

**Title: Wednesday, November 30, 2005 Public Accounts Committee**

Date: 05/11/30

Time: 8:30 a.m.

[Mr. MacDonald in the chair]

**The Chair:** Good morning everyone. I would like to call this meeting to order, please. On behalf of each and every member of the committee I would like to welcome everyone in attendance. Before we move to the approval of the agenda, perhaps we could go around and quickly introduce ourselves, starting with the vice-chair.

[The following members introduced themselves: Ms Blakeman, Mr. Danyluk, Mr. Eggen, Mr. Johnston, Mr. Lindsay, Mr. MacDonald, Mr. Oberle, Mr. Prins, Mr. Rodney, Mr. VanderBurg, and Mr. Webber]

**Dr. Taft:** Hi. Kevin Taft, Edmonton-Riverview.

**Mrs. McClellan:** Shirley McClellan, Minister of Finance.

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn, Mr. Hug, and Mr. Ryan]

[The following departmental support staff introduced themselves: Mr. Manning and Mr. Wiles]

**Mrs. Sawchuk:** Karen Sawchuk, committee clerk.

**The Chair:** Also, I see in attendance this morning, Mr. Brian Mason, the leader of the third party. Thank you.

Item 2 on the agenda. The agenda was circulated earlier. May I have approval of the agenda please? Moved by Mr. Webber that the agenda for the November 30, 2005, meeting be approved as distributed. All in favour? Thank you.

**The Chair:** I would like at this time to welcome George Rogers, the member from Leduc.

**Mr. Rogers:** Leduc-Beaumont-Devon.

Good morning. Thank you.

**The Chair:** Leduc-Beaumont-Devon. Excuse me.

I would like to remind members that the committee agreed last week to complete its questions to the minister by 9:40 this morning in order to have sufficient time to consider the motions tabled first by Ms Blakeman and by Mr. David Eggen at last week's committee meeting.

If there are MLAs in attendance other than committee members, I would like to remind you that they are certainly entitled to participate in the proceedings this morning under Standing Order 53 but may not vote according to the Standing Orders of the Legislative Assembly.

**Mr. VanderBurg:** I wonder if at 9:35 those that haven't had their opportunity to ask their question could ask it with the minister here, and then she can provide the answers in writing?

**The Chair:** Yes, we can certainly do that, and those written responses will be through the committee clerk to all members of the Assembly. Thank you, Mr. VanderBurg.

Now, I would like to welcome the hon. Mrs. Shirley McClellan, Minister of Finance, and her staff at the back. Would you like to introduce any of your staff members?

**Mrs. McClellan:** I think they're okay.

**The Chair:** They're okay. Okay.

**Mrs. McClellan:** Unless you want to introduce everyone that's at the back.

**The Chair:** No. That's fine.

In light of the time constraints this morning I would ask you to please give us a 10-minute overview of your department.

**Mrs. McClellan:** The first thing I would say is that they're all very dedicated people who work on behalf of the people of this province on a daily, evening, and often weekend basis. I appreciate their being here. I am pleased to have my deputy and Tim Wiles, our comptroller, with me.

I'd like to acknowledge the Auditor General and his staff that are here.

I'd just point out to the committee that in late November of 2004-2005 the ministry became responsible for the former responsibilities of the ministry of revenue. At that time the two departments were combined and became the Ministry of Finance.

I'm not going to take a lot of time. Just a few highlights. In the year that we're examining, the total revenue was \$29.3 billion. The net revenue, which is revenue minus expense, prior to the sustainability fund and capital fund transfers was \$5 billion. This was \$4.8 billion higher than budgeted and \$1 billion higher than '03-04. The total expenses were \$24.3 billion, or \$1.6 billion higher than was budgeted.

The unmatured accumulated debt at the end of the year was \$3.475 million, and \$3.479 million was set aside in the debt retirement account to retire this debt as it matures. There is more than that in the debt retirement account for a couple of reasons. One is, of course, to cushion against market rate fluctuations, and the Fiscal Responsibility Act has been amended to require that the financial assets in the DRA must be equal to or greater than the amount of the accumulated debt at year-end. So that's why you would find more money in there than the actual debt.

The Alberta sustainability fund net assets at the end of March 2005 were \$3.5 billion, which is \$1 billion higher than '03-04; \$696 million of the surplus was deposited into the sustainability fund after March 31, '05. The capital account net assets at March 31, '05, were \$674 million, which was \$506 million lower than '03-04.

Just a very brief comment on the Measuring Up report, which is included in this – you may have questions on it; it is included in our annual report – just to say that we've made progress towards achieving goals that we have set out that are important to Albertans. Of course, the results of those are found under People, Prosperity, and Preservation.

As the vice-chair indicated, not only would I be pleased if you can put on the record your questions that we might not get to, but if there are questions that require a more technical or a fuller answer than we might be able to provide verbally, we will very carefully review all of the transcripts of this and with great dispatch get the responses back to members in writing.

With that, Mr. Chairman, I think we should get right into the questions, seeing we're a bit constrained for time this morning.

**The Chair:** Thank you. I really appreciate that on behalf of the committee.

Mr. Dunn, do you have anything to add at this time?

**Mr. Dunn:** I will be ever so brief.

Mr. Chairman, as mentioned at our meeting on November 16, the Ministry of Finance is responsible for a very wide range of government activity. I'm going to direct the committee members to a number of references from our 2005 reporting to the Assembly. First, I'll go to our annual report, the 2005 annual report. In the cross-ministry section we have recommendation 4 on page 38, that "Finance develop guidance relating to the purpose, definition and use of societal measures." In our opinion societal measures without targets are not a substitute for good performance measures.

On page 42 we provide an update on the Department of Finance's progress on improving internal control within the various departments.

On pages 47 to 51 we cover our work on the government of Alberta Annual Report. There are no recommendations, but we note that an expanded reporting entity scheduled for the year beginning April 1, 2006 – that's this fiscal year – "would result in a significant increase in consolidated net assets"; that is, a significant increase in the accumulated surplus of the province.

The Ministry of Finance section of the report starts on page 185. The two numbered recommendations relate to Alberta Treasury Branches. The first, recommendation 32 on page 193, repeats a recommendation made in 2003 that ATB should "ensure its lending officers comply with corporate lending policies." We acknowledge that "ATB has started to clarify, streamline and simplify its lending policies" and believe that this initiative should help its lending officers to more effectively manage credit risk. The second, recommendation 33 on page 195, repeats a recommendation made in 2000 that ATB "ensure branch processes comply with corporate policies and procedures."

Next, the report on the Alberta Securities Commission's enforcement system. This is a result of our systems audit on the enforcement system. Each member of the committee should have a copy of this report, released to the Assembly on October 27, 2005. The report identifies significant matters in three areas where the commission must strengthen its management control systems and processes for enforcing Alberta securities law. A list of the nine recommendations that we made to the commission and the one recommendation that we made to the Minister of Finance starts on page 4 of that report.

Those are my brief opening comments, Mr. Chairman. I and my staff will answer any questions directed to us. Thank you.

8:40

**The Chair:** Thank you very much, Mr. Dunn.

Before we proceed with questions, the chair would like to remind all members this morning that we are dealing specifically with the reports from the Auditor General on the Securities Commission, the annual report of the Auditor General for the year 2004-05, the Alberta Finance annual report for 2004-05, and the Government of Alberta annual report for the same year. This is not a policy committee. This is to look into the public accounts of those reports.

