PROVINCE OF NEWFOUNDLAND AND LABRADOR
HOUSE OF ASSEMBLY

Third Session
Forty-Seventh General Assembly

Proceedings of the Standing Committee on Government Services

April 2, 2014 - Issue 1

Department of Finance
Public Service Commission
Human Resource Secretariat

Published under the authority of the Speaker of the House of Assembly
Honourable Ross Wiseman, MHA

GOVERNMENT SERVICES COMMITTEE

Department of Finance

Chair: Clayton Forsey, MHA

Vice-Chair: Paul Lane, MHA

Members:

John Dinn, MHA
Calvin Peach, MHA
Kevin Parsons, MHA
George Murphy, MHA
Tom Osborne, MHA

Clerk of the Committee: Sandra Barnes

Appearing:

Department of Finance
Hon. Charlene Johnson, MHA, Minister
Peter Au, Assistant Deputy Minister
Donna Brewer, Deputy Minister
Denise Hanrahan, Assistant Deputy Minister
Alton Hollett, Assistant Deputy Minister
Ann Marie Miller, Comptroller General
Tansy Mundon, Director of Communications

Public Service Commission
Ann Chafe, Commissioner
Bruce Hollett, Chair & Chief Executive Officer
Raelene Thomas, Director of Appeals, Investigations & Corporate Services

Human Resource Secretariat
Tina Follett, Assistant Deputy Minister, Compensation & Staffing
Brian Miller, Assistant Deputy Minister, Client Services
Wanda Trickett, Departmental Controller

Also Present
Dwight Ball, MHA
Tony Cornect, MHA
Kevin Pollard, MHA
Eli Cross, MHA
Bradley George, Researcher, Official Opposition Office
Ivan Morgan, Researcher, NDP Office

Pursuant to Standing Order 68, Dwight Ball, MHA for Humber Valley substitutes for Tom Osborne, MHA for St. John's South.

Pursuant to Standing Order 68, Tony Cornect, MHA for Port au Port substitutes for Kevin Parsons, MHA for Cape St. Francis.

Pursuant to Standing Order 68, Kevin Pollard, MHA for Baie Verte – Springdale substitutes for Calvin Peach, MHA for Bellevue.

Pursuant to Standing Order 68, Eli Cross, MHA for Bonavista South substitutes for John Dinn, MHA for Kilbride.

The Committee met at 5:30 p.m. in the Assembly Chamber.

CHAIR (Forsey): Good evening, everyone.

First of all, the Member for the Third Party, Ms Michael, is unable to make it this evening.

We will not bother really setting up the clock. We usually allot three hours for Estimates. If there is going to be back and forth and we want to set it up for fifteen minutes or whatever, but I really do not see the point personally. What we will do is we will do some introductions first before we start the questions and for the subhead.

If I could start on my right with the introductions.

MR. BALL: Thank you, Mr. Chair.

Dwight Ball, MHA for the District of Humber Valley.

MR. GEORGE: Bradley George, Researcher, Official Opposition.

MR. LANE: Paul Lane, MHA, Mount Pearl South.

MR. MORGAN: Ivan Morgan, Researcher, NDP caucus.

MR. CROSS: Eli Cross, MHA, Bonavista North.

MR. POLLARD: Kevin Pollard, MHA, Baie Verte – Springdale district.

MR. CORNECT: Tony Cornect, MHA, Port au Port.

CHAIR: We will do the same thing on this side. We give all the government officials starting with the minister.

MS JOHNSON: Charlene Johnson, MHA for Trinity – Bay de Verde.

MR. HOLLETT: Bruce Hollett, Chair and CEO of Public Service Commission.

MS CHAFE: Ann Chafe, Commissioner, Public Service Commission.

MS THOMAS: Raelene Thomas, Director of Appeals, Investigations and Corporate Services with the Public Service Commission.

MS TRICKETT: Wanda Trickett, Departmental Controller for Public Service Commission.

CHAIR: Okay, we will do the rest of you when – because you are well spread out too, that is pretty good. We will get you down here closer when we start.

For the sake of answering questions too, if someone besides the minister answers the questions it would be nice to always introduce yourself. Sometimes it is difficult for the people in the media to actually pick up the recording, who it is, and do not know what mike sometimes. If you say your name, it would be greatly appreciated.

We are going to do the Public Service Commission first. We will start with the subhead.

CLERK (Ms Barnes): Subhead 1.1.01.

CHAIR: Subhead 1.1.01, Public Service Commission.

Okay, Dwight.

MR. BALL: Thank you, Mr. Chair.

CHAIR: Oh, I missed something. I do not think – you did not want to.

CLERK: No.

CHAIR: We can just go with the questions? Okay.

MR. BALL: Thank you.

Welcome everyone. I thank the staff for coming in and participating in my first Estimates session for 2014.

Speaking about the Public Service Commission, one question I know I asked it last year about the number of eligible employees within the public service who would be eligible for retirement within two years, the question was last year. The question for this year would be how many employees within the public service would we have eligible for retirement in the upcoming year?

MS JOHNSON: That would be a question for HRS, and they are coming up after this session.

MR. BALL: All right, thank you.

So they would be –

MS JOHNSON: Human Resource Secretariat.

MR. BALL: Yes, okay.

The Public Service Commission, I do not have any questions because there are no line item changes for me right there with any of that. Most of my questions would be around the Human Resource Secretariat.

CHAIR: Okay. Actually, if there are no questions on this particular department we will call for the subhead.

CLERK: Subhead 1.1.01.

CHAIR: Subhead 1.1.01.

Shall 1.1.01 carry?

SOME HON. MEMBERS: Aye.

On motion, subhead 1.1.01 carried.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

CHAIR: Okay, carried.

On motion, Public Service Commission, total heads, carried.

CHAIR: Shall I report the Estimates of the Public Service Commission carried without amendment?

SOME HON. MEMBERS: Aye.

CHAIR: Okay.

On motion, Estimates of the Public Service Commission carried without amendment.

CHAIR: Okay. So that is it for the Public Service Commission. I am sorry we had to keep you here so long. I promise the next time we will do it a bit shorter.

[Committee takes a short break to accommodate staff changes]

CHAIR: If we could get everybody back to order, we are going to do the Human Resource Secretariat and again we will have the introductions of the staff.

MS JOHNSON: Charlene Johnson, Minister Responsible for Human Resource Secretariat.

MR. MILLER: Brian Miller, Assistant Deputy Minister, Labour Relations, with the Human Resource Secretariat.

MS FOLLETT: Tina Follett, Assistant Deputy Minister, Compensation, Benefits and Staffing with Human Resource Secretariat.

MS TRICKETT: Wanda Trickett, Departmental Controller for Human Resource Secretariat.

MS MUNDON: Tansy Mundon, Director of Communications for the Department of Finance and the Human Resource Secretariat.

CHAIR: I will call for the subheads.

CLERK: Subheads 3.1.01 through 3.1.09 inclusive.

CHAIR: Subheads 3.1.01 through 3.1.09 inclusive.

Dwight, are you ready?

MR. BALL: Yes, thank you, Mr. Chair.

Human Resource Secretariat: Last year we asked a question about the number of people who were eligible for retirement in the upcoming year. Last year, it was two years; this year, one year. How many people would we have from the public sector eligible for retirement within the upcoming year?

MS JOHNSON: I can get that for you by Question Period tomorrow.

MR. BALL: Yes.

MS JOHNSON: We did have 171 in the core public service retire last year; but those who retired versus those who are eligible to retire are very different numbers, because we have a lot of people who are eligible to retire but still do not retire. You are looking for the numbers who are eligible?

MR. BALL: Yes.

MS JOHNSON: Okay. There were 171 last year who retired, but we will get you the number eligible by QP tomorrow.

MR. BALL: Yes, actually where I am going with it, Minister, is last year when we asked the question it was about 13 per cent, I believe, of the public sector who were eligible for retirement over two years. I have a letter that came back from the Minister of Finance regarding that. I just wanted to see how that number has changed in this year. So, yes, no problem; really, it is whenever you get the opportunity.

MS JOHNSON: Okay.

MR. BALL: Thank you.

The next question for me would be under 3.1.02, which is the Employee Relations – oh no, let us go back to 3.1.01, Salaries. Last year you budgeted $772,000, actually spent $863,000 and we are back to a budget of $767,000 this year. I am just wondering, what was spent last year for around $90,000 extra in Salaries?

MS JOHNSON: It is $90,900 for severance payout.

MR. BALL: That is all severance?

MS JOHNSON: Yes.

MR. BALL: Okay, thank you.

Under 3.1.02, Employee Relations, same question. Last year you budgeted just over $1.8 million in that Salaries line, spent $1.7 million, and this year we are up to an extra $1 million there for $2.7 million. So I am wondering why the difference of $100,000 last year, and why the extra $1 million this year.

MS JOHNSON: So last year it was down due to position vacancies by $99,700, and the increase for this year, part of it is the 2 per cent increase, which makes up about $35,000. The bigger portion of it is new funding related to ten temporary positions for the JES – the Job Evaluation System. So those are temporary positions over two years.

MR. BALL: When are we expecting to see the JES finalized?

MS JOHNSON: Well, in terms of the appeal process, because we have had questions around appeals and we have committed to doing those that are red circled first, these positions will assist in doing training sessions in terms of how to write a Position Description Questionnaire. We put a letter out through the public service probably a couple of weeks ago now talking about those sessions that will be coming up. So it is going to take probably a good year to do that process to assist people in terms of the training to do the PDQs and then to evaluate all that comes back, but we did make a commitment that it would be in place ready for April 15, 2016.

MR. BALL: Okay.

The next question would be under Professional Services under 3.1.02, Employee Relations again. Last year you budgeted $175,000 and spent just under $54,000; this year's budget line is $170,000 under Professional Services. I am just wondering what it was you budgeted for that you actually did not spend on.

MS JOHNSON: There was $121,100 that was not spent as a result of reduced arbitrations due to ongoing negotiations.

MR. BALL: Okay. So when you say reduced arbitrations, you mean there were arbitrations that you thought were going to happen that did not occur, I guess?

MS JOHNSON: Yes. That will likely occur this year.

MR. BALL: Okay.

Then we have the next one, Purchased Services; $121,600 actually budgeted for and you spent $37,000. I am just wondering what it is you anticipated purchasing and did not.

MS JOHNSON: There was supposed to be a conference called the Interjurisdictional Labour Relations Classification and Compensation Conference that was supposed to happen last year and it did not, but it is going to happen this year.

MR. BALL: Okay, so that is the $128,000?

