

APPENDIX

(See p. 5048)

STANDING SENATE COMMITTEE ON NATIONAL FINANCE

REPORT ON SUPPLEMENTARY ESTIMATES (B) LAID BEFORE PARLIAMENT
FOR THE FISCAL YEAR ENDING MARCH 31, 1983

November 25, 1982

The Standing Senate Committee on National Finance, to which the Supplementary Estimates (B) laid before Parliament for the fiscal year ending March 31, 1983 were referred, has in obedience to the order of reference of Monday, November 8, 1982, examined the said Supplementary Estimates (B) and reports as follows:

The Committee was authorized by the Senate as recorded in the *Minutes of the Proceedings of the Senate* of November 8, 1982, to examine and report upon the expenditures proposed by the Supplementary Estimates (B) laid before Parliament for the fiscal year ending March 31, 1983.

In obedience to the foregoing, your Committee examined the Supplementary Estimates (B) and heard evidence from the following: From the Treasury Board: Mr. J. L. Manion, Secretary; Mr. D. J. McEachran, Assistant Secretary, Program Branch; Mr. H. J. Mullington, Assistant Secretary, Program Branch; and Mr. E. R. Stimpson, Director General, Budget Co-ordination Group, Program Branch.

Supplementary Estimates (B) totalling \$5,326 million, is the first "regular" Supplementary for the fiscal year 1982-83 and brings the total 1982-83 Estimates tabled to date to \$79,593 million. Of the total \$5,326 million contained in these Estimates, \$3,411 million represent the net adjustment to items with a statutory authority. These payments are non-discretionary in nature. The remaining \$1,915 million represent new spending authorities that Parliament is being asked to approve.

Treasury Board supplied the Committee with a list for the \$1 Votes included in these Estimates which is attached as an Appendix to this Report.

The Committee was particularly concerned that allocations of \$200 million to The de Havilland Aircraft of Canada Limited, \$200 million to Canadair Limited and \$25 million to Canertech Inc. were made as budgetary items rather than being recorded as equity on the books of the Government of Canada. Because of this, these payments are not recoverable by the government but show as equity on the books of the respective companies.

Using The de Havilland Aircraft of Canada Limited, Canadair Limited and Canertech Inc. as examples, the Committee expressed concern with the rationale used by the government for committing public funds to private companies and Crown Corporations. Witnesses were questioned whether the government seeks advice from banks or accounting firms associated

with these companies regarding their ability to generate profits in the foreseeable future before committing public funds.

Regarding companies such as The de Havilland Aircraft of Canada Limited and Canadair Limited, which are wholly owned by the Government of Canada, witnesses were asked what control the government exercises over them and why they are not considered Crown Corporations. The Committee was told that the Government of Canada is considered the only shareholder of these companies and that the responsible minister "elects" the Boards of Directors. The Committee also learned that when these two companies were acquired, the intention was to return them to the private sector as soon as possible. For this reason, the government resisted listing them as Crown Corporations.

On the matter of Letters of Comfort, the Committee questioned the propriety of these letters being treated as government guarantees rather than indications that the government would undertake to seek parliamentary approval should financial assistance be required. The Committee also indicated that some analysis of the financial soundness of the companies in question should be undertaken before Letters of Comfort are issued.

The Committee expressed difficulty understanding some parts of the Estimates as currently produced. As an example, some members indicated that when funds are transferred from one department to another, an amount is shown under the receiving department but not under the losing department. The witness undertook to look into this and determine if this could be rectified.

The Committee questioned the witness on the fact that under the Petroleum Incentives Payments, exploration on Canada lands is rewarded more heavily than explorations on provincial lands. The Committee was told that the intention of the government was to emphasize frontier exploration and that lands that potentially contain oil tend, generally, to be the frontier areas which are Canada lands. Some members indicated the inconsistency of this, since the Hibernia oil fields are currently funded as Canada lands, and should the courts rule in favour of Newfoundland, they would receive a lower level of funding as provincial lands.

Finally, the Committee expressed concern for the lessening of the ability of the federal government to coordinate its regional development programs as a result of the dispersal of the activities of the Department of Regional and Economic Expansion among other departments. While the Department