With that, Ms Blakeman, you were here, and you were indicating that you were anxious to start, so please proceed.

**Mr. VanderBurg:** I would also ask that maybe you'd provide page numbers from which report you're talking about. We have a lot of reports in front of us, so make it easier for everybody involved.

**Ms Blakeman:** Of course. I'm directing everyone's attention to the annual report of the Auditor General of Alberta, page 199. This is concerning the Alberta Securities Commission. There are audit findings around hosting expenses, and I'll briefly quote. This is around dinners that were looked at.

At one dinner, eleven bottles of wine were purchased for twelve dinner participants. At a second dinner, over half of the \$2,468 dinner bill for an unknown number of participants related to liquor purchases.

My questions are to the minister. What changes have been made to agency policy as a result of this, or is this considered acceptable hosting expenses?

**Mrs. McClellan:** Well, it may be considered acceptable in some areas. The Securities Commission members have reviewed it, have committed to putting in new guidelines. I believe, if I'm not mistaken, that their target to have those completely in place was January 1 of this year, so 31 days from now, and to ensure that their hosting will bear great scrutiny and should be appropriate for other commissions or boards that might host similar activities. So, yes, they've committed to change. They've committed to deal with that, and they will be responding to the Auditor General as to what changes they've made.

**Ms Blakeman:** Okay. Specific to this incident, then, can the minister explain what legitimate and productive business was conducted while 11 bottles of wine were consumed?

**Mrs. McClellan:** No, I can't. I wasn't present at the meeting.

**Ms Blakeman:** But you're the minister responsible.

**Mrs. McClellan:** That's right. I'm not denying that, but I was not present at the meeting. I don't know the answer to that. I would expect and it would be all of our expectation that any meeting of the commission would be productive. As to whether wine would influence that, I couldn't tell you because, frankly, I haven't personally had that experience.

**Ms Blakeman:** It's almost one bottle per person.

**Mrs. McClellan:** I can divide.

**Ms Blakeman:** Okay.

**The Chair:** Thank you.  
Mr. Prins, please.

**Mr. Prins:** Thank you very much, Mr. Chairman. In March of this year Bill 19, which was the Securities Amendment Act, was passed. There were a large number of amendments in this bill. The intent of the bill was to harmonize Alberta's securities regulations with other provinces' and territories', providing greater protection for investors and making it easier for businesses to access capital markets in more than one province or territory. Have businesses, in your opinion or knowledge, reported seeing any benefits from this legislation?

**Mrs. McClellan:** The member is talking about the implementation of the passport system, I'm sure, which was agreed to by all provinces and territories with the exception of Ontario. That came into play on September 19, and what it accomplishes is a harmonization of filing, in particular, so that if you file with a regulator in one province, that filing is accepted by all of the others. The feedback that I've had has been general rather than specific from companies that would file. I don't generally have conversations with them, but in talking to the Canadian Bankers' Association, for example, to investment dealers and so on, they believe that it will be very helpful to all of the people who work in the market. That is the purpose of

the passport system: to make sure that we have harmonization of regulations, harmonization of filings, and so on.

It's a very short time since it's been implemented, but at our discussion at the meeting of ministers of securities regulators about a month and a half ago there was very good feedback. We do have some provinces that are just in the process of concluding their legislative changes because of the timing of their Houses. So it's moving along well. The business community, from the general organizations that I have talked to, feels that it is very definitely a step in the right direction and will ease the burden of how they have to file and disclose and so on.

**Mr. Prins:** Thanks. I do have another question, and that is: because it's quite a short time since it's been implemented, do you have any plans to introduce specific performance measures to track the success of this legislation?

**Mrs. McClellan:** There will be and are being developed in those areas ways of measuring and ensuring that this has happened. That will continue to develop as we more fully can implement all provinces into the system. It's still our hope that we will have all provinces on the same system. It is a bit inconvenient to have to file in Ontario separately from the rest of Canada, but we're working on those issues.

Ontario has been a part of the discussion as an observer because they haven't been a full participant. They have been at all of the meetings. Their officials were at meetings when we've been developing this passport system, so in that way we're harmonized, but Ontario has had a working group that is looking at what they think might be another solution on national regulation. They were to deliver that paper in September. We don't have it yet. We're anticipating it might be December. Once we have that, of course, we'll be looking at it as a group of provinces and territories and responding to it because what we want to build is the best system in Canada for ease of investors to understand how our system works and to participate in it.

**Mr. Prins:** Thank you very much.

**The Chair:** Thank you.

Kevin Taft, followed by Len Webber, please.

**Dr. Taft:** Thanks, Mr. Chairman. My first question actually is referring to page 29 of the Auditor General's report into the Securities Commission. It's a question to the Auditor General, actually. I'm on the fourth full paragraph on page 29 with the subtitle "Trading activity by employees – the Director of Enforcement." Basically, my question to the Auditor General: given that you've stated that the director of enforcement made significant gains conducting what really looks like insider trading of the ASC, do you feel that this person should be subject to some kind of disciplinary action? Would you recommend disciplinary action to the minister or to the commission in this circumstance?

8:50

**Mr. Dunn:** As all members will appreciate, we took some length in our report, a relatively thin report, in describing this area because to us it was a very important area. I'm just going to look at some matters that did not make their way into the report. We talked about the principles of the members' code of conduct policy, members' and employees'. It states in there that you must buy securities only with investment intent. You must not participate in "short-term, speculative trading with rapid turnover." That's from the members'

policy. From the employees', very much the same: you must not buy or sell securities of any issuer if you know or based on your responsibilities at the commission you reasonably ought to know that the issuer or its principals are involved in any current or pending investigation, formal or otherwise, or enforcement by the commission or to which the commission is a party.

That's the overarching principle. The principle behind their whole code of conduct sits with: you should not be trading or speculating in securities; you may invest for purposes of a long-term hold. In my experience, long-term investment for a hold is measured in years, not months or weeks. So because of that overarching principle that anchors their code of conduct and conflict-of-interest policy we took some time to explain this situation.

So back to your question: how important is this? It's very important. That is the most senior person, responsible for the director of enforcement. That's why I took time to explain when asked by the media: is this a serious breach? I believe it's a serious breach of their code of conduct. Whether or not he should be removed or chastised or otherwise disciplined, that is up to the commission to decide. What I believe is important is for the code of conduct to be properly understood by commission members and its employees and to be effected.

Remember that there are three parts to their code of conduct: one, identify the issue, which we did, and they acknowledged that we identified it; two, when identified, report to your superior in writing; and three, develop a mitigating action plan. Neither two nor three were done. There is nothing in writing. It was a result of my staff matching two different databases that came to the observations not just with the director of enforcement but also commission members. Through that, we identified it. They should have then put it in writing and developed an action plan, neither of which were done.

So to your direct question I am not going to answer whether or not he should be dismissed. However, that decision should be considered seriously, and the question should be responded to by the commission.

**The Chair:** Thank you.

Second question, please.

**Dr. Taft:** Thank you. Then my second question, I guess, is to the Minister of Finance. I mean, this sounds like a complete breakdown of the code of ethics and a very serious one. I'm still, obviously, on the same page of the report. Can the minister explain, given all the evidence we have, why four ASC whistle-blowers lost their jobs for bringing evidence forward, while the senior employee, the senior enforcement employee, in fact, linked to an insider trading deal, remains in a position making an annual salary of \$246,000 without any disciplinary action? There's just no fairness, apparently, at work here. Can you explain that?