MS JOHNSON: That was $84,400, and then there were other meeting spaces not required as much. So it is going ahead this year. We are going to get a shortened name for it.

MR. BALL: Yes, hopefully it is not a location with a long name.

Now, turning the page to 3.1.03, which is the Human Resource Policy and Planning, again we see a budget last year of $2.3 million, revised to spend $1.9 million, but back to $2.5 million this year. So that is an extra $600,000 in this year's budget, and just less than $400,000 for last year. So I am just wondering if you can explain the variances.

MS JOHNSON: The $392,000 last year that was not spent was due to vacancies, which we expect will be filled this year. There is also new funding in this year's budget for a new wellness director and we will be continuing with a wellness strategist position, and then you have the 2 per cent salary increase as well.

MR. BALL: So the wellness strategist position, is this something you are talking about for our own employees?

MS JOHNSON: Yes. It is something I wanted to put a focus on.

MR. BALL: Good.

Moving down, we see Purchased Services under the same subject line 3.1.03, of $5,400 that was budgeted last year and spent $69,000.

MS JOHNSON: Professional Services?

MR. BALL: Yes, Professional Services.

MS JOHNSON: Yes. This was for classroom development, tech-based learning, and development of a training room in order to support virtual meetings.

MR. BALL: Okay. So this was a room that you obviously built sometime last year that you did not have budgeted for?

MS JOHNSON: You will see throughout now that there is a big focus on e-learning. We were gearing up for that. Instead of doing a lot of the training face to face, we are doing some of it through e-learning; retirees.

MR. BALL: Yes. The question would be, last year at this time this was not something that you were thinking about doing at the time, I am just wondering. Are we done with that now or is that something that is ongoing? Is there somewhere in this year's budget that we will –

MS JOHNSON: Yes, that is done with for now.

MR. BALL: It is all done?

MS JOHNSON: Yes.

MR. BALL: Okay.

Purchased Services, of course the big switch there being $1.2 million last year, and actually just revised down to $186,000, but back up to $1.2 million and changed again this year. For Purchased Services, I am just wondering again what it is you did not buy that you thought you would need last year, and then why the budget increased this year?

MS JOHNSON: There were some vacancies at the Centre for Learning and Development which resulted in reduced capacity to develop and deliver some training and learning events. There were fewer retirement planning sessions. As I said, there was more utilization of e-learning which equated to reduction in use of learning consultants. We did not have to hire as many external trainers.

We kept the budget the same this year because we do think that there will be more planning sessions for retirees. Also, there has been a real interest from other departments to do more of the e-learning.

I wanted to keep the budget where it is for one year because last year was the first year we started that. Until we get a better handle in terms of what that uptake will be and what the requests will be from departments for e-learning, I wanted to keep it where it was. Next year we may be able to revise it, depending on the demand.

MR. BALL: Can you talk a little bit about that? How that would all work, just as an example, because it is relatively new.

MS JOHNSON: The e-learning piece?

MR. BALL: Yes.

MS JOHNSON: Who would be the best one to talk about the e-learning?

MS FOLLETT: With respect to the e-learning, we are looking at various platforms to deliver learning associated with things such as occupational health and safety. There may be other areas of learning around employee relations, other supervisory techniques that are required for our management personnel within the public service. So whatever we can put on that platform allows us to kind of cast the net more widely, get a broader base, but also hopefully acquire some savings as well.

Also, using the e-learning also ensures that we can basically overcome any geographical challenges as well, given that our public servants are disbursed throughout the entire Province, obviously.

MR. BALL: In the past, this was something done by face to face. Is that how it would work?

MS FOLLETT: Yes.

MR. BALL: The associated cost for, let's say an employee who would actually come in for – obviously which would be substituted now for your e-learning. Where would that cost be in this year's budget? There must be a savings somewhere else would you think?

MS FOLLETT: I guess we would be hoping that there would be savings generated from either not having to send an instructor out to deliver the training in a particular area and/or having to bring employees in to the centre in order to offer particular training at any given time.

MR. BALL: Yes. My question, I guess just to get a sense of this. I am just wondering, because this is about e-learning and it is by department, why this particular expense would not be in the department level, why it would be in the human resource budget? Do you have any idea?

MS FOLLETT: There are many efficiencies that we can garner by centralizing training. If the training was offered, disbursed throughout the various departments, we would probably increase our costs further. If we offer it through a central base, we ensure standardization of the instructors who are providing the particular training and we also ensure that the costs are not duplicated over time and over various departments as we deliver that particular training.

MR. BALL: Okay, good.

Moving down to 3.1.04 French Language Services; again, Professional Services there was $350,800 spent $214,000. That is actually budgeted down again. The Professional

Services in French Language Services is what I am talking about here. I am just wondering why the variances in that particular department?

MS JOHNSON: For last year we did not require as much in terms of translation costs. That would be government wide.

Why it is down for 2014-2015, is the requirement associated with Translation Bureau billings is down by $150,000, which you will also see later on at the end associated offsetting revenue with that as well. If you flick to the end you should see in the revenue piece, there is $150,000 in revenue we get for that.

MR. BALL: Okay, thank you.

MS JOHNSON: It is just a rightsizing.

MR. BALL: Yes, rightsizing.

Okay, the next question for me would be on the next line 3.1.05. I can pass some of this over to you Paul after and some of the things that I might miss that you want to fill in, and you too, Ivan, of course.
The Human Resource Secretariat under the Strategic Human Resource Management, $4.8 million budgeted last year under Salaries, $4.3 million, back to $4.9 million this year. A drop of $500,000, yet we are back to an added – well, over $600,000 this year.

MS JOHNSON: That was down about $500,000 due to vacancies and some turnover. We expect those to be filled this year. Then you will see an additional $97,000 this year over last year's budget. That is with a 2 per cent salary increase.

MR. BALL: That is $600,000 is it?

MS JOHNSON: From revised, yes.

MR. BALL: Yes.

MS JOHNSON: We did not eliminate the positions. We want to fill the positions.

MR. BALL: Okay. So those positions were vacant obviously on –

MS JOHNSON: Vacant throughout the year or turnover, people who have left and we still want to fill them.

MR. BALL: Okay. How is the recruiting going?

MS JOHNSON: For this particular, or –?

MR. BALL: Yes.

MS FOLLETT: (Inaudible) are ongoing for a variety of positions in the units. The recruitment is going quite well. We are hoping to have a number of the positions filled within the next two to three weeks.

MR. BALL: You say this is part of a recruitment strategy, is it? What do these people do, who we are going to hire is the question?

MS FOLLETT: I am sorry?

MR. BALL: No, sorry, that is no problem. The people who we are looking to hire this year, what would they be doing?

MS FOLLETT: There is a variety. We have just completed competitions for directors of Strategic Human Resource Management. We are currently in the progress of recruiting for managers of employee relations and a number of our human resource consultants.

MR. BALL: Okay, fair game.

Purchased Services, again under 3.1.05, $1.3 million last year, you spent just a little more than half of that and up to $1.3 million again this year.

MS JOHNSON: Last year was a reduction in the ODI programming. Tell me what ODI is?

MR. BALL: Yes, just remind me what ODI is.

OFFICIAL: Organizational Development Initiatives.

MS JOHNSON: Organizational Development Initiatives

MR. BALL: Okay.

That did not occur last year or not as much as we thought?

MS JOHNSON: It did not occur as much as we thought. There were some vacancies. There was a vacancy at the manager level there and that impacted some planning and co-ordination, but we do plan to do it again this year. As Tina mentioned, we want to focus in the area of health and safety. We do need to sustain that funding and hire that manager, which we are in the process of.

MR. BALL: ODI – what is the goal, the objective, what are we trying to achieve there?

MS JOHNSON: Go ahead, Tina.

MS FOLLETT: There are a number of initiatives that we tend to support through our ODI funding. A portion of it is mandatory training. So once again, anything associated with Occupational Health and Safety; first aid training for an example would be a prime case.

Then we often use ODI for developmental opportunities across the organization. Given some of the challenges that we are facing within the public service in terms of our demographics, we are concentrating on succession planning and developing skills internally to be prepared for those types of exits from the workplace. Those types of developmental opportunities are often very valuable in ensuring that the corporate knowledge is maintained in the organization.

Then there are other specialized training events that we may very well offer as well depending on needs analysis that we do within the environment.

MR. BALL: The platform that you are going to use let's say in the e-learning, is that something that is going to be incorporated here too or is it two completely separate things?

MS FOLLETT: I think you would see some overlap or capitalization on the e-learning in this area as well. Once again it is an identification of what the need is and then we would have to determine what would be the best platform or manner in which to offer that training.

MR. BALL: Okay.

Are there other platforms then that there are options on?

MS FOLLETT: I am sorry when I say platform, I am referring to the technology, the e-learning platform.

MR. BALL: Okay.

I guess the last question – no, maybe a few more. The next one would be under Salaries, Payroll and Compensation Benefits. We actually had a budget of just under $2.5 million. We spent $3.2 million there and back to $2.5 million again this year. I am sure that is because of the 2 per cent increase, but the $3.2 million how did we get there from the budget of $2.5 million?

MS JOHNSON: That was severance, paid leave costs, and there was an unfunded shortage. There was restructuring in HRS last year so when those positions came into one area, there was a shortage and so we covered that off from the Department of Finance, transferred the funds out.

MR. BALL: So there would be less in Finance?

MS JOHNSON: Yes.

MR. BALL: Okay.

Just a question, I guess, because the word vacancies within the system have come up quite often during this. How many vacancies do we have, any idea?

MS JOHNSON: I would have to get that for you.

MR. BALL: Okay, that is fine.

The next page for me – and, Clayton, we can pass it along whenever you are ready. I will leave that to you to –

CHAIR: Well, basically the Third Party does not have anyone because Ms Michael did not make it. So if you and Paul want to share the questions, you certainly can.

MR. BALL: What I will do is finish the section and if Paul has anything that I could have missed that he wants –

CHAIR: Yes, we can probably finish off this one and then we will go into Finance. That would be good.

MR. BALL: Yes, we are getting close.

MS JOHNSON: Just on the vacancies, Dwight, we can get you a snapshot of today. It changes every day. I know when I was in CYFS very young female maternity leaves were very high or going back to do their masters. So we can get you the snapshot.

MR. BALL: Just as an observation, I guess, do we actually age when it comes to – I know we age, obviously. What I am talking about, when the position becomes vacant and then when it actually gets filled, is there a spreadsheet out there somewhere that would say that if a director in this particular department actually left and then at what point does that position get filled? Do we track that at all?

