroller, I'd say.

**R. CHERNIACK:** A comptroller? No, I'd leave it to the Premier to make him a Minister and have his responsibility — and he agrees with that, Mr. Chairman — so there we have his acceptance of the pointment.

On the matter raised in reference to this easing of the method of judging the Estimates, in effect I think that Mr. Ziprick is referring to possibly the Minister's book being distributed to all MLAs or Management Committee's review of the programs as reviewed for Estimates. Is it that kind of information? You yourself have been trying to get that information. Do you have it now?

**R. ZIPRICK:** Yes, it's accessible to us. It's pretty good, it could stand some refinement but, you know, being accessible to us, as far as I'm concerned, until it becomes a public document is that it really becomes a much more substantive commitment, that that's what it is. Now it should not be considered completely inflexible even when it becomes a public document because after all it's an estimate but then if changes are made there should be some reasonable explanation as to why changes are made, and I think through that kind of an information we can then do our job much more better to see that whatever is being spent is being spent for what the Legislature intended it to be spent because right now with the vague, general kind of appropriations that are approved, there is not really no way that we can make any kind of assessment of any consequence because these expenditures could fit in almost anywhere.

**R. CHERNIACK:** Then, Mr. Ziprick, what you're suggesting is that we follow sort of like theconsin or the American system where all the departments file with the Legislature what they think their needs are and then have the Legislature review them and set the amounts. That would in effect

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be what would happen if Management Committee program reviews were presented to all MLAs, and the Minister's book which contains all that information, but what you're suggesting would be a good way of management.

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

**MR. CHERNIACK:** Well that's interesting and I am sure the Minister of Finance has heard your suggestion, I am looking forward to hearing his comments, whether we get them now or later. Is the Minister prepared to consider accepting the recommendations of . . . ?

**MR. CRAIK:** Well in the go-arounds that we've had, we've looked at the options that have been discussed here. I think probably what people that have been through the operation of the Chamber would probably recognize is that the Estimates book, even as they are now, during Estimates debate provide and have to continue to provide a pretty wide range for members to do their questioning and a fair latitude for them to get into areas and often get off track as far as that goes in the exchange that takes place in the committee stage of Estimates review. And probably from what we've seen that if we want to improve the accountability of the government to the Chamber and the Chamber to the population, and generally through the MLAs, that perhaps one of the best vehicles would be to provide some sort of backup to the existing House book by way of members' house books to give some expansion of what's there and those who wish to follow up the detail and use it could and it provides continuity with what has been the practice, what the basic practice has done over the years as it now exists but gives that added information by way of supplementary information on the programs that are in the book.

**MR. MILLER:** That would be a summary.

**MR. CRAIK:** This would really be a two edition type of Estimates but that's about as far as we've gone. Now we're not going to have that in preparation for this session anyway so we will have another opportunity to probably discuss this again, as I indicated. But of all the options that have been available that appears to be the one that has recommended itself so far, but that's weighted pretty heavily by the thinking of people who have sat in the Legislature and seen the way it operates rather than from the pure accountability point of view, from the Provincial Auditor's point of view. So I think you have to have some sort of perspective on how the House operates before you come to a final decision on a basic change in format.

**MR. CHERNIACK:** Mr. Chairman, I want to make it clear that I am not playing politics in this discussion, I think it's much too serious. I have differed from the Auditor's point of view by feeling in my own mind that there's a distinct difference between the American legislative system of government and Canadian, and that there is much more accountability required from the Cabinet under the Canadian system of law making and legislation than there is in the United States where the party system and the responsibility of Cabinet is much greater in the Canadian system. I would not like to see that watered down by turning over to the Legislature a function which I believe is that of government itself and therefore I am pleased that Mr. Craik sees some advantage part of the way but not all of the way. I think that's very important to explore that and may I suggest to Mr. Craik that a mock-up of the kind of thing he's thinking of for any department would be of use by this committee inter-sessionally next year or this calendar year but after the session to see whether we could explore this. Because I do believe that Mr. Ziprick is asking for a different type of information which could be abused by people who are political. For example there are members on both sides of our Legislative House who would use this material to political advantage without a truly sincere desire to get a full exposition of the program and develop it. I said it on both sides of the House although I may have trouble visualizing which side of the House is more inclined to that type of person.

I don't really believe that it can be taken out of that adversary system that we have but I think that Mr. Craik's description of what could be possible would be of value and should be explored. — (Interjection) — I know but let him see what he could do because we did, we did it.

I may remind him, as I recall, we did Alberta, Ontario and Quebec in separate presentations, and then I think it was this committee that didn't vote but I think they picked one of the three as being the one that might be most useful and we then did that method for three departments. Now I don't think that they were as extensive as Mr. Ziprick described nor as extensive certainly as Mr. Craik described but they were an effort, and I watched with some disappointment the fact that the opposition didn't use those at all but set them aside and went by the old tried system. Well maybe it's worth trying again and I would really encourage Mr. Craik to try again and see whether the new Opposition can better adapt to a change.