**Mrs. McClellan:** Well, first, I want to make a comment on your assumption. I don't know that three of the four you are referring to were part of what you term whistle-blowers. I have no way of knowing that. I have received nothing with signatures on it from people to match those signatures to people who may have been terminated.

Secondly, I would remind the hon. member – and I think he full well knows this – that if an employee is dismissed and they believe without cause, there is recourse. It's called wrongful dismissal.

**Dr. Taft:** Yes, and they're seeking this in numbers and millions of dollars.

**Mrs. McClellan:** In numbers? In numbers, sir?

**Dr. Taft:** Yes.

**Mrs. McClellan:** I know of one. That is singular, not plural. I do not know of others.

You know, part of the problem with this whole issue is exaggeration at times, I think, maybe not intentional, but it happens. It's allegations, unsubstantiated, and I find that difficult.

Now, back to the subject at hand, the commission has reviewed this very thoroughly. They have taken action, and whether they make that public is commission business, but I am satisfied that they have had a thorough review. I have never suggested that it wasn't a breach. What we looked at was: was it intentional? Was it inadvertent? The determination was that it was not intentional. They will be responding to the Auditor General on the issue of conflict of interest. It will be tightened up. There will be measures put in place to ensure that the cross-checking, which was where this action broke down, happens.

I've explained before that if you understand how these things work, these investigations are confidential for very good reason, because until a determination is made on the file, there could be harm done to participants in the investigation. So there isn't a list of companies that are under investigation tacked on the wall, but clearly they have to have in place – and the Auditor General in his report has recommended that they have – a process that will ensure that there is cross-checking.

All members have to do disclosures on trading. We've had a number of conversations on staff trading. We'll continue to have those. We'll continue to seek advice from the Auditor General on those issues, but I can assure you that those for future action – we take the Auditor General's report and all reports that I've ever had from the Auditor General as a useful tool for improving systems. We take this report in the same way.

**The Chair:** Thank you, Mrs. McClellan.

Mr. Webber, please, followed by David Eggen.

**Mr. Webber:** Thank you, Mr. Chair. I'd like to refer to page 193 of the Auditor General's report, 2004-2005, the Alberta Treasury Branches. Now, I know that Mr. Dunn briefly referred to the ATB in his remarks this morning, but I'd like to go back to recommendation 32, which states: "We again recommend that Alberta Treasury Branches ensure its lending officers comply with corporate lending policies." I just would like to ask the minister: what is ATB doing to address this?

**Mrs. McClellan:** Well, the Auditor General has laid out a number of areas in this, including branch compliance. The ATB has acknowledged that it does have some internal compliance issues with its lending policies and in their business plan have taken a number of steps to improve this. One, they started by doing an in-depth lending policy review. They are benchmarking business lending policies and procedures to industry requirements, which I think is a very important action. They are amending their policy on when business borrowers are required to report back to the industry standard, and they are clarifying their lenders' lending limits and applying technology to the loan authorization process, which should help a lot. They are implementing a checklist to ensure that loan applications are correctly filled out in branch offices. It seems that that is perhaps more the issue at the branch level. The Auditor General might want to comment on that. It's documentation ensuring that the forms are fully filled out to ensure that they do

meet their corporate and business lending policies. I don't know if it's even appropriate for me to ask you to do that.

9:00

**Mr. Dunn:** Yes. Well, on page 194 we lay out under the bullets here a number of matters that came to our attention. As we say, it wasn't just noncompliance with the documentation. I know that I get frustrated when people say that it's only paper and that it's bureaucrats who want more paper. It isn't. It's also the fact that there are a high number of these loans, a high number of loans that didn't meet it. It's all about income verification, avoiding bad debts, properly assessing your security, being able to effect and enforce the collection of those loans, should they go into a default. It's beyond just the documents in place; it's: do your work up front to avoid a bad debt, and if you should run into a bad debt, make sure that you can effect the collection of that. That's why we have emphasized the importance of that.

The other matter, just briefly, back to the member when he raised this question – thank you very much – is that for the last three years ATB had a project to redesign the processes, and then they stopped. This has been a bit of a frustration with that entity. They have said: we'll do something, and we'll redesign; we'll effect. Then they stopped.

I think that, Jim, maybe you want to comment on this briefly, that that is something that that entity must now start to do: follow through on their processes and their projects.

**Mr. Hug:** Yeah. Certainly, the Auditor General has characterized it correctly. This has been an issue that has been outstanding for some time. ATB has made a number of attempts to try and correct the problem. For whatever reason they haven't been fully successful. I think that now they are focusing on their policies, as the minister has indicated. Hopefully this will lay the groundwork, then, for them to put a process in place which will ensure that there is compliance with those policies by the lending officers.

**Mrs. McClellan:** So to just sum up . . .

**The Chair:** Thank you, no.

Second question, please. We have a very long list.

**Mrs. McClellan:** Yeah. I'm sure that you do.

**Mr. Webber:** Great. Well, thank you all.

I'd then go to page 195 for recommendation 33, which states: "We again recommend." Now, while I realize that the ATB is an arm's-length organization, it does fall under your jurisdiction, Madam Minister. Why haven't you as the minister taken action to ensure that the ATB does comply with the Auditor General's report?

**Mrs. McClellan:** Well, I can assure you that ATB have a very strong message that they are to show progress. I think Mr. Hug properly indicated that they are taking this seriously. The Auditor General will be looking carefully, as will I, to ensure that at the next instance of reviewing this, strides have been taken to ensure that those policies are in place and followed.

**Mr. Webber:** Thank you.

**The Chair:** Thank you.

David Eggen, please.

**Mr. Eggen:** Thank you, Mr. Chair. I appreciate Mr. Webber's

questions on ATB, and that's where I would like to focus as well. The Auditor General's report on page 194 lists quite a number of disturbing lending practices that seem to have been happening for a number of years. Although it was partially answered by the last series of questions, I would like to ask the Auditor General himself: why do you think it is that ATB seems so out of step with the established industry rates or practices for lending? This issue of incorrect financial ratios, income verification, lack of authorization: I mean, all of these things in any other lending institution would be a recipe for the business not functioning. Why do you think it's so different at the ATB?

**Mr. Dunn:** ATB, as you appreciate, lends only in Alberta. It has been dealing with a very hot economy over the last number of years. Also, I believe it has 242 branches in all rural parts of Alberta, and it struggles with appropriate number of staff, being able to both retain those staff and train those staff in order to comply with their policies. So a lot of these matters are a result of their very extensive branch network.

**Mr. Eggen:** Okay. Thank you. My supplemental to that, then, to the minister: considering that we've had similar concerns expressed by the Auditor General for the last three years, could you perhaps commit to a timeline when we might see some of these issues resolved? You know, it's a problem.

**Mrs. McClellan:** Well, sure. As I indicated in my earlier response, in ATB's business plan they have committed to a number of steps to correct this. We will be following up. They know that the Auditor General will be following up, and we expect significant progress in these areas.

They do have a very extensive branch network; there's no question. They all fight, as the Auditor General said, for talented staff. We have, you know, the most robust economy in Canada. But it's important that they have good staff training procedures to ensure that all staff, whatever branch they're in, are familiar with their procedures and policies and that they follow them.

I would note on the positive side that ATB does have a very positive lending record. That is not in question here, in my view. But to ensure that you have that, you have got to have those other things in place, particularly maybe in this economy where there is so much more activity.