MS FOLLETT: Are you asking the length of time it takes to recruit the position?

MR. BALL: Yes.

MS FOLLETT: The length of time to recruit is about eighteen weeks.

MR. BALL: On average?

MS FOLLETT: Yes, subject to variation of course and if it is a specialized position, well that time goes up a bit more.

MR. BALL: Like they would never find anybody to replace you, right?

MS JOHNSON: There are some hard to fill, like Occupation Health and Safety people in Lab West. They have been listed for a couple of years. They are hard to fill.

MR. BALL: Okay.

MS FOLLETT: Managers of Petroleum Geoscience, positions of that nature, and the geography also has an impact also on our ability to recruit too.

MR. BALL: I guess under the 3.1.07, Benefits Administration, there are Professional Services for $155,000 that was not in the budget at all last year. I am just wondering what the plan is for that $155,000 under Professional Services, 3.1.07.

MS JOHNSON: This was funds that were reprofiled from another section in Employee Relations, and it was to allow for a market study position for one year. These funds also are fully recoverable from the group insurance program, so you will see offsetting revenue at the end for this one as well. So it was not an increase; it is revenue associated with it.

MR. BALL: So the questions around the Public Sector Pension Fund, should I ask those here, just in case –

MS JOHNSON: Probably Finance.

MR. BALL: Wait until Finance?

MS JOHNSON: Around the spending, the dollars around it?

MR. BALL: Yes, I just want to get an idea before we leave today just how it works, the actuary stuff, and some forecasting and all that. Would that be better to wait for Finance?

MS JOHNSON: That is Finance.

MR. BALL: Okay.

The next one would be the Strategic Staffing, 3.1.08. There was $1.2 million last year, spent almost a couple of hundred thousand more, and the budget will be increased again this year. So that is 3.1.08, Strategic Staffing, Salaries.

MS JOHNSON: So last year that is mainly due to severance. For this year in 2014-2015 there is an increase there of $189,500. This is four GO Program positions, so those are the graduate students that we hire. It is not new money in the budget. We have transferred this money out from the Department of Finance, so it is a reprofiling of funds.

MR. BALL: Okay, so it is about $200,000 when you extract the severance, when you take that and set that aside from where you were last year, so that all comes from Finance?

MS JOHNSON: Yes.

MR. BALL: The next one for me, and really the last question in this section, I believe – yes, last question – is about Opening Doors. When you go back to the Estimates of 2012-2013, there was an allocation, a budget amount of $4 million, yet last year we were at $3.7 million. We actually revised that to be just over $3.8 million, and we are back at $3.8 million.

Obviously, this seems to be a program that is being used. I am just wondering, do we have excess applications, or is there more demand for this to actually hire people? How do you handle that situation under the Opening Doors Program?

MS JOHNSON: Well, right now we have eighty-eight permanent positions and probably half dozen or so temporary positions. I do not know, Tina, if you can answer what the demand is.

MS FOLLETT: I do not have an exact figure in terms of demand, but I know we have a number of inventories or registrants that are viable when we are looking to fill any of those positions. Out of those eighty-odd roles, the majority of them are filled. At the same time, the program continues to offer services to individuals who have disabilities who are still are underemployed, or are seeking to gaining experience, obviously, in the work environment.

Normally, when there is a vacancy, the personnel in that division will go to those registries and conduct almost like a restricted competition within those inventories. It has been a healthy pool in terms of meeting needs of the organization.

MR. BALL: Okay.

MS JOHNSON: The increase in the revised last year was due to severance as well as payout of the signing bonus. As people leave, vacancies become available. We pay out the severance, but we do fill the vacancies. This is a fabulous program.

MR. BALL: If there are people actually retiring from those positions, I am assuming that obviously people stay in those positions for a long time.

MS JOHNSON: Well, you have to work for nine years at least to get severance, so they may not be retiring, they could be leaving to go to another workplace.

MR. BALL: Good.

That is it for me. I do not know, Paul, if you had questions, if I missed anything there.

MR. LANE: I just want to stick with the Opening Doors for a moment. There are eighty-eight permanent positions that have been identified for this program over a course of a number of years. Unless one of those persons were to retire there is no additional, or is there any – because, there was an announcement about a year or so ago that came out talking about the government would be putting more funding and emphasis on trying to hire people with disabilities within the public service.

I know I have had a couple of people who have been trying and really not getting anywhere with it. The thought was well, where are these new positions. Besides the eighty-eight that you have had there for a number of years are there any new ones or are there any plans to free up more positions for persons with disabilities, or we have this number of eighty-eight, that is it, that is what we have; unless someone retires, forget it.

MS JOHNSON: This number is up from years ago because I remember specifically asking a couple of years ago and at that time it was seventy-five positions, so in recent years it has increased. It is not to say that there are no other people working in the public service with disabilities; they are just not coming through the Opening Doors portion.

MR. LANE: Is there any plan to increase that number from eighty-eight –

MS JOHNSON: Not for this year.

MR. LANE: – for additional positions?

MS FOLLETT: I can speak to that (inaudible).

MS JOHNSON: Go ahead.

MS FOLLETT: These positions are normally utilized almost like a bridge to allow individuals with disabilities to enter the public service and garner the experience that they require. In many instances they graduate, for the lack of a better word, into regular public service positions. They gain knowledge through the positions that are allocated through the program and then they move out, hopefully, into the broader public sector. So that would open up opportunities.

MR. LANE: What is the period of time for this bridging piece?

MS FOLLETT: It can vary. It could be a number of months or it could go into a year or so. It is hard to give a defined period on that. It depends as well on the individual.

MR. LANE: So if that were the case and you have eighty-eight positions and we are into months or so, then one would have to assume that every year we have at least eighty-eight new people who are going through this program successfully and obtaining employment. Because if the eighty-eight are only there for so many months and then they graduate to a new job, then that position becomes open so that would lead one to believe that every year there is eighty-odd positions being filled by people with disabilities within the public service.

MS FOLLETT: It may not necessarily be the eighty-eight every year, but there would be fluctuation within that eighty-eight depending on the ability of the individuals to garner positions within the public service; you are right, yes.

MR. LANE: Without getting all the details here because you would not be prepared it, would we be able to get some kind of a breakdown as to these eighty-eight positions and what the turnover rate has been and new people going in and so on?

MS FOLLETT: We can certainly get that.

MS JOHNSON: You want the duration of how long they stay.

MR. LANE: How long they were in and the turnover. Because again based on what you are saying, it would come to reason that there are numerous people, up to eighty-eight – it may not be eighty-eight – every year, new people who get an opportunity to work in the public service with a disability under this program, based on what you are saying.

MS JOHNSON: I have only been there two months and I know I have signed off on a lot of RSAs for Opening Doors, so there is turnover for sure.

MR. LANE: Okay.

The OHS for Labrador, Minister, you mentioned that, and that is a concern up there with the OHS officers. I am just wondering why the difficulty in recruiting. I know geography obviously may be an issue, but does it have anything to do with the salary levels that are being paid? Based on the cost of living and the salaries being offered, it is not worthwhile to do that up in Labrador in OHS?

MS JOHNSON: I just used that as an example to talk about how long it takes to fill a position.

MR. LANE: Yes.

MS JOHNSON: You would have to direct that question to TW, though.

MR. LANE: Okay.

I had a question about the e-learning. I am just wondering, back to e-learning, if through the e-learning you are saying that is the route we are going with OHS training and other training and so on and there is a cost associated to it and it is meant or supposed to replace your regular training that you would have, face-to-face interaction and so on, whether that be somebody travelling to the employees or the employees going to the Public Service Commission and doing their training, then there should be a dollar amount in here to say that because we are doing it this way and we are spending this money, then where is the dollar amount saying that we saved it on the other end? Or at this point are we doing both and saving nothing?

MS JOHNSON: I asked the same question, Paul. The reason it is kept at this level is because there is an increased demand for more e-learning. Now yes, you will have some savings on one end, but you are going to have higher costs because we are going to be more training than we were currently doing under the old system.

MR. LANE: Okay, so we cannot necessarily point to an item here to say we have saved on this end by doing this. Maybe there is more uptake on training and therefore we are doing both.

MS JOHNSON: That is right. We will do more with it, yes.

MR. LANE: Okay.

My final question, there was supposed to be – last year I think I can remember a piece of legislation being passed in the House where they were going to take the HR people who were assigned to the various departments and they were all going to fall under the one roof of Human Resource Secretariat. When I looked at the salary increases there, originally I thought okay, that is what that must be. When you answered you talked about vacancies, you talked about severance and so on and some vacant positions that were not filled, but you did not mention anything about these people. Did that transition actually happen?

MS JOHNSON: Yes.

MR. LANE: Where are their salaries in all of this?

MS JOHNSON: That is under SHRM. That is the one where I mentioned to Dwight we had to transfer money in from Finance to help cover off the underfunding when they all came together. Is that 3.1.05? Yes, Strategic Human Resource Management, 3.1.05., so their salaries would show up there.

MR. LANE: I am seeing an increase – under Salaries, Minister?

MS JOHNSON: I am sorry.

The salaries for those – we call it SHRM – Strategic Human Resource Managers was transferred in from various departments, and those salaries show up on 3.1.05.

MR. LANE: Which is $4.948 million, is it?

MS JOHNSON: Yes, $4.948 million this year.

MR. LANE: Okay, but you budgeted in 2013-2014, $4.8 million.

MS JOHNSON: Yes.

MR. LANE: You only spent $4.3 million, and now you are going back up to the $4.8 million. Is it that last year you had planned to move them over but it actually did not happen until now this year? Is that why, because the number that you are at is the number you had budgeted for last year. So unless those people came over, I still cannot see their salaries.

MS BREWER: (Inaudible) administration, people will all be (inaudible) that is where you are not –

MR. LANE: For this year?

MS BREWER: Yes. It is in the original budget for 2013-2014.

MR. LANE: Okay, and then it did not happen until this year. Now it is coming across, plus the wage increase I guess.

MS BREWER: Yes. The savings you are seeing is staff turnover, some vacancies.

MR. LANE: There is $500,000 there. Okay.

My final question is – I am just wondering, somewhere there you were talking about arbitrations and how the number had gone down in one of these categories because you were doing negotiations and therefore arbitration costs went down. I do not need the answer right now. You can get it later, that if fine.

I am just wondering, where are you in terms of, because I assume all grievances or at least – arbitrations for sure, I would think, would all go through this division. Would all grievances also go through this division, or is that just done on the local departmental level until it becomes arbitration?