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

**MR. ZIPRICK:** I would just like to indicate that although I agree it would be something like the

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American system, I wasn't suggesting the American system. I was suggesting essentially what Mr. Craik had said, that the Estimates that are voted be along the present lines in some reform, that the backup material be provided to the members of the Legislature and available to the public in much more detail, something like what is supplied to Cabinet. Then this backup material would be just information that could be studied and used to consider the Estimates and then the Estimates voted. This backup material would not be voted and be firm, it would be still flexible and subject to change until it would be available there so that when the Summary Estimates are considered for each department that backup material could be used and it would also be available to the public.

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

**MR. CRAIK:** I was just going to say, Mr. Chairman, that we haven't really considered the presentation of the Estimates as sort of the top priority in dealing with the recommendations of the Provincial Auditor. Although we've paid heed to his recommendations, we've been addressing ourselves primarily to some of the other areas that we felt were more important such as the comptrollership function. All I'm attempting to say is that we haven't considered it a priority at this point to get it done for this session.

**MR. CHERNIACK:** I'm very pleased with what Mr. Craik has said.

**MR. CHAIRMAN:** Are there any further questions on Page 22? Page 22 — passed. Page 23 - Mr. Galbraith.

**MR. GALBRAITH:** What I was referring to is actually on Page 24 but it deals with accountability for grants and transfers. The last paragraph, "Except for municipalities there were no management reports from the auditors available for our inspection." From this paragraph are we led to believe that our department would like to see management reports from hospitals and schools as well as from the municipalities?

**MR. ZIPRICK:** Yes.

**MR. CHAIRMAN:** Are there any further questions on Page 23? Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, may I ask whether the government has considered this commendation and what their reaction is.

**MR. CRAIK:** No, we haven't at this point given any priority consideration to it but we certainly haven't ignored it in terms of the long term.

**MR. CHERNIACK:** One other question. I'm just looking to see whether the Auditor audits any of these. Do you audit any of the hospitals or schools?

**MR. ZIPRICK:** No.

**MR. CHERNIACK:** You don't audit any of these and you now want to have a review process of their auditing requirement.

**MR. ZIPRICK:** Yes, I think that there should be a review process through the government in the legislature much along the same lines as municipalities. I just can't understand the inconsistency between the municipalities, the hospitals and the school divisions. The size of money involved is the same or greater. When the control over municipalities and accountability is much more stringent than for hospitals and schools, to me it's a pretty serious inconsistency at least to the extent of making them comparable. We don't audit any municipalities either but there is a control section in the Municipal Affairs Department that gets reports from the auditors, management reports. They are available also to me, we can examine them and if there are any management weaknesses that are reported then the department follows up. There isn't the equivalent for school divisions and for hospitals there is an inspection that is carried out by the Health Services Commission of their own in addition to the auditors. Now I think to that extent probably the use of the auditors is not being utilized fully in that management's reports are being made to the board of directors — at least I assume they are being made to the board of directors. The Health Services Commission inspectors, I don't know to what extent they use them but I'd certainly like to see them in Health Services Commission and be used as a means of the outside auditor, what he thinks of the management area.

**MR. CHERNIACK:** Doesn't the Manitoba Health Services Commission review hospital accounts?

**MR. MILLER:** All hospital budgets.

**MR. ZIPRICK:** They review all hospital budgets, they have their own inspectors, but their audit has

been centred on specific compliance to meet the federal expenditures and whatever-have-you. They have not been carrying out audits of the kind that for instance we do or the auditor does and so they shouldn't because there would be duplication. But the auditors carry out the audits; there are no management reports required to be submitted to the Health Services Commission and I think there should be.

**MR. CHERNIACK:** Well then you're not asking for the right to do it, you're asking that the Health Services Commission should be doing it to a greater extent.

**MR. ZIPRICK:** No, I'm not suggesting that we get involved in doing the audits of either the school divisions or the hospitals. I'm just suggesting that the present auditors, one is that their terms of reference be more specific because there's an inconsistency with the terms of reference in the legislation, in The Municipal Act, to the auditors now appointed as auditors for a municipality are broader than the terms of reference under the Health Services or the Hospital Act and the School Act. Their terms of reference could be broadened to include something along the line that the municipalities have and then ask them to make a report. There would be no need to carry out another audit. Their auditors are as qualified as we are or the auditors of the Health Services Commission. It's just a question of monitoring and getting the information.

**MR. CHERNIACK:** I assume that all of that is covered under your Exhibit 10 at the end of the book.

**MR. ZIPRICK:** What's that?

**MR. CHERNIACK:** Your Exhibit 10 at the end of the book deals with legislation.

**MR. ZIPRICK:** That's right. It shows the inconsistencies quite clearly.

**MR. CHERNIACK:** Do you have recommendations, specific ones, for the changes that you think ought to be brought in?

**MR. ZIPRICK:** Well Ontario, Alberta and B.C., Canada have recently come up with a new Legislative Auditor Act that requires the legislative auditor to oversee the accountability in a broader sphere including these kind of expenditures. If that kind of step was taken, as has been taken in the other places, then this legislation would not have to be expanded, it would be all covered under The Provincial Auditor's Act.