**Mr. Eggen:** Thank you.

**The Chair:** Thank you very much.

Mr. Oberle, please, followed by Ms Blakeman.

**Mr. Oberle:** Thank you, Mr. Chair. I guess it's ATB morning. I had a couple of questions along the same line. On page 195 of the Auditor General's report, third paragraph and again on the same subject, the Auditor General alluded to this, that ATB's management had a credit operations group to analyze lending compliance issues. They didn't do so, and "the Credit Operations group was disbanded." To the minister: is there a formal group or an individual charged with this now in the ATB, and is the progress of that group being monitored with performance measures and timelines?

**Mrs. McClellan:** I can't tell you that. I can tell you that, you know, I don't involved myself – and you wouldn't want me to – in the operations of ATB. My responsibility is to ensure that they comply with the legislation that they operate under and the regulations and all of their business plan and code of conduct and all of those things. That's really more my responsibility.

I will make a commitment to you to ask that question. I haven't asked as to the process that they're going to use to get there, but that could well be what they've determined. What I've determined is that they are going to get there.

**Mr. Oberle:** Okay.

Supplemental to that: could you describe for me the scope of this issue? On page 405 of your annual report, in the financial statements I see a loans and accounts receivable writeoff of \$23 million for ATB. How does that stand relative to their total portfolio, and how do we compare to industrial?

**Mrs. McClellan:** Can you give us a minute on that because we're going to have to find the portfolio and do the percentage here?

Yeah, the loans are about \$6 billion and the writeoff \$23 million. I would say that that's outstanding performance, and I think any bank would agree.

**Mr. Oberle:** Okay. Thank you.

**The Chair:** Thank you.

Ms Blakeman, followed by Fred Lindsay, please.

**Ms Blakeman:** Thank you. I'll refer the minister to the Report of the Auditor General on the Alberta Securities Commission's Enforcement System, this special report. On page 21 here the Auditor General is commenting on 11 case files that were identified in which they were told that these cases were either "the subject of inappropriate management discretion" or "concluded without action in the face of promising evidence." Later on the page, towards the bottom, it says, "we found the most sensitive or potentially high-profile cases to be the most poorly documented." So my question is to the Auditor General. Did the possibility of criminal activity occur to you and your staff when you saw how little was in the files?

9:10

**Mr. Dunn:** I'm going to also ask my lead principal, who was on that assignment, to supplement my answer. We received information from external sources regarding files that could be, in their opinion, questionable, and it was from that information that we determined which files we would look at. The reason why we isolated those 11 from the other 71 – there was a total of 82 – was because this was information that had been provided to us during the course of our examination or prior to our starting the examination, the audit.

When we focused in on those, we did use our specialists to assist us in this regard – those specialists, as I'll repeat to everyone, had significant experience with the Ontario Securities Commission as both the executive director and the director of enforcement – to determine: is it appropriate to have this series of documentation? It was at that time that it was: no, this is not sufficient documentation.

We then supplemented the information that was contained in the files by going to talk – and we talked to many of them under oath, using our compellable witness provision, 14.1, to then get additional information from them as to: who did you speak to? Why did you get involved? What else was done regarding the conclusions being reached here? It was bringing that cumulative information together with what was in those files that allowed us to conclude at the end of the day that we do not believe that they arrived at any inappropriate conclusions. However, there has to be a significant change in how they do their work.

Maybe through to you, Ed. You met with everyone. Maybe you can just remind people how many people you did speak to.

**Mr. Ryan:** We spoke to a total of 38 people, seven of whom were interviewed pursuant to section 14.1 of our act. To answer your question: yes, we were ever-vigilant to the possibility of criminal activity both on the part of the person, the subject of the file, but also cognizant of the fact that the people handling the file internally have certain statutory obligations as investigators, as legal counsel.

As the Auditor General pointed out, some of the files were not well documented. Now, in a case where we found a file, and we found several, that was poorly documented, we in effect reinvestigated or brought forward other evidence to affirm our understanding of how the file was handled. We found that in cases of some sensitivity, where higher levels of the organization, in our estimation, quite rightly were notified and their wisdom or experience sought in a particular matter, didn't tend to put a memo to file, didn't tend to fully rationalize their thought process before issuing instructions – we would go back to that person, take a statement, spend some time with them. So we, in effect, reinvestigated what was not on the file to come to a conclusion.

I'd like to reaffirm also the Auditor General's comments that our team was very experienced. We spent a lot of time discussing these files. We gave it a great deal of attention.

**The Chair:** Thank you.

**Ms Blakeman:** I have to ask: how do you know that there weren't documents taken from the files that you never found?

**Mr. Ryan:** From the information on the file and our experience we would expect to see certain documentation if it would be available. There were never any voids that we found in those cases once we got down to it. For instance, if a particular letter of complaint referred to supporting documentation, that documentation was there. For instance, if a letter of complaint or an investigational report referred to another document that was corroborative of the theory that was being brought forward, we were able to find that document. We were ever-vigilant going through there.

These folks, our two consultants from the OSC, had a combination of 20 some-odd years in enforcement in the securities industry. My background is quite extensive in that area.

**Mr. Dunn:** Maybe what I could do is just supplement here. Remember, we spoke to people on both sides of the question. We spoke to those who felt that there could have been more discipline or diligence applied. We also spoke to those who had come to the rational conclusion that sufficient work had been done, the conclusion being: we will not go forward. I'd expect that if any one of those 38 people we met had felt that something had been removed or had been taken from our scope or our attention, they would have brought that to our attention. We did rely on their representation to us, that if they had a complaint about a matter that was inappropriately handled and there was information or evidence they knew should have been in those files, they would have brought that to our attention.

Let no one be of any misunderstanding. Clearly, there were some people who felt that in their experience they could have gone further with a complaint, others who felt that they could not defend or properly support that position. There was conflict and controversy. The preponderance of the decision-making came down on the side that: we will handle it this way. That didn't mean to say that it was unanimous, but it meant that there was consensus on how it should have been handled.

**The Chair:** Thank you, Mr. Dunn.  
Mr. Lindsay, please.

**Mr. Lindsay:** Thank you, Mr. Chairman. My question is to the Minister of Finance. On page 22 of the government of Alberta annual report under Revenues, schedule 1, the actual nonrenewable resource revenue was \$9.7 billion, which was more than double the amount budgeted for. Could you explain how this budget number was arrived at and what circumstances caused the large differential?

**Mrs. McClellan:** Well, oil and gas are where we have our greater variance. The most stable, predictable income revenue stream we have is actually tax revenue, and I think that's quite understandable. I don't have to explain that. Oil and gas forecasts are based on forecasts from a wide range of private-sector forecasters and experts. No one expected gas and oil prices to be as high as they were. In fact, our staff did some work on taking about 10 years out and comparing what our estimate was and what the private-sector analysts said it would be. While we were over budget in many of those 10 years – I think there were only two years that we were actually under, and frankly I prefer to be over, not under – we were not that far out of line with the private-sector analysts. You would expect us to be prudent and conservative in our estimates as to the private sector.

Today, as you've seen over the past months, especially over the summer, energy prices continue to be highly volatile. We're reminded that an incident in the world, because it's consumed by the world, can send the market into some very volatile situations. That's one of the reasons that we do quarterly assessments and updates. Every quarter we adjust those, and you've seen first- and second-quarter adjustments made in our energy assumptions. We'll continue to do that. So I think that if you look at what we have in our budget book for those years, you'll see that we're not that far out with the private-sector analysts. We were I think in the good situation of understating our budgets.