OFFICIAL: That is correct.

MR. LANE: I am just wondering, in terms of the numbers, how many arbitrations are there? Have they been going up over the years, are they going down, and so on? I do not need an answer right now if you do not have it in front of you, but if you could provide that at a later time, just to get an idea, that would be great.

MS JOHNSON: Okay.

MR. LANE: That is all I have, Dwight.

MR. BALL: I just want to get for clarification, back on the transfer into the Human Resource Secretariat, which line item was that again?

MS BREWER: (Inaudible) Department of Finance, effective April 1, which was effective 2013-2014 fiscal year, those people and their salaries and their operating costs moved over to the Human Resource Secretariat.

The pension's admin people, the people who handle the pensioner payroll and handle the day-to-day inquires of employees and retirees, those people and their dollars moved over to the Human Resource Secretariat effective April 1. It was the last fiscal year, so the budget that was tabled last year had that transfer occurring.

MR. BALL: The line item in the Estimates is where? Which is it 3.1?

MS BREWER: I do not have my estimates with me, Mr. Ball.

WITNESS: (Inaudible).

MR. BALL: The only reason I raise it is because if you go back to the Estimates of 2012-2013, the Estimates in 2012-2013 were $5.1 million. I think the best thing to do with this is get clarification, because Donna if your sequence of events is right, in 2012-2013 the numbers should be a little bit larger. Maybe just to get that clarified, how that all happened and –

MR. LANE: There are currently no HR people at all now in any of the departments. They are all with you now, is that correct?

MS BREWER: They are centralized under Human Resource Secretariat. Some of them are still physically located –

MR. LANE: Yes, their office, but they fall under you instead of the department itself.

MS BREWER: Yes, that is correct.

MR. LANE: That is all I have, Dwight.

MR. BALL: Okay.

Are we ready, Mr. Chair?

CHAIR: That is it for that?

MR. BALL: That is it.

CHAIR: Okay. I will call for the subheads on Human Resource Secretariat.

CLERK: Subhead 3.1.01 through 3.1.09 inclusive.

CHAIR: Subhead 3.1.01 through 3.1.09 inclusive.

On motion, subheads 3.1.01 through 3.1.09 carried.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

On motion, Human Resource Secretariat, total heads, carried.

CHAIR: Shall I report the Estimates of the Human Resource Secretariat carried without amendment?

OFFICIAL: Carried.

CHAIR: I heard it but it was quiet. So it is carried.

CLERK: Okay.

CHAIR: Thank you.

On motion, Estimates of the Human Resource Secretariat carried without amendment.

CHAIR: Thank you very much, folks.

MS JOHNSON: Thank you.

We will switch out now to Finance.

CHAIR: We will switch to Finance, yes.

[Committee takes a short break to accommodate staff changes]

CHAIR: Before we start this one, the last couple of questions there, I think it was Donna who answered and they had trouble picking it up down here. We must say who is speaking and if the minister passes off the question to whomever, it would be nice for the minister to say that Donna will speak to it or someone like that. Because there is only one person down there and they are having trouble with that.

Where there is only one person, we may cut our time to what we normally do because we have questions only coming from the Official Opposition; however, if we get to 7:30 p.m. and we are still going a ways, we way want to take a little break just for a few minutes because we have one person down there and it is not too easy for him – or her, but I think it is a him.

Anyway, that is out of the way.

Dwight.

MR. BALL: Under 1.1.01, Minister's Office, Salaries, $52,000. I am assuming that is severance or something from last year.

OFFICIAL: Yes.

MR. BALL: Okay.

Executive Support, 1.2.01, again in Salaries, about $314,000, back to where we were at last year's budget time; so just a question on the Salaries in Executive Support.

MS JOHNSON: The Comptroller General retired so that would be some costs for that retirement. There was a one-time voluntary time in lieu payment for an employee that also reduces our liability, and additional costs for the former deputy minister who moved on.

MR. BALL: Sorry, was it a one-time position or something?

MS JOHNSON: No, that was voluntary TOIL payout, so we paid out time off in lieu.

MR. BALL: Yes, okay.

MS JOHNSON: It came out of that – for somebody who retired.

MR. BALL: Okay.

So is that something that we track? I assume it is, you had to know how much to pay out, so –

MS JOHNSON: Oh yes.

MR. BALL: It would be interesting to see how much that is. Would that be in the millions and millions of dollars, Donna?

MS BREWER: The time off in lieu of overtime?

MR. BALL: Yes.

MS BREWER: I would have to get it, but I would say it is significant.

MR. BALL: Okay. I would not mind having –

MS BREWER: There is a change in policy now to try to limit. I think you are only allowed to carry over seventy or seventy-five hours.

MR. BALL: Okay.

Under the same category, 1.2.01, Executive Support, the Professional Services went from $7,000 budgeted to $324,000. There is no surprise that is going to be questioned, I am sure.

MS JOHNSON: This was the engagement of external consultants for the pension reform initiative. We had a report done, the Mercer report, that sort of stuff.

MR. BALL: That is not a cost that goes to the pension like we talked about earlier?

MS BREWER: The commitment to our stakeholders is that the government would incur the costs of preparatory work for pension reform. We would not burden the pension fund with those costs.

MR. BALL: No, because that is a significant issue that keeps coming up, the administration.

Just back to that for a second, that external pension reform report is completed?

MS JOHNSON: The Mercer report?

MR. BALL: Yes.

MS JOHNSON: Yes, that is completed. We have shared that with the stakeholders.

MR. BALL: Okay, thank you.

The Purchased Services, there is no big deal there; furniture, no big deal. Subhead 1.2.03, Administrative Support, Transportation and Communications, first of all there is a salary position I am assuming there, a new one, that was not in last year's budget, so I am looking –

MS JOHNSON: No, what we did there was we put all the students' salary in one place. So, that is for the students that we hire in the department.

MR. BALL: Students in the department?

MS JOHNSON: Yes.

MR. BALL: Okay, good.

Transportation and Communications, last year there was an extra $111,000 that was spent. I am just wondering what the breakdown was of transportation or communications?

MS JOHNSON: It was all for extra mailing costs.

MR. BALL: Oh, really? Mailing from the Department of Finance, what would that be as an example?

MS JOHNSON: People still get cheques, our Home Heating Rebate applications, and then the forms.

MR. BALL: Why is that back to $289,000 then?

MS JOHNSON: Well, this is one that we will have to take a look again for next year about maybe rightsizing it. We are going to see if there are ways we can keep it down. If not, next year we may have to re-profile from other sections because this year we took the overrun from within. Maybe next year we just rightsize it.

MR. BALL: Okay.

The next line to there would be Purchased Services. It is only a small line item, but with $67,000 there was something that you had planned on purchasing and did not and obviously you are not going to purchase it again this year. I am just wondering what that would be. Subhead 1.2.03, Purchased Services, $67,000 budgeted last year and you spent $14,000.

MS JOHNSON: We cannot charge any more for internal printing, that is policy and it is one of our – what is that term?

MS BREWER: Before when we had to go to the Queen's Printer and get work done, they would bill us, but as a result of last year's core mandate they decided to cut out this interdepartmental billing.

We will still get the printing done. It is just we do not have to spend it from our budget; it will all be charged through the Queen's Printer office –

MR. BALL: That is the same with every department, I am assuming.
MS BREWER: Yes.

MS JOHNSON: You will see that amount reflected in the Queen's Printer section.

MR. BALL: Yes.

The next question for me would be Administrative Support, 1.2.04, and again Purchased Services last year there was nothing in the budget. There was something purchased for $175,000 and this year a budgeted item of $500,000.

MS JOHNSON: Last year we were moving the Economics and Stats Branch to Mews Place, so that would have been for lease hold renovations last year and for this year that will be phase two now, renovation of new office space for the Economics and Stats Branch moving there.

MR. BALL: This is something that obviously will not be in the budget next year then. Will this be completed this year?

MS JOHNSON: Yes.

MR. BALL: I am assuming the next line was part of the same move, was it?

MS JOHNSON: Property and Furnishings?

MR. BALL: Property, Furnishings and Equipment.

MS JOHNSON: No, that was for vehicles. They found out during the year that they needed to replace two more vehicles. They ended up purchasing three.

MR. BALL: Are they energy efficient like the Energy Plan says, I wonder?

MS JOHNSON: They better be.

MR. BALL: They better be. Yes, okay.

The next one is 1.3.01, again, Salaries at $2.4 million. This is probably part of something we discussed earlier. So $2.465 million in Salaries, you did not spend any of it, and $60 million this year. This is the increase?

MS JOHNSON: The $60 million this year that would be a block of money we have parked for ongoing negotiations.

MR. BALL: Yes.

MS JOHNSON: Then for last year, that would have been money that would have been – is that transferred out to other departments?

OFFICIAL: If it was used, it was transferred.

MS JOHNSON: Yes.

MR. BALL: No, it was not used. It was not used last year.

MS JOHNSON: It was not used.

MR. BALL: Yes.

MS JOHNSON: There were no expenditures, no.

MR. BALL: Yes.

MS BREWER: The expenditure would show up in the department. The money does not stay in Finance. The money gets transferred to another department.

MR. BALL: Okay.

If you turn the page to Pensions Administration, Salaries were $601,000 last year, spent $607,000. It looks like there are a few more positions going into Pensions Administration, is that right, for $755,000?

MS JOHNSON: Yes, we are hiring a new manager of pension investment this year. Then part of it was a 2 per cent salary increase and then another part was transferred in from another area in the department, $41,000 to right size the budget here.

MR. BALL: This is a new position?

MS JOHNSON: Yes, it is. I had to lead by example. We did not ask for much in the budget process, but this is one of the ones we need.

MR. BALL: You asked for it.

The next one for me would be, really if you go over to – there is not a whole there anywhere. It goes to Financial Assistance, which is 2.1.04, Grants and Subsidies. This is about promoting business opportunities and financial support for departments and Crown agencies.

So, 2.1.04, Grants and Subsidies, about $4.5 million, nothing spent, and back to $1.2 million this year.

MS JOHNSON: So, it was spent. It was transferred out – $3.4 million, roughly, was transferred out to Exec Council, and that would have been for the spend analysis Strategic Procurement initiative that we did, which resulted in $20 million annualized savings. You will see that scattered throughout all the departments through Estimates.

Also, $330,000 was transferred to another heading, 1.2.01 there, where we just talked about the monies for pension reform; and $460,000 went to Justice for some legal fees.

This heading is for things that come up throughout the year, maybe –

MR. BALL: So this was the Deloitte & Touche?