**MR. CHERNIACK:** Then you do want to do the auditing.

**MR. ZIPRICK:** No, it doesn't prescribe the audits. He's just required to look at what the other auditors are coming up with and then report to the Legislature if it's unsatisfactory. But he doesn't have to do the audit.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. ORCHARD:** I think basically your past comments have maybe answered my question. My question was arising out of the first paragraph where you indicate that there has been significant improvement in the departmental monitoring procedures but the accountability to the Legislature for these substantial expenditures of public funds by other entities is still unsatisfactory and inconsistent, etc. You've I think dealt with that.

**MR. CHAIRMAN:** Any further questions on Page 23? Page 23—passed, Page 24—passed, Page 25—passed, Page 26—passed. Page 27 — Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I wonder if Mr. Ziprick could advise us if when your auditors are auditing the books of the various departments do they look at the contracts that say a department has with a supply company or a contractor, when they're doing the audit?

**MR. ZIPRICK:** Yes, they do. I wouldn't say they look at all contracts but we look at sufficient contracts to satisfy that what is being done is satisfactory.

**MR. MINAKER:** Would you then know if, in the instance of the Churchill Pre-Fab Housing Plant contracts, in particular the ones with Manitoba Housing and Renewal Corporation, were they firm price contracts?

**MR. ZIPRICK:** I think they were, yes.

**MR. MINAKER:** They were firm price contracts. Then if in the instance of . . . say the Department of Highways had a firm price contract with a contractor to do a highway and he came back to

renegotiate prices, what would your reaction be to that if in fact the prices were just renegotiated?

**MR. ZIPRICK:** It would depend on the circumstances and if renegotiation is justified. Now in this situation it's an unarm's-length situation substantially and particularly in these contracts with the Manitoba Housing and Renewal Corporation, if the rates that were quoted were too low — and it's obvious that they were too low — your participation with the mortgage housing corporation, CMHC, may not be as much as it should be. So there probably should be every reason why it would be reasonable that there should be renegotiation.

**MR. MINAKER:** Did your department question the renegotiated contract?

**MR. ZIPRICK:** We've been examining this, the course of action that's being taken but it's substantially internal, largely somewhat internal and the big thing is: the higher prices, would they be acceptable to CMHC? If they are then CMHC as a more independent party would feel that the first contract was out of line for whatever reason.

**MR. MINAKER:** Mr. Ziprick, if I understand correctly in here, last year there was \$988,340 worth of contracts with MHRC and then at the end you indicate that a number of contracts were renegotiated and increased the prices by \$568,752.00. Does that mean that the contract then went to \$1.4 million or thereabouts? Or \$1.5 million for those houses?

**MR. ZIPRICK:** I guess if that's what it would add up to, yes.

**MR. MINAKER:** So in actual fact it was increased by some 50 percent or more.

**MR. CHAIRMAN:** Order please. That wasn't on the record. Would you mind repeating that so it's recorded.

**MR. ZIPRICK:** Yes, I'll just repeat it for the record. This here is only a tag end of expenditures for much larger contracts. If you'd look into last year's I think there was something like 4 million or more involved in contracts, so it's a renegotiation over the whole broad area of these contracts, so that would pertain to a much larger group.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Then why I raise the point, Mr. Ziprick, is, I was wondering if there is a different attitude taken by his department when it involves inter-department negotiation or basically government-financed, internally-financed operations. Is there a different attitude taken by the Auditor when the fact that well if this contract has been renegotiated with the Manitoba Housing Renewal Corporation, it's coming back from the general funds anyway?

**MR. ZIPRICK:** Well, you see, I think that first of all when these contracts were gone into, there was no experience and then that's a question . . . I don't know how, you know, when there's an unarm's-length environment, how you can create a completely arm's-length environment artificially and say "that's it". You've got to be influenced by the environment as it exists and this is what had existed.

Now the contracts let in the first place, I don't know. If it was a completely arm's-length environment it could well be that there would have been a much more in-depth study to arrive at the price, but in any event there was a renegotiation and as a matter of policy it was agreed to to make the adjustments.

On the basis of what we find it was not unreasonable, there was cost overruns but we can see that the contracts in the first instance were not as realistic as they could be.

**MR. MINAKER:** But they were firm price contracts.

**MR. ZIPRICK:** They were firm price contracts.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** That's all right now, thank you.

**MR. CHAIRMAN:** I think this would be a convenient time for us to adjourn. We'll come back to Page 27 when we come back tomorrow morning. Committee is adjourned and stands adjourned until 10 a.m. tomorrow morning.