We have to build an operating budget on a sustainable revenue forecast. Considering that over 70 per cent of our budget goes to social entities like Health, Education, Children's Services, Human Resources and Employment, they have to have predictability that they can provide those services. It's very difficult for them to adjust when so many of their dollars are spent in salaries to provide those services. So we do have a conservative budget on the operating side, no question. I think it's the right policy.

9:20

**Mr. Lindsay:** Thank you very much for that explanation.

Again in that same report, on page 36 under total income tax revenue it was a little over \$7 billion. However, it's interesting to note that the actual personal income tax revenue was under the budgeted amount while corporate income tax revenue was higher than budgeted. It seems that these two revenue sources are interrelated. Could you comment on this variance?

**Mrs. McClellan:** I can, and I might ask Tim Wiles to give a further explanation because I think this is an important part of our revenue stream. Generally, on the personal income tax side it was a negative adjustment to revenue due to an overestimation of the previous year's tax. The corporate was certainly primarily due to effects of higher corporate profits because of higher than expected energy prices. Sometimes we have those adjustments because, of course, we work with the federal government on the tax side.

I'm going to ask Tim just to give you a little further explanation on that.

**Mr. Wiles:** Yeah. When we're looking at our tax revenues, we really look at two sources of information. We do some estimations

based on some modelling that we do internally, and then we look at the cash receipts as well. For the corporate side we collect and administer our own tax, so that information is more readily available. On the personal income tax side we're reliant on the federal government through the Canada Revenue Agency to give us some information. There are time delays in the information we get. That's why in this particular year we had an adjustment that affected us this year that related to the prior year.

The other thing that happens is that when we get that kind of adjustment from a prior year, it has an impact on our current year estimation as well, so you kind of get a double whammy in the year that those adjustments come through. That's why we had a significant downturn on the personal income tax side.

**The Chair:** Thank you.

Kevin Taft, followed by Ray Danyluk.

**Mr. Mason:** Mr. Chairman, I'd like to make a point of order, if I may.

**The Chair:** Proceed.

**Mr. Mason:** The standard practice in this committee is to rotate between opposition and government members and to go through the list systematically so that each member gets a turn. You have now called on Dr. Taft for his second question. I came in and put my name on the list before the committee commenced, and you have not let me take my turn. You have let Ms Blakeman go ahead of me twice. You're now letting Dr. Taft have a second question. You're refusing to recognize my request to speak, and I would like to know why.

**The Chair:** Certainly. There is a list prepared. Members come and ask to be put on the list, both government members and opposition members.

**Mr. Mason:** And Dr. Taft asked twice before the meeting?

**The Chair:** He certainly did. Ms Blakeman approached the clerk in advance of the meeting and asked.

I will correct you, Mr. Mason. The meeting had started before you arrived.

**Mr. Mason:** That's not true.

**The Chair:** I think the record will indicate that.

**Mr. Mason:** That's not true.

**The Chair:** The list was prepared, and we're following the list.

There is no point of order here. We will continue.

**Mr. Mason:** Mr. Chairman, you are abusing the chair for partisan political purposes as a member of the Liberal opposition to deny equal rights to the New Democrat opposition. You are abusing the chair, and you should step aside.

**The Chair:** I'll tell you what we will do. The chair will step aside. It is unfortunate that this is happening. We have such a long list here. We have the vice-chair, and the committee can vote very quickly on the list as it stands. It is very unfortunate. We have an important ministry here.

**Mr. Mason:** It's unfortunate that you're abusing the chair . . .

**The Chair:** No.

**Mr. Mason:** . . . for Liberal reasons.

**The Chair:** The chair will withdraw. The vice-chair will vote on the ruling on the point of order. Those are the Standing Orders.

Thank you.

[Mr. VanderBurg in the chair]

**The Deputy Chair:** Well, I think, colleagues, that we've come to an impasse, that we haven't had, quite frankly, since I've been co-chair. I think all of you have respected the chair and the co-chair in the process that we've had since I've had this opportunity.

We've clearly started with the opposition, gone to government, gone to opposition, gone to government. I've watched this list very, very carefully each and every Wednesday morning, and I have to tell you that the chair has been fair. Many, many times we've gone through this process, and we haven't had trouble to date.

I'm going to leave it up to the members. If you feel that Mr. Mason has been treated unfairly, we'll move him up on the list. I'll give you the list as follows: next speaker is Kevin Taft, Ray Danyluk, David Eggen, Dave Rodney, Brian Mason, Art Johnston, P.H., D.G., L.B., Ted Morton, K.T., George Rogers, David Eggen. So, I mean, we've got quite a list, and it goes opposition. I'd ask the members, if they want to keep the list as is, to vote yea. I just want a confirmation of the list. Or do you want to put Mr. Mason higher on the speaking order?

**Mr. Lindsay:** There was also the allegation where Mr. Mason said that he was here at the start of the meeting, and the chair indicated that he came in late. Before we vote, could we get clarification on that as well?

**The Deputy Chair:** Okay.

Do you have that?

**Mrs. Sawchuk:** Mr. Chairman, I do know that the chair, if I recall correctly, did also introduce Mr. Mason as he was entering the committee room after all the other members around the table had introduced themselves.

**Mr. Mason:** I was coming back with coffee.

**Mr. Eggen:** He was coming back with coffee, yeah.

Perhaps if I could just offer my observations. I think, you know, in the interest of fairness, that we've had some lack of clarity with the list from the time that I've served on the committee. The general consensus is that people are here, and everybody gets a chance to speak once. Mr. Mason was in fact here. I said good morning to him. He put his name on the list, came back, and went to get coffee. That's all. So let's try to look at something reasonable here.

**The Deputy Chair:** You know, we can talk about this, and the minister's time will be up. It's up to you.

Dave Rodney.

**Mr. Rodney:** Thank you, Chair. I appreciate Mr. Mason's passion. We're all passionate about this. We care about Alberta and its finances.

There is the opportunity to ask questions in question period. That

happens. There is an opportunity here. I walked in before the meeting and got my name on the list as well. I'm still waiting. This happens a lot because people have a lot of questions. We have the opportunity to ask in order, and we have the opportunity, as was explained at the very beginning, to read them into the record, and we'll have written questions. Our questions will be answered. We just need to be patient. So I think we have a process. Sometimes it takes a little bit of time, but it's working.

I find it very unfortunate that we're speaking about this instead of speaking to the minister and the Auditor General while they're here and that therefore it's going to take written questions instead of doing it right here right now.

Thank you.

**The Deputy Chair:** So what's your wish, members? Just carry on?

**Mr. Mason:** We've got another 15 minutes. Is that right?

**The Deputy Chair:** Five minutes, and then the questions will be read into the record for the minister to answer.

**Mr. Mason:** This is a sham, Mr. Chairman.

**Dr. Morton:** I don't see why the Liberals get two questions and Mr. Mason doesn't get one question. It doesn't seem very complicated to me.

**The Deputy Chair:** So what's your pleasure? I'm asking you.

**Dr. Morton:** Just have a vote.

**Ms Blakeman:** Call the question.

**The Deputy Chair:** So do you want to have a vote on the list as is, or do you want to . . .

**Ms Blakeman:** Follow the list as is.

**The Deputy Chair:** Okay. We'll call the question.

**Dr. Morton:** I'll make a motion that the NDP member be bumped up so that he gets one question.

**Mr. Danyluk:** Do we have a policy that's written down?

**The Deputy Chair:** We've followed the procedure to date starting opposition, then a government member, and then the rotation begins as you walk in.