MS JOHNSON: Yes, the $3.4 million, yes.

MR. BALL: Okay.

MS JOHNSON: It is down this year significantly, but that was a conscious decision. Basically, we took out the Strategic Procurement piece because that is done, but we still want to leave some there for what may come up during the year.

MR. BALL: Is their work done now?

MS JOHNSON: On that big piece, that is done, yes.

MS BREWER: Deloitte is finished, but it is left to the department now to implement some initiatives.

MR. BALL: That is what you are spending your $1.1 million on – the expenditure, the $1.2 million?

MS BREWER: No.

MS JOHNSON: No.

MR. BALL: What is that going to be used for?

MS JOHNSON: That could be for other initiatives that come up during the year, business. We could do some more spend analysis if we want to. It is just a fund that is there for opportunities or issues that come up throughout the year where the Department of Finance can transfer out to other departments, but we have significantly cut it this year.

MR. BALL: Okay.
The next one would be 2.1.05, the Loans, Advances and Investments. I know the $90.5 million was Kruger. You transferred $85 million of that, and another $11 million to come this year? Is that all to Kruger, the $11 million there?

MS JOHNSON: No, $10.7 million is for Kruger for this year.

MR. BALL: Oh, I am sorry.

MS JOHNSON: No, you are right, $85 million last year was for Corner Brook Pulp and Paper and of the $11.2 million this year, $10.7 million is for Kruger. Then we kept $500,000 for a miscellaneous block again to support business opportunities that may come up throughout the year.

MR. BALL: Yes. When that was announced, of course, something that we obviously supported and were vocal about that, and still do – but when the announcement was made I thought it was for $110 million.

MS JOHNSON: Yes.

MR. BALL: If you add the $85 million to the $10 million, or whatever you are saying, that is actually going to be $2 million short of that.

MS JOHNSON: No. It is going to be spread over a couple of years. It was $85 million, $10.7 million; $4 million, $5.5 million, and $4.3 million.

MR. BALL: Okay, so it is really –

MS JOHNSON: It is over four more years.

MR. BALL: That $110 million, the commitment has not changed. It is just the allocation of the drawdown until we get to $110 million.

MS JOHNSON: Yes.

MS BREWER: The remaining $25 million was based on their capital expenditures. They have to incur the capital expenditures then they will come into us and request a drawdown on that money.

MR. BALL: Yes.

Just around that while we are on the subject, and it is probably not even a finance question. I know during the January power outages there was an arrangement with Kruger with purchasing power. Would that all be done in Hydro, or was the Department of Finance involved in that at all?

MS JOHNSON: It was not us.

MR. BALL: You guys were not there?

MS JOHNSON: No.

MR. BALL: What about the details on the loan with Kruger? All of that stuff has been publicly available, I know, I saw the press release and all of that. There is really nothing left there now. Their first payment is in – is it five years, I think?

MS JOHNSON: Five – now you are testing my memory.

MR. BALL: No, that is fine.

MS BREWER: That first payment for Corner Brook Pulp and Paper, is it five years?

OFFICIAL: It is five years.

MS JOHNSON: Yes, it is interest only.

MR. BALL: Yes, that is good.

The next one will be around Tax Policy, 2.2.01. There is a Grants and Subsidies there of $50,000 under line item 10 – under Grants and Subsidies. It is 2.2.01, Tax Policy.

MS JOHNSON: Yes, so the $50,000?

MR. BALL: Yes.

MS JOHNSON: That is to become a member of the Maritime Provinces Harness Racing Commission. The operation out in the Goulds is not a member of that Maritime organization and they are now required to become part of that. So we put funding in here for that.

MR. BALL: Do we pay for that?

MS JOHNSON: Yes.

MR. BALL: Okay. Do we own that facility?

MS JOHNSON: No, but the regulator generally pays the fee.

MR. BALL: Oh really. The association fee?

MS JOHNSON: Yes, the association fee.

MR. BALL: What do we get back in revenue from the harness racing?

MS JOHNSON: We get revenue from Parimutuel Tax on the gambling portion.

MR. BALL: Okay.

How much do we get in horseracing tax? Do you have any idea, or will that show up in revenue?

MS JOHNSON: Not a whole lot.

MR. BALL: Where does that show up in revenue?

MS JOHNSON: Go ahead, Peter.

MR. AU: We do get Parimutuel Tax about $25,000 a year, but also there is employment related to economic spinoffs and so on.

This is the only Province that does not have our own regulator because under the Criminal Code the Parimutuel betting has to have a regulator. This is a cheap way for us to join the Maritime Provinces.

MR. BALL: So we use their regulations, is that what you are saying?

MR. AU: The operation has been regulated by Standardbred Canada, but they gave us notice that they would no longer want to continue being the regulator for the Newfoundland operation.

The Maritime Provinces has an organization, they have that, and it is cheaper for us to join them. Actually, $50,000 is in there for now because we do not really know if it actually would go that high. The amount of the fee may be close to what we are going to bring in as that Parimutuel Tax, so it is more like a wash.

MR. BALL: Okay.

MS JOHNSON: One of the first issues I had to face in Finance was harness racing, but it had to be dealt with.

MR. BALL: For some reason, I do not picture you in harness racing.

MS JOHNSON: I did not even know it existed. I probably should not say that. Strike that from the record.

MR. BALL: Subhead 2.2.02, the Salaries again under Taxation and Fiscal Policy, $372,000, we spent $536,000 and back to $383,000 this year; so essentially $150,000 or so, whatever it is there.

MS JOHNSON: It is $163,800. We have one employee who is on extended sick leave so we have to pay for a replacement at that same time as paying the person on sick leave. We have also had a retirement of an employee so there were associated costs that came with that, and a $1,400 signing bonus.

MR. BALL: Okay. That should be good for page 3.9.

Moving right along, 2.2.04, Tax Administration, Salaries again of $3.5 million last year, you spent just under $3 million and we are back to the same number. What happened last year with $500,000 that we did not need? I am just looking for some information and clarification of the variance.

OFFICIAL: You wanted to know about the Salaries?

MR. BALL: Yes.

MS JOHNSON: It was down last year due to position vacancies and turnover. Some new positions were classified. For this year it is down because we transferred out to other divisions to rightsize the budget. That was $91,000. We have added back funding that was re-profiled for the purchase of a vehicle.

OFFICIAL: Twenty-two thousand dollars in the original budget.

MS JOHNSON: Okay, right, in the original budget. That is $22,000 we are transferring back. Then $68,000 is for the 2 per cent salary increase.

MR. BALL: Okay.

The next line for me would be Professional Services, $461,000. We spent $665,000, but we are down to $152,000 this year.

MS JOHNSON: This would have been related to a transfer pricing study for Vale and for IOC arbitration. The requirement this year, $152,000 is the anticipated requirement we would need to complete the Vale transfer pricing study.

MR. BALL: What was that? Sorry, just explain that?

OFFICIAL: It is a complicated audit that the department is involved in. We had to go out and contract external consultants to help complete the audit.

MR. BALL: This has something to do with the ore you mean at Voisey's or an audit of the work done at Long Harbour?

MR. AU: The transfer pricing is an issue whenever sales are made to a related company. When sales are made to an unrelated company it is not a problem; it is market value.

When sales are made to an associated company there is the potential for artificially lowering the price, so lower the tax. Sales are supposed to be done on fair market value. When we see there is a potential issue of the sale prices being too low, sales are made to a related corporation, we question it. The question of transfer pricing related to a particular mineral is a very, very complicated matter and the number of expertise in North America is very, very limited. So, we had to get a consultant to come in and they did a three-phase study. First, they go through the whole exercise of how the structure works, and then the second phase they go into actual invoices and look at detailed transactions.

The reason here is that in the second phase it was a little bit overrun. They took more time than expected, but they expect to reduce the third phase, the final phase. They can get it done quicker, so the overall contract price will not change. That is why the revised figure for 2013-2014 is a little bit higher. It took them more time than they expected. The total contract will not change.

MS JOHNSON: The bottom line, though, Dwight, would be part of our due diligence to make sure that the price that they are charging is the price that they are supposed to be charging. That is why we do the audit.

MR. BALL: This is a situation you are talking about where Vale, obviously, would be mining ore and then there is a tax aside from the royalty. Is that what you are saying here?

MR. AU: Mining tax.

MR. BALL: There is a mining tax, so then you have to go in and say how much ore did you actually extract and therefore there is a level of tax plus the royalty, I am assuming, that goes to that. So what you want to figure out is who they actually sold it to. If they actually sold it to an affiliated company, did you indeed sell it at the fair market value?

MS JOHNSON: Are we getting the right amount of taxes that we are supposed to be getting.

MR. BALL: Okay, interesting.

MR. LANE: You budget $461,000 and you spent $665,000, this is $152,000 so that means this exercise of due diligence is costing $800,000 in total?

MR. AU: No, part of this, as my minister has indicated, is for expense for IOC arbitration. There was a separate case dealing with IOC so we –

MR. LANE: How much is for this consultant to do the Vale, in total?

MR. AU: I think the total contract is less than $700,000.

MR. LANE: Seven hundred thousand?

MR. AU: Yes.

MR. LANE: You only asked them to do this work if they are selling to an affiliated company and you believe the price – they may be lowballing. The fact that you hired them to do it is because someone in your department, or someone in the Department of Natural Resources, whoever, felt that it was being lowballed, or do you just do it automatically anyway?

MR. AU: No, we do not do it automatically. No, we have reason to –

MR. LANE: So you had reason to believe that –

MR. AU: Yes.

MR. LANE: Okay.

Do we know what the results of that investigation, if I can call it that, or that audit, do we know what the results are?

MR. AU: It is not finished, no.

MS JOHNSON: (Inaudible) $152,000 is – four for this year is to finish that.

MR. LANE: Okay. If they were to determine that that indeed was the case, that is what they were doing, then obviously they would have to pay the appropriate amount of tax that they should have paid to begin with.

Should they not also absorb the cost of this audit, as opposed to the taxpayers of Newfoundland and Labrador having to absorb the cost of an audit? Is there any legislation or any requirement, or anything in place to say that if we check on this type of thing, we spend people's money to do this type of an audit because we have reason to believe you are lowballing, we do the audit, we determine yes, you are lowballing, instead of just saying, well now you have to pay us the tax you should have paid us. Should we not also make them pay for the audit?

Do they pay for the audit? If they do not pay for the audit, why do they not pay for the audit? Is it a legislative thing we do not have that we should have that other provinces would have? I know that is a lot of questions but I think you know where I am going to.

MR. AU: From my experience as a tax practitioner in my previous life, transfer pricing and fair market value is very subjective. I would not expect this to be – of course we will charge interest for the overdue tax, for the underestimated tax.

With regard to a penalty, we have to go look at the Revenue Administration Act to make sure there is a provision for that or not, but tax disputes are happening every day, everywhere, in every field. So, with regard to a penalty, with regard to an objective judgement call, it is not certain.

MR. LANE: Could there something put in – I guess that would be part of the whole negotiated process, would it not?

MR. AU: It will be.

MR. LANE: That if we check and you are lowballing, the cost should go back to them.

MR. AU: At the end of the day, whether it be $1,000 a ton or $1,050 a ton, it would be an assessing process that we have to do. Right now it is an issue of audit and compliance, and the act does require them to have a transfer price at fair market value.

MR. LANE: Yes, I get that. I guess my only issue is that we are going to spend – I think you said under $700,000, which is a substantial sum of money that is for sure.

My question was around is there any safeguard or is there anything in there to say that if we have to go through this massive expense to the taxpayer and we find out that you indeed were not reporting what you should have or trying to lowball the prices for taxation purposes or whatever, that in addition to making you pay what you should have paid to begin with, that we also want our money for that audit. I guess there is nothing in place to make that happen?

MR. AU: Not in my experience.

MR. LANE: Unless the government were to put some kind of legislation or amendment in place to make that happen.

MR. AU: None in my experience, Sir, not even in the federal Income Tax Act.

MS JOHNSON: (Inaudible) go for costs when you are in a tax dispute, but I do not know of anything in the legislation to go after them for our auditing costs. We audit lots of businesses, lots of individuals. If you had an overpayment on Income Support, we do not go after you for the cost to find out there was an overpayment. I do not know –

MR. LANE: No. It is not $800,000 either, in fairness right?

MS JOHNSON: No, but there are lots of businesses. This is routine practice for government to do their due diligence, but I can check and see if there is any ability to do so. It is a good question. I can check and see if that ability is there.

MR. LANE: I am just throwing it out there, Minister, because it is a lot of money $800,000, or $700,000.

MR. BALL: Okay, just to finish the discussion on this so that I can get my head around it.

What happens now is all mining companies, regardless of where they are mining, self-report the amount that they extract. Is that the way it works?

MR. AU: They self-report, yes. It is a self-assessing system. They report to us and we do an audit. We send our auditors out.

MR. BALL: Okay, all right.

MS JOHNSON: (Inaudible) we are going to bring before the House around getting access to third party books. Part of that helps with this as well.

MR. BALL: Good.

MR. LANE: I have one more question about this. I am just wondering, now that you say they self-report, what would lead you – I say you, I guess it is the Department of Natural Resources or whatever. What would lead the government – if I can just use that term – to get suspicious? Again, to use that term, you know what I am saying.

You said that an audit process takes place if somebody in – I am assuming the Department of Natural Resources – feels that the amount being reported is low. I am just wondering what procedure is in place, what staff are in place? Do you have someone who goes back and forth to the site, or is onsite to monitor it to get some idea of whether or not they are lowballing it? How do you police it, I guess for lack of a better term?

MR. AU: Right now, at this stage, we are looking at the value of sale, of the price of the transfer. NR would be the department. I assume they are looking at the volume. They report the volume to Natural Resources.

We have mining tax specialists on staff in audit, in tax admin. They report the volume, multiply it by the price. We know what the price should be in the market price that is available. Then we compare it to what the marketing industry price is.

MR. LANE: Okay.

Who checks to make sure that the volume – and I have no idea how the volume would go. I guess it is in tons or whatever. If they say we had 1,000 tons today or 1,000 tons this week, I have no idea what the numbers are, but we had 1,000. Who is to say they never had 1,100, or they had 1,200 and they just reported 1,000? Is there anything in place to monitor that extra resources are not being reported? Is there any safeguard in place? Maybe that is a question for Natural Resources, I do not know, but I am just wondering.

MS JOHNSON: Yes, that is what I was just going to say. My understanding is it is both a paper exercise and an onsite exercise, and the people in Natural Resources do that. I would rather defer to them to answer to the specifics.

MR. LANE: Yes, we will make a note to do that.

MS JOHNSON: Yes, and I just told my communications director to make a note.

MR. LANE: Yes.

MS BREWER: Just one final comment. The audit is still in process and I guess we should not rush to judgment until the audit is complete. You know what the company did may be perfectly reasonable.

MR. LANE: Yes, I am not suggesting otherwise. I am just wondering what safeguards are put in place.

MS BREWER: Sure, yes.

MR. BALL: Thank you.

Subhead 2.2.05, Debt Management, Salaries; I am just wondering the number of people who would be employed there under the Salaries, the $685,000, which we spent $534,000 last year, back to $635,000. Just some idea of what those individuals would do in that particular department.

MS JOHNSON: That is for ten permanent positions. There were savings last year. We had a Manager of Capital Markets and a Debt Analyst. That is in the process of being filled. In terms of what they do, Donna Brewer will speak to it.

MS BREWER: Our Director of Debt Management and their staff would monitor our daily cash balances. Based on our daily cash balances, they will make decisions on where to invest any excess cash.

They also monitor outstanding debt and make sure interest is paid when interest is due, and that debt payments are made when debt payments are due. They are also responsible for the accounting and the management of the Newfoundland and Labrador Municipal Financing Corporation, the Newfoundland and Labrador Government Sinking Fund corporation, and the Newfoundland and Labrador Industrial Development Corporation. I feel like I am missing one, Peter.

MR. AU: Some of the salaries are recovered.

MS BREWER: Yes, so you see on the Revenue line some of the salaries are actually recovered from the various Crown corporations that they do provide support for. One of the reasons a couple of positions are down is where we have not been into the debt market for a number of years. For a number of years, the manager of capital markets and a debt analyst had remained vacant.

MR. LANE: Because we are going deeper into debt we need these people. Is that basically, the gist of it?

MS BREWER: All governments have a Treasury management function. These people are here to do that Treasury management function.

MS JOHNSON: There are no new positions here. There is actually a transfer out of $61,000 to rightsize the department and then a 2 per cent increase. There are no new positions in that section.

MS BREWER: The activity of some of those Crown corporations, the trend now is municipalities go out and borrow their own. There is no new borrowing being done through Newfoundland and Labrador Municipal Financing Corporation. They are almost the caretaker as the existing loans expire over time. At some point that corporation will be wound up.

MR. BALL: Yes, if I could just around the whole idea of – there has been a commitment that has been made a couple of years ago about the per capita debt as a Province and getting to the Canadian average in ten years. I am just wondering where are we on that. I guess one question is: What is it this year? Where do you see it going next year? What population numbers are you using with that calculation?

MS JOHNSON: Just give us a second. That is all in the Budget book.

MR. BALL: I thought that was 526,000 in the book.

MS JOHNSON: Population?

MR. BALL: Yes, I thought that was the number.

MS JOHNSON: It is 526,900 or something like that.

We can get it for you in a few minutes –

MR. BALL: Yes, I am just wondering about the population, just wondering about the commitment of getting to the Canadian average within the next ten years and obviously, I guess, other provinces.

We can get back to that.

MS JOHNSON: He wants to know where we are net debt per capita now and what the all-province average is, so the difference. The difference is about 4,000 or 5,000. (Inaudible) but I do not have the exact number on the top of my head.

We will get it for you.

MR. BALL: It is more of a philosophy and being committed to the ten-year national average, then if the number of 526,000 or whatever it is, 526,800 or 526,900, if that is the numbers that we are using, we would actually see next year, if that is the case, we will see the per capita debt be raised in excess of $18,000 per every man, women and child in the Province. A couple of years ago that would be less than $15,000.

So I am just wondering about the commitment and indeed how we plan to get there. If that is the track and the commitment that we have made, how are we actually going to get back to the Canadian average and what is the Canadian average, I guess, would be the next question.

MS BREWER: I just did a quick calculation. We will have to get it confirmed in the morning, but I came up with $18,600. I used the net debt of $9.8 million projected March 31, 2015, population around 526,000. Last year the all-Canadian average was close to $15,000 but not all the provincial budgets have been issued to date. So we would need to recalculate that once all of the provinces' budgets are in.

MR. BALL: So we would be three years in along the line of the process.

All right, turning the page to 3.12, Economics, and that is again in Salaries. It was $990,000, went to $1 million, and up to $1.2 million this year. So I am just wondering why the increase.

MS JOHNSON: Part of it was due to the $1,400 paid to employees, and another part was due to additional resources required for project-related activity. So, this department hires people as they need them, depending on what work departments need done. That was $20,000 or $30,000 extra to hire someone to do a specific project-related piece.

MR. BALL: Yes, but if you discount the $1,400 that will not be coming in this year's budget, you are at really a budget last year just under –

MS JOHNSON: Oh, you are asking, sorry, why next year.

MR. BALL: Yes, why the $1.2 million.

MS JOHNSON: Sorry.

Twenty-four thousand dollars is for the 2 per cent salary increase, and the other $205,000 was transferred in from another section in the Department of Finance to rightsize this budget, because it was always underfunded.

MR. BALL: Yes, and the furnishings, is that some new office that was set up – $165,000 – or a few offices, I guess?

MS JOHNSON: Which –

MR. BALL: Under 2.3.01, Economics, there are some Property, Furnishings and Equipment that was purchased for $165,000.

MS JOHNSON: Oh, I was in the wrong section. That is for new cubicles and furniture and equipment for the Economics and Stats Branch going to Mews Place.

MR. BALL: Okay.

Any idea what the cost was, if you added it all up, to go to Mews Place?

MR. A. HOLLETT: For the current work that is on the go it is $780,000.

MS JOHNSON: It is $780,000.

MR. BALL: Why was it we moved there, anyway, I am just trying to remember now?

MR. A. HOLLETT: The Economics and Statistics Branch have been spread across five different locations now since 1997. We had some people out in Mount Pearl, we had some people in the West Block, we had three different locations here, and we have been all over the place. They wanted to consolidate the office space in government, and also to consolidate the space here in the main building. They asked us to move to an external location, basically, to bring everybody together.

MR. BALL: As a result of the consolidation that you are talking about, is there an overall net savings in doing all of this or are there ongoing extra expenses?

MR. A. HOLLETT: No, I think that there will be fairly significant savings because part of what we are doing here – I do not know if you are aware but we have core mandate initiative in the works where we are centralizing, wherever it makes economic sense, statistical services across government. Basically, what we will be doing there is a lot of work that might have been previously contracted out and that sort of thing, it is come through us.

The other thing is, of course, that the capacity that we are bringing together and the synergies that we are getting from bringing together the different types of skills and so on and so forth gives a stronger capacity to government overall for this kind of work so it does not have to go outside. In the overall scheme of things, I have absolutely no doubt based on being around this for about twenty-eight years now that there will be some pretty good savings to government.

MR. BALL: Any idea how much?

MR. A. HOLLETT: It is hard to say, but I can give you an example. The way that our budgets have worked in the past is that we would take revenue from departments. If they wanted a piece of work done that was very significant, we would charge them. I guess on average the revenue that would come into the branch in the run of a year would probably run anywhere from $1.2 million to probably $2 million per year. With the consolidation, (a), we will not be charging departments for lots of things that we would have before because of the consolidation of the resources and the savings, I guess, that you can see there.

If you look at this budget there in a couple of places you will notice that there is a reduction in revenue from the budget to the year-end. Basically, those are amounts that were not taking from departments now, so you are looking at numerous hundreds of thousands of dollars for sure. I would say you are probably looking at a minimum of $800,000 to $900,000 per year in savings.

MR. BALL: It may be the appropriate time to have the discussion because one of the next questions I was going to ask, or maybe two questions away, was on the next page at 2.3.02, Statistics, when we look at provincial revenue. We had budgeted last year for that to be around $2 million, it was $463,000 and this year it is budgeted at $25,000. Is that what you are talking about there?

MR. A. HOLLETT: Yes, I think that is the perfect example. The $1.982 million, this is revenue that we had projected to see coming in through the branch for projects that were underway. Towards the end of the year the decision was made that we would not actually transfer that money from departments because basically it amounts to savings really.

The way that it is being approached now is that money is frozen in departments and is kept as savings to government overall. The $25,000 that you see there for 2014-2015 is revenue that will come in from outside provincial government, mostly I believe from the federal government next year.

The very, very large drop is because we will not be transferring revenue from departments any more into the branch. All savings will be accrued as frozen dollars that will just go back to general revenue.

MR. BALL: This was all part of the core mandate review?

MR. A. HOLLETT: Yes.

MR. BALL: Do you actually keep a time management on which department you would do economics statistics for? I can see as an example if you do not have to manage this within your department budget, it would be pretty easy to go and say well let's go to the economics department and get some research or statistics done on that. This is the department that I could see could be called on often.

MR. A. HOLLETT: We really do not see that happening. Most people who come to us looking for help – it is one thing for somebody to call in and say can you tell me what the unemployment rate is today or something straightforward, sort of regular data dissemination.

The kind of things that we do when we talk about these larger projects and where the savings are and for that matter the cost, are large things. For example, we are building a model looking at long-term care in the Province right now. It is a three-year project and you are talking hundreds of thousands of dollars. We do all the projections, the population work for school enrolments, and that sort of thing.

In an analogy it would be almost the same as somebody going to a doctor because they had nothing better to do. They do not usually come to us unless they have a serious need. It is fair to say there is nothing frivolous goes through our branch.

For example, we do a lot of data collection. If somebody wants to do a survey, the first thing that we make them do or get them to do is we will give them a list of questions that they have to take back, they have to sit down. It could take them three or four hours to get the information back to us whereby we can say okay, we can undertake this and cost it out, set up a project to do it and that sort of thing.

As I said, I have been there a long time now and there is really nothing frivolous goes through. It is a very, very busy place.

MR. BALL: Okay. I guess it is all part and parcel because when you look back at it, last year the budget being $2.7 million for Salaries, you actually spent $2.6 million which was $100,000 less, but now it is up to around $3 million. I do not know if that is the same department or what the reason was for the salary increases.

MR. A. HOLLETT: Which line are you looking at?

MS JOHNSON: That is Salaries under Statistics, 2.3.02. That is for the Geographic Information Systems, the GIS section in Transportation and Works was moved to this section. So that $$243,000 came in from there and salary increases as well, 2 per cent.

MR. BALL: So this is savings that you would see from Transportation and Works as an example now?

MS JOHNSON: Yes, the money would have been re-profiled over from Transportation and Works. You would see a reduction in their budget and put here.

MR. BALL: Okay.

MS JOHNSON: Just before we go on, Dwight, I have the numbers around the net debt. Net debt for 2014-2015 for our Province was $18,663 and the all-province average net debt per capita is $14,933. Again, as Donna said, all the provincial budgets are not in yet. I knew it was about a $4,000 difference.

MR. LANE: Dwight, I have one question.

MR. BALL: Sure.

MR. LANE: Minister, you talk about net debt compared to other provinces. How do we compare in terms of overall debt to other provinces? I know we talk about net debt; there is an overall debt and then there is a net debt. The overall debt is obviously much higher than the net debt is. I think our net debt is $9.8 million compared to $13 million. So in terms of the overall debt to the Province, how do we stack up compared to other places?

MS JOHNSON: The best measure would be net debt per capita because bigger provinces and everybody would have a different – so this would be the best measurement.

MR. LANE: I suppose, yes.

MS BREWER: Your net debt is really your financial assets less your financial liabilities. That is the standard measurement for all provinces.

MR. LANE: So just for clarification, when we talk about our net debt versus our overall debt, just for the purposes here, just so we are clear, what are the items that make up the difference between the net and the $13 million? What assets are we talking? Are we considering all of our facilities? This building is an asset so therefore – or are we just talking about shares in oil projects and stuff like that, that we have taken out loans on – investments, we will call them

MS JOHNSON: Donna Brewer will answer that.

MR. LANE: Yes.

MS BREWER: Our net debt, our main liability would be our borrowings, like what we owe our debenture holders. That is net of our sinking funds, because we have sinking fund assets that are there to help when the debt is due upon retirement. Then we have what we call our accrual liabilities. That is our unfunded pension and our other post-retirement benefits.

MR. LANE: That is right, yes.

MS BREWER: That adds up to around $13 billion.

Then we have our other financial liabilities and assets. Our other financial liabilities would be like our accounts payable at the end of March. It could have been bills not yet paid for goods and services received. It would be certain accruals, like accrued vacation pay, accrued overtime pay, accrued severance.

Our financial assets would be cash we had in the bank, some temporary investments that we had. Also, it includes our investment in Nalcor and our investment in our two government business enterprises.

MR. LANE: Yes, we have loans out again. We have taken out loans in order to obtain equity in some of these things, and obviously we would expect a return on them. It is almost like a mortgage on a house.

MS BREWER: Yes. The investments, say, in Nalcor do not impact net debt because your financial assets are going up but your financial liabilities are going up.

MR. LANE: I guess until we actually receive the benefits from that investment, in theory we are still paying interest and so on, on those loans.

MS BREWER: We are paying interest but eventually we are going to get net –

MR. LANE: Eventually.

MS BREWER: We eventually will get – well, even now we are getting net income from Nalcor and we get net income from the Newfoundland Liquor Corporation, that comes in as revenues of the Province, and at some point Nalcor will be in a position where they will be paying us actual dividends.

MR. LANE: Yes.

MR. BALL: Yes, it is a good question, and it always comes up about how you evaluate or how you place value on those assets. How do you value, let's say, investments like that? Is there a process that you go through or is it just simply, okay, this is the money we have put in dollar for dollar, or is it an evaluation that is done on those assets to determine the net debt?

MS BREWER: The initial evaluation would be based on historical cost.

MR. BALL: So, it is all about cost.

MS BREWER: It is all about cost, but like I say, our market investments would have to take into account if there is any kind of impairment in the market value. In our pension fund, if we had an investment and equity and that equity went down, then you would have to write down that asset, but right now we have the audited statements of Nalcor. We do not consolidate them line by line. We have our shareholders' equity in Nalcor and then that increases based on the net income.

MR. BALL: Yes, so you have a list of those assets anyway.

MS BREWER: Yes, there would be a schedule in the Public Accounts.

MR. BALL: Yes, Public Accounts, that is what I thought.

Okay. The next question for me would go right over again to –

CHAIR: Before you do, Dwight, I just want to cut in. It is after 7:30 o'clock, but I know we only have I think two subheads left or something, two pages. I do not know if there are a lot of line questions left.

MR. BALL: I do not have a lot of line by line questions, but there are a couple I have. Maybe two or three general questions, no more than that. I do not know what you want to do.

MS JOHNSON: Is it a person wants the break?
CHAIR: Yes.

MR. BALL: Okay, that is fair game.

CHAIR: Yes, there is only the one person there in –

MR. BALL: Yes, let's do it.

CHAIR: We told him that we would probably give him five. Is that okay?

MR. BALL: Oh, absolutely. Yes.

MS JOHNSON: No, that is fine.

CHAIR: Okay, so we will take five.

Recess

CHAIR: I can appreciate the sidebars, but we are ready to go. I was hoping with only one questioning party here tonight that it might be a bit faster because we were missing our Third Party people –

AN HON. MEMBER: (Inaudible).

CHAIR: I am not saying you are longwinded. No, I am not saying that. It is not very often this happens, Dwight.

Anyway, we will continue on.

MR. BALL: (Inaudible) the line by line I think we have covered in the department. Paul, I do not know if you had any questions.

MR. LANE: Not line by line.

MR. BALL: If we maybe get into just for a few minutes around – great discussion on the net debt, but one thing that has occurred to me is obviously we did some celebrating around being a have Province back in 2008 or 2009, whenever that was. Who looks after that formula now to determine what the have province status is? Who does the accounting on that? Is that all done federally or what happens? When do you get the e-mail saying you are still a have Province or how close you are to being have-not or whatever?

MS BREWER: My first FPT meeting was at Meech Lake in December. Ministers went off to a dinner and the deputies went off to a dinner. When I sat down to my dinner plate, there was an envelope. When you opened up the envelope, they told you what your allotments were. We were equalization zero, but we knew that anyway.

MR. BALL: Do they say why or how? Did they tell you how you get to zero?

MS BREWER: The calculations were not there. Own fiscal policy people, they track it, but the actual calculations are done by federal finance. Did you want to add anything to that, Peter?

MR. AU: No, federal finance does all the calculations.

MR. BALL: Pardon me, Peter?

MR. AU: Federal finance does all the calculations.

MR. BALL: So they give you an envelope and say there you are?

MR. AU: That is right.

MS BREWER: Ontario at that table was surprised. They were still getting equalization but a lot less. They were the only ones, I recall, at that table seemed surprised by their letter.

MR. BALL: Yes, because at the same time back a few years ago when we reached a have Province, there were even press releases – I do not know if it was press releases, but statements that were made publicly that our share to Ontario was $150 million or $450 million, whatever it was. I do not know if you can remember that or not, but that is obviously not how it works.

MS BREWER: It is a complicated formula. I would not be able to tell you all of the calculations, but it has to do with your tax points, it has to do with your economy, and it is a means of equalizing.

MR. BALL: The national average of the five provinces or whatever.

MS BREWER: Then Minister Flaherty said to Minister Sousa you are the victim of your own success because the Ontario economy was starting to do better, which would mean you were getting less money.

MR. BALL: Do you have any idea, in that formula, how close you would be to receiving equalization, or how does that work?

MR. AU: I spoke with the Director of Fiscal Policy. He said it would be a long time before we get equalization again. One of the ratios besides net debt per capita is net debt per GDP. Right now, we are above the national average. The only provinces ahead of Newfoundland are Alberta and Saskatchewan. We are ahead of Ontario. We are ahead of Ontario by 40 per cent net debt per GDP.

MR. BALL: What is our net debt per GDP now?

MR. AU: Our net debt per GDP is about $60,000.

MR. LANE: Things like infrastructure, deficit and all of that, that was the idea of the Atlantic Accord, right? Because it does not take into account the fact that we have a lot of failing infrastructure and so on. The calculation does not take that into account; therefore, that was why we had the Atlantic Accord money as a catch-up. Is that how that worked?

MR. AU: The money we spent on infrastructure and so on actually helped the GDP. GDP is the bottom denominator. As we put in more infrastructure – GDP, the way we calculate it, is expenditure: expenditure by consumers, expenditure by government and by private business in capital projects, and exports minus imports. The amount that government puts into infrastructure, the taxes that we cut, we reduce over the years by putting $500 million or $600 million back into the economy. They are all factor in. As the individuals have more expendable income, disposable income, that will increase the GDP.

MS JOHNSON: (Inaudible) Chris Butt who is our guru on this stuff, we can have a briefing with him around the equalization formula and that piece. It would be beneficial.

MR. BALL: Okay.

That is a good discussion again. Getting back to surplus next year, Minister, is something that you have discussed, even though there would be some extra borrowing again next year? Any idea what the borrowing will be?

MS JOHNSON: Well, based on what we know before we went to print with the Budget, we are anticipating $400 million. Now, bear in mind we will have to see where oil is, exchange rate, production, pension reform.

MR. LANE: That $4 million that you are anticipating, where would that be going to? Is it Nalcor?

MS JOHNSON: It is $400 million.

MR. LANE: Four hundred million dollars. That is going to Nalcor?

MS JOHNSON: No, that would be for infrastructure, debt come due.

MR. LANE: Okay. If you are borrowing for infrastructure, which would be part of your net debt because it is not a revenue generating asset – you were projecting a surplus, but you are getting to that surplus by having to borrow $400 million. It is not really a surplus, is it, if you are borrowing?

I am just trying to get my head around how you can say on the one hand we have a surplus, yet we have to borrow money for roads and whatever.

MS JOHNSON: After you look at your revenues coming in and your expenses going out, you subtract the two and that gives you whether or not you have a surplus or a deficit. For next year, we will have more revenues coming in than expenses going out for program expenses and interest on borrowing and that sort of thing, so we will have a surplus.

Your infrastructure only hits your net debt when it is complete, so when you amortize it. The only infrastructure expense – say if we started a school next year, you would only have, if we had to borrow, the interest on that borrowing for the infrastructure in that current fiscal year. It does not hit your net debt until it is completed, then you amortize it and then you reduce that amortization cost from your expenditure side.

MR. LANE: So there will be no capital out of revenue?

MS JOHNSON: There would be what?

MR. LANE: There would be no capital out of revenue. Basically, what you are saying is that you will have a surplus in terms of your operating budget. If you want to do any capital investment you have to borrow to do it.

MS BREWER: Under the Building Canada Fund, whatever infrastructure we build out of the Building Canada Fund there will be some federal capital revenue that we will get. That will go into our revenues, whatever year we receive that, but generally revenues just go into the Consolidated Revenue Fund as general revenue, and from there government incurs its expenses.

MR. LANE: Yes, okay.

MR. BALL: Tied to that – I want to go back and talk a little bit about Hebron. Is there any update of what the anticipated budget for Hebron is right now for the project itself? Not only just for us, the Hebron Project, obviously we are partners. What the idea – I think it was around $14 billion is the last number I heard. Is it that high?

OFFICIAL: Are you saying for this year?

MR. BALL: Well, maybe I will start here. How much have we put into the Hebron projects to date?

OFFICIAL: I can tell you roughly how much money has gone into the development of the project, but I do not know anything about what government would have put into it. That would be Nalcor.

MS BREWER: (Inaudible) by the project.

MR. BALL: Okay. I will tell you where I am trying to get to, because obviously we know the project. Just the design of the project around payout and royalty I think is something that we – because obviously we will not reach a certain royalty regime until we have reached payout of the project.

What I am looking for is where we are now. We are owners, or part owners of this project. I am looking at who is providing the oversight into the Hebron Project. I know it is Nalcor's money, but it is really us, and somewhere within the department, I would imagine, because we are on the hook for this.

As this project costs escalates and we get into cost overruns and whatever the number is now, the problem for us is that our Nalcor, the company that we own, will have to put in more money as our share of the extra costs. The flipside – well I guess the other negative piece of that is the ability to reach payout is all determined by currency and how much we pump, and the price of oil and all of that. The ability to reach payout will impact our super royalty regime.

That is something I think we need both in Finance, and certainly as Natural Resources – all of us need to be aware of, therefore, I am just wondering who is watching that. Who is providing the oversight on that?

MS BREWER: It is a combination of we get information directly from Nalcor. We will also get it from Natural Resources. That goes into our project analysis division. It also goes to our Economics and Statistics division, because that all factors into our forecast of our GDP and our capital investment.

Also, information gets put into what they call an econometric model that helps determine our forecast for our royalty forecast. All that information comes in to both Natural Resources and to several places within the Department of Finance. We get it directly from Nalcor as well.

MR. BALL: How much lead time would you get, let's say, this year? What was it, $551 million was it?

MS JOHNSON: No, $552 million.

MR. BALL: So, $552 million from Nalcor. How much lead time would you get on a call for cash from Nalcor or transfer of funds?

MS BREWER: That goes in through Natural Resources because the equity money is actually into Natural Resources. Periodically, we in the Department of Finance will go back to Nalcor and Natural Resources because we need it because we are doing a fiscal update, or we are doing our budget, or we are trying to monitor our cash situation. So at different points for different reasons we will reach out and get that information from our stakeholders to do it.

MR. BALL: Yes, because within the Department of Finance you do the debt management piece.

MS BREWER: Yes. So we need to be aware of the payments going out but we do not actually certify that invoice. That invoice will be certified by the Department of Natural Resources but we will be aware of it.

MR. BALL: Yes. My question is how much lead time would you get for that cash call, because obviously, sometimes you have to arrange that?

MR. AU: Actually, Nalcor provides us with a twelve-month projection of the cash requirement for the whole year, broken down in month by month. So that is where we project our cash flow. There is some invoiced monthly and they send it to us.

MR. BALL: Yes. Back a few minutes ago, I think it was you Donna, you mentioned there was actually some revenue that comes in from Nalcor right now. How much would that be?

MS BREWER: I think it is $130 million. It is $250 million in total, but that would include liquor.

MS JOHNSON: That is including liquor, and liquor is a hundred and –

MS BREWER: I will have to dig it out.

MS JOHNSON: It is $100 million-and-something. I cannot remember –

MR. BALL: Yes. That revenue would be from what from Nalcor? What would be the source of revenue from Nalcor?

MS BREWER: It would be the net income that they would report on their various operations. It would be the hydro. It could be the oil and gas. It could be all their different business operations. It is their consolidated net income to us gets recorded.

MR. BALL: They actually transfer that cash over to us?

MS BREWER: No, the money –

MR. BALL: That is what I thought.

MS BREWER: The money stays with Nalcor, but from an accounting perspective when we do our consolidated statements we have to include the net income of those two government business enterprises; $105 million for Nalcor rings a bell with me.

MR. BALL: Okay, that explains it because I thought it was revenue. I never heard of that before.

MR. LANE: Dwight, I would like to say something.
MR. BALL: Yes, absolutely.

MR. LANE: I am just wondering, when is the last time the citizens of Newfoundland have received anything into the government coffers from that? We keep hearing about equity in for this and that, and everything else. We are talking about the revenues. This is an investment and from this we are going to make more money and so on.

Unless I missed something, I have not heard of any big piles of money, or any money really being transferred to our coffers. It seems like it is going the other way all the time. I am just wondering, at what point in time do we anticipate that Nalcor will be at a point where we are actually receiving money from them instead of giving them or investing in them? Do you have any ideas?

MS BREWER: Several years ago – I would have to go back and check the records to see the exact year – a decision was made because government itself had so much cash that it allowed Nalcor to retain the cash and reinvest it into the corporation to grow the corporation, but at some point, particularly when Muskrat Falls comes on stream, the dividend payments are going to start to occur again.

MR. LANE: Again, yes. We keep hearing all the time, money that Nalcor is earning is the people's money because we are the only shareholder, we own it all.

MS BREWER: Yes.

MR. LANE: I guess if I were a shareholder in a private company, I would have an expectation after I keep investing my money that I am going to get dividends back in return. I just keep hearing about more reinvestment, more reinvestment, and more reinvestment. Both by the money that I assume the profits they are making, plus constantly looking for more from the taxpayer, from citizens to pump into Nalcor, but I am not hearing about anything coming back.

I am just trying to seek clarification around that, that I have not missed anything. We have not been receiving any dividend payments that are going into our coffers to pay for health care or education or anything else. It just keeps getting reinvested and so on, right?

MS JOHNSON: Again, Minister Dalley can go into more detail, but those dividends are to come. You are right; a lot had to be reinvested back because there was major work that needed to be done in a lot of their facilities around capital investment and so on.

MS BREWER: I will ask Peter to correct me if I am wrong, but do they pay their guaranteed fee (inaudible).

MR. AU: I am not sure.

MR. LANE: I guess it is funneled. It would just be nice to know at what point in time we started seeing money coming the other way is all.

MS JOHNSON: In 2017 is when it is expected to.

MR. LANE: In 2017, and that is Muskrat Falls –

MS JOHNSON: Again, it should be Minister Dalley, but Hebron is 2017-2018.

MR. BALL