**Mr. Rogers:** Mr. Chairman, in the interest of time, valuable time, I'd like to call the question on Dr. Morton's motion.

9:30

**The Deputy Chair:** All those in favour of Dr. Morton's suggestion? Seven. Those opposed? Five. It's carried.

So we'll move Brian Mason next, and Kevin Taft will take Brian Mason's spot.

**Mr. Mason:** Thank you very much, Mr. Chairman.

**The Deputy Chair:** We'll just call the chair back in.

**Mr. Mason:** I'd like to thank the members of the committee.

**The Deputy Chair:** Brian Mason, followed by Ray Danyluk.

[Mr. MacDonald in the chair]

**Mr. Mason:** Shall I proceed now with my question, Mr. Chairman?

**The Chair:** Mr. Mason.

**Mr. Mason:** Thank you very much, Mr. Chairman. Thank you, Madam Minister. My questions relate to the Auditor General's report on the ASC and specifically page 29, "Trading activity by employees – the Director of Enforcement." I'd like to thank you for the chronology that you did provide, as well, in the House. The question I have is why there will not be a further investigation into this matter.

The gentleman in question made a lot of money. The Auditor General was limited to asking people what happened, and there is a certain amount of contradiction between the executive director and the director of enforcement on the reporting of this. What's clear is that this individual made a lot of money, and if he said that, yes, he did have information contained in the report that he was responsible for, he loses the money, his job, and maybe goes to jail. But if he says no, he gets to keep the money and his job, and he stays out of jail. My question is: why don't you have a further investigation into this matter when, clearly, there is the potential that this individual had information as a result of his job as director of enforcement that would have allowed him to be involved in insider trading?

**Mrs. McClellan:** Well, Mr. Chairman, through to the hon. member, the Alberta Securities Commission did do a very thorough investigation of this matter and did take action on the matter. The Auditor General I think dedicated three pages of the report to this matter to demonstrate the seriousness of this issue. The Auditor General spoke to the issue earlier in this meeting. I addressed it earlier in the meeting, and I now repeat that the investigation concluded that it was inadvertent. It was a serious breach. Nobody is denying that. But it was inadvertent. What we would want to do now that that matter has been investigated and dealt with is ensure as much as possible that this cannot happen again and, in fact, that if it did by chance, it would be detected much quicker and dealt with.

The issue here is that there needs to be a methodology of cross-referencing. Not every person in the commission is aware of individual files that are under investigation. You know, at some point we should have a conversation about how the Securities Commission works and how they handle files and how case management is done, and the point that we're talking about today is case management and the follow-up there.

The other issue, of course, is disclosure of trading and what process happens after that disclosure is made in a timely manner so that this can't occur.

**Mr. Mason:** Okay. If I can just follow that up, then, Madam Minister. Federally, when the Auditor General makes a report – for example, on the sponsorship inquiry – there is follow-up activity. The Auditor General doesn't arrive at the final result. There's an inquiry and then, resulting from that, criminal charges. I'm talking about sponsorship here.

Now, the Auditor General didn't really get to the bottom. He asked people what happened, and they told him, but there hasn't been any investigation or at least public investigation to find out if that's correct. You talk about making sure that it doesn't happen in the future. But why is it that we never hold people accountable? Why is it that we never say that some wrongdoing was done and that there's some sanction or some further follow-up in this province?

**Mrs. McClellan:** Well, I take exception to that. First of all, the Auditor General is an officer of this Legislature. He doesn't work for me. I have every confidence in the Auditor General, the thoroughness of the work. He made it clear that he brought in experts to assist in this, used the highest level of his staff.

I have accepted the Auditor General's report. The ASC has responded to the Auditor General's report in every instance in a positive manner, with the exception of one recommendation, on which they asked for some time to review what happens in other jurisdictions, to look at the pros and cons of which would be the best issue. That's on the lead independent investigator.

Now, when the Auditor General delivers a report to me in this portfolio or any of my past ones, I take it seriously. I appreciate the thoroughness of the work that the Auditor General's office has done, the expertise that they bring, and if they don't have it internally, they bring it in. I am going to respond to the Auditor General's report and ensure that every recommendation the Auditor General has made is carried out.

The Auditor General gave a thorough discussion earlier – you may question him; that's your choice – on his handling of this matter . . .

**The Chair:** Thank you, Mrs. McClellan.

**Mrs. McClellan:** Mr. Chairman, I'm a bit offended.

**Mr. Mason:** This was not a criticism of the Auditor General; it was a criticism of you.

**The Chair:** Order please.

That concludes, unfortunately, this portion of the meeting. There is still a long list of questions. We agreed earlier that they would be put on the record and, through the clerk, responded to by the department to all members.

We will start with our questions . . .

**Mrs. McClellan:** Can I say thank you and good-bye?

**The Chair:** You bet.

**Mrs. McClellan:** I'm disappointed that we didn't have time to conclude this, but we will respond.

**The Chair:** Hon. minister, if you and your staff could remain until we have these questions on the record, we would be grateful.

**Mrs. McClellan:** We'll just take them from *Hansard*. We're not going to write them down as you give them because we might miss some detail, and we don't want to interrupt any more of your committee's time. You put them on the record. We'll take them from *Hansard*, and we'll give you a complete response.

**The Chair:** That's fine. Very well. Thank you.  
Mr. Danyluk.

**Mr. Danyluk:** Yes. I'd like to get back to the financial aspect of this meeting. My question is from the government annual report, page 22, the expenses. Looking at the bottom line where the expenses were up \$1.6 billion from the budget, why was the spending over budget, and why was there, I guess, a continuation of overspending? My supplemental is: why didn't the government limit spending to what was laid down in the budget?

**The Chair:** Thank you.

**Dr. Morton:** Is there some reason why we can't submit our questions in writing, like we've done in the past, and get on with business?

**The Chair:** Then they're not on the record, Dr. Morton. If you could be patient with us, we would be very grateful.

David Eggen.

**Mr. Eggen:** Yes. My question is in regard to revenue estimates. I would like to know if there are some performance measures that we could put in place, and perhaps Mr. Dunn can help with this as well. I think that by always lowballing the revenue estimates, we end up with a very distorted and inaccurate budget that has to be supplemented all the time. So perhaps I would like to know if the department is planning to put in any performance measures to increase the efficiency and accuracy of revenue estimates for the province's budget.

9:40

**The Chair:** Thank you.

Mr. Rodney, please.

**Mr. Rodney:** Thank you, Mr. Chair. My question refers to page 21 of the Alberta Finance annual report 2005. The paragraph at the top of the page talks about Bill 34, introduced "to provide further [actions and] reforms and clarification on changes to automobile insurance." The second sentence says: "The government implemented reforms on October 1, 2004." I would like to know how insurance reforms are progressing.

My second question is related to a number of questions I've had from constituents who are of the understanding that insurance rates would fall across the board. They would like to know and I would like to know why some drivers have not seen a premium reduction as a result of insurers equalizing their rating programs.

Thank you.

**The Chair:** Kevin Taft.

**Dr. Taft:** Thank you, Mr. Chairman. One of the questions that has to be asked of the Auditor General, referring to page 21, the sensitive or high-profile cases: were some of these sensitive or high profile because of their political connections?

To the Auditor General: would you say that the scope of your investigation mandate, as stated on page 3 of the report into the Alberta Securities Commission, allows you to say that the enforcement practices of the Alberta Securities Commission have been applied consistently and fairly and with an even hand?

The same question goes to the Minister of Finance. Would the minister continue to defend her statement that the report of the Auditor General into the Securities Commission "indicates that the enforcement [practices] of the Alberta Securities Commission have been applied and continue to be applied consistently and fairly and with an even hand"?

**The Chair:** Thank you.  
Ted Morton, please.

**Dr. Morton:** On page 11 of the government of Alberta annual report '04-05 it states that "for the purposes of the Fiscal Responsibility Act, the annual change in pension obligations is excluded from expense and balanced budget requirements." My question is to the minister. Given that the unfunded pension liabilities have the potential to become serious expense issues, why are they excluded?

My follow-up. This document also states that these pension obligations are “scheduled to be eliminated under a separate legislated plan.” Given that unfunded pension liabilities have been an issue for some time in Alberta, why don’t we have a plan currently in place?

**The Chair:** Thank you.

Paul Hinman, please, who has been very patiently waiting for his turn this morning.

**Mr. Hinman:** Thank you, Mr. Chair. I’m glad we finally got to this part of it. I’d like to start by making the comment that we should have a sterling reputation here in the province with the abundance of wealth that we have both in our Alberta Securities Commission and our Treasury Branches. I’d like to make my comments, turning to page 194, concerning Alberta Treasury Branches. Bullet 4 talks about the “corrective action for non-compliance.” It seems that with the number of repeat offences over the years, perhaps the corrective action is not strong enough. I’d like to ask: what corrective actions are they taking in holding the people responsible?

My second question would be on bullets 1 and 2 under Our Audit Findings: “incorrectly calculated financial ratios” and “incorrectly calculated collateral values.” I would like to know the number of these loans and the dollar values. She referred to the \$24 million that’s written off, but how many are off-side and in existence?

**The Chair:** Thank you.

George Rogers, please.

**Mr. Rogers:** Thank you, Mr. Chairman. My question refers to page 31 of the Alberta Finance annual report. It mentions that the Financial Management Commission, or FMC, reported that the government completed 14 of the 22 accepted recommendations. The question is: why was there a target of 15 set and not 22, since the government accepted 22 recommendations?

The supplementary: when will all 22 recommendations be completed?

**The Chair:** Thank you.

Ms Blakeman.

**Ms Blakeman:** Two questions springing from pages 21 and 22 around the 11 cases again. If any qualifying individual brought legal proceedings against the ASC for any of the 11 files, is there enough in the 11 files for the ASC to be successful in defending it? That’s directed toward the Auditor General.

Toward the minister: given that the ASC didn’t identify the breach or put it in writing or develop the action plans they were to do – this was around the enforcement officer – how can the public expect that the ASC is capable of providing any corrective action?

Thank you.

**The Chair:** Thank you.

Doug Griffiths, please.

**Mr. Griffiths:** Yes. Thank you, Chairman. I ask the same questions of every minister. My questions relate to page 38 of the Auditor General’s annual report, recommendation 4, that “the Department of Finance develop guidance relating to the purpose, definition and use of societal measures.” Given that there are three types of performance measures – customer satisfaction, surveys, and outputs and outcomes, outcomes being the most meaningful and important measure – what is the department going to do to meet that recommendation for societal measures?

My second question is: what specifically is the department going to do to help with societal measures in the implementation of the rural development initiative?

**The Chair:** Thank you.

Are there any other members that want to get on the record with questions at this time or any other members of the Assembly?

Seeing none, I would like to thank you for your co-operation. That concludes this portion of the meeting.

Mr. Dunn, you are quite welcome if you would like to stay.

**Mr. Dunn:** I wouldn’t mind staying to listen to the motions.

**The Chair:** And you’re welcome to participate, if you would like, as well.

Okay. First we have to discuss whether there was any other business that needed to be discussed this morning, item 4 on the agenda.

**Mr. Danyluk:** Well, Mr. Chair, I would like to definitely go back to some of the discussion that took place while you were out and see exactly how we are going to do things in the future as far as putting our name on the list. So the list composition I would like to discuss.

**The Chair:** Okay. Well, this is the time to do that, Mr. Danyluk. Please proceed.

**Mr. Danyluk:** First of all, I wasn’t very clear whether there is a written document that suggests what that agenda of the list is.

**The Chair:** There isn’t.

**Mr. Danyluk:** Okay. So what happened is that the list was basically done, I gather, at the discretion of the chair as they came in. Is that right?

**The Chair:** The committee policy in the past has been that members either through the clerk or through the chair or through the vice-chair indicate that they would like to be on the speaking list. There was a long list formulated this morning. There were many gaps in the list. I saw the hon. David Eggen out back, and he never indicated at that time nor before the meeting even started at 8:30 that Mr. Mason was to join us. He didn’t even indicate at that point that he wanted to be on the list. No one indicated to me.

Ms Blakeman came and told the clerk, even before I arrived here, that she wanted to be on the list. Kevin Taft wanted to be on the list. There were no other opposition members here at the time. Everyone here wants to be on the list, and that’s only fair. For people to arrive late and demand to go to the top of the list is unacceptable to this chair and I think to every chair here in the past.

**Mr. Danyluk:** Okay. So my question goes back to the chair: whether there was I guess I can call it a precedent – maybe it wasn’t – of allowing someone to speak out of turn. So in that instance we now have two directions. One was made by a motion that was handled by the co-chair, and we have the previous precedent that has taken place.

9:50

Mr. Chair, if I can ask again: how are we going to handle it in the future so that we know? I think what happened – just a comment, saying that, you know, you saw an individual outside. I know that we started a different precedent as well because at one meeting we

were also able to give our names at the meeting before that we wanted to speak. So I think we just need some sort of clarity on how we're going to do things so that we all know what that clarity is, and then it won't take time.

**The Chair:** The chair is certainly at the direction of the committee. If the committee has any specific way that they would like this list to be formulated, that's fine with the chair, but there has to be a policy from the committee. If we want to have people coming in here at 9 o'clock or 10 to 9 and demanding to go to the top of the list – Mr. Hinman, who is also a leader of a party, waited patiently for his turn.

In regard to the decision that was made, when the chair is challenged at the committee, the chair is obligated to withdraw, and there should be an immediate vote on the chair's decision. No further discussion, no motions. So there was a lot of procedure here that was not followed. The chair is at the discretion of the committee. If you guys want to make some rules about this list – and we can make it months in advance. I couldn't care less. It makes my job easier.

**Mr. Danyluk:** Well, Mr. Chair, if I could finish . . .

**The Chair:** No. I think we'd better . . . [interjection]

**Ms Blakeman:** No, I was on the list earlier.

**The Chair:** Okay. We've already got a question over the list.

**Mr. Danyluk:** Well, put my name back on the list.

**Mr. Oberle:** I'd like to thank the chair for my position on the list here.

Mr. Chair, if I might, I think we should just tone it down a bit. I think there were a couple of misunderstandings here.

It would be quite simple if you want to be on the list: we don't form the list before the meeting starts, and whenever you arrive, when you want to be on the list, you identify yourself. At that point, the chair enters you on the list.

I think part of the problem was that once the list is made that includes all of the opposition members, there might have been an expectation that it just rotate through again for the second question. I think we should have to identify ourselves if we have a second question.

**Mr. Danyluk:** After they have asked one question. You can't ask for two or three down the road.

**The Chair:** Who else?

**Mr. Lindsay:** I would like to allow the hon. member from the opposition to ask a question so that we don't get another procedural problem. We had a government member just speak, so the floor is yours. And I'd like to speak after her.

**Ms Blakeman:** I'll take it. I think I'm the longest sitting member of this committee. I've been on it since March of 1997 and have aged remarkably badly.

I can answer you to precedence. The way that Public Accounts committees are set up across Canada and across the world is that they are always chaired by a member of the opposition, and the opposition always takes precedence in starting the questioning. So you start with an opposition member; go to a government, or a

private, member, if you wish to put it that way; back to the opposition. The opposition also rotate faster. So it's not a matter of going until every single person in the room has asked a question. It does go: opposition, government, opposition, government, opposition, government, then it goes back to the beginning of the opposition list.

This is the only committee in the Westminster tradition of parliamentary process in which the opposition are essentially mandated an even deal or a better-than-even deal in that it's chaired by a member of the opposition, and their members automatically rotate without having to go to the end of the government members' list of having had everyone speak. That is well documented in the Canadian Public Accounts Committee documents. It's been what's happened here since I've been on the committee, since '97. That's the precedence, if you want.

I recognize that you're saying that there are now two precedents, but I would argue that a precedent that is half an hour old doesn't quite hold up to a precedent that's been in existence under the Westminster system for some several hundred years.

Thank you.

**The Chair:** Mr. Lindsay.

**Mr. Lindsay:** Thank you, Mr. Chairman. The comment I want to make is that I think things would go a lot smoother if the requests for questions weren't entertained until after we called the meeting to order. We could start with the opposition and go back and forth.

**The Chair:** Okay.

**Mr. Hinman:** Well, I think Ms Blakeman covered it quite well in that the rotating back and forth, I believe, is a little longer standing precedent and that the number of opposition, looking at it from my point of view – there are three Liberals on the committee, I believe one NDP, and you've been gracious to allow me to speak because they wouldn't allow me on this committee or any other one. I appreciate that, and I hope that we can follow that precedent and allow the opposition to rotate through in a democratic way. When there are 3 to 1, one might expect you'd have to wait a little bit longer.

**The Chair:** Thank you. Yes. I think the hon. member is referring to Standing Order 53, and this applies to all committees of this Assembly: "At any meeting of a standing or special committee, a member who is not a member of that committee is entitled to attend and participate in the meeting, but may not vote." Hopefully, Mr. Mason and yourself did not vote in this procedure this morning. In fact, the chair will check the record on that. Was there a record kept of this?

**An Hon. Member:** Yes, 7 to 5.

**An Hon. Member:** They didn't vote.

**The Chair:** They did not vote. Okay.

**Mr. Danyluk:** I agree with Mr. Lindsay about formulating the list after the meeting starts.

When we talk about going to our annual meetings, this is one aspect that I think is very important for the chair to be at so that the chair sees how different groups do it so we could alleviate some of this I don't want to say controversy but at least discussion and can bring that forward to us from that meeting as well.

**The Chair:** Yes. I appreciate that, but the chair has been steadfast in refusing to go to those meetings so that we could have, perhaps, a budget to hold meetings outside of session, which is hopefully going to be the next item on the agenda.

**Mr. Danyluk:** You have to be realistic too, Mr. Chair.

**The Chair:** Yes. Your point is well taken, but the refusal to go to the meetings has been to point out that we do not have a budget to hold meetings outside session so that we could perhaps give you more opportunity to ask questions and perhaps a wee bit of money to compensate your travel.

**Mr. Dunn:** Just to correct an incorrect piece of information I gave out last meeting. Thank you for the lead-in. For the next meetings on the Canadian Public Accounts committees I forgot Canada. It goes: Prince Edward Island next year, British Columbia the year after, Canada the next year, and then Alberta. I was back meeting with my counterparts in Ottawa, with Sheila Fraser and the secretaries there, and I went and confirmed. So, actually, I forgot Canada, Mr. Chairman.

**Mr. Griffiths:** I have to say that I believe this issue needs a little bit more debate, and I also believe that the motions by Mr. Eggen and Ms Blakeman need more debate and discussion. If I'm not out of order, I'd like to move that perhaps the chair and the vice-chair have discretion to continue this discussion with committee members – I don't know how you want to do it – outside of session so that this issue does not die until next February and can be discussed between now and then.

**The Chair:** Yes. Okay.

**Ms Blakeman:** Well, thank you for supporting what's in the text of my motion, but that is the problem: again, the precedent of this committee has been a steadfast refusal to meet outside of when the House is actually sitting, and there's no budget allocated to pay for any travel for people from out of town to attend these meetings. That's part of the problem and what's contained in the motions.

At this point we're about 30 seconds shy of the scheduled end of the meeting. I'm assuming that I will be back in – oh, man – the spring. In the first meeting we have, if that meeting is again with the Auditor General as an introductory meeting, if we could spend the second half of the meeting on the motions that are before us.

**An Hon. Member:** How about the whole thing?

**Ms Blakeman:** If you feel that you need the whole thing, but we generally do start off, again, with the Auditor General as sort of a refresher.

10:00

**The Chair:** Well, that's fine. It is very unlikely that we will meet

next week, and the chair and the vice-chair would be delighted to talk to both members who presented motions and others who are interested in changing the ways this committee does business, including the Auditor General. We would be very grateful for his advice and direction on this.

If there are no further questions – David Eggen had one I think – then we will deal with Mr. Griffith's motion under item 4.

**Mr. Eggen:** Yes, just quickly. Questions and comment. Considering the late hour, we certainly wouldn't be able to do justice to either Ms Blakeman's or my motion, so I'm hoping that we will give these ideas proper attention when next we meet.

If I can just perhaps put out something in the spirit of compromise. I was hoping that we wouldn't have these motions rejected out of hand because of the way that they're packaged, but rather if people can reflect and perhaps discuss amongst each other which individual ones are more likely to be acceptable to the majority, we might approach it that way and perhaps see other motions come forward in regard to Public Accounts reform.

In regard to the speaking order I've experienced confusion from the beginning, and we have come to some impasse, but if we had some clarification – let's not worry about what happened in the past, but let's look ahead. I think it's important to have this government/opposition but also have it so that people can't fill up the whole dance card, so to speak, when they first come in and say, "Okay, I'll take the first spot, ninth spot, 12th spot, or whatever," but otherwise having people have a chance at least to speak once on the opposition side is important as well. I think we were doing that, but let's try to work with that for reforms in the spring. Reform is a good thing, yes.

**The Chair:** Okay. Can we have a vote, please, on Mr. Griffith's motion?

Mr. Griffiths, would you like to read your motion into the record, please?

**Mr. Griffiths:** I didn't write it down, but it was to the effect that the notice of motions presented by Mr. Eggen and Ms Blakeman and the issue about rotation on questions proceed with further discussion between the chair and the vice-chair . . .

You can co-ordinate how you'd like to do that.

. . . between now and February so that the issues don't get lost and that we start working on it immediately.

**The Chair:** Those in favour? Any opposed? Seeing none, thank you. That concludes item 4 and also item 5.

The date of the next meeting, of course, is next Wednesday, December 7, with the hon. Mr. Victor Doerkson, Minister of Innovation and Science, if session is still on.

May I have a motion for adjournment? The motion to adjourn by Mr. Rodney. All in favour? Thank you.

[The committee adjourned at 10:03 a.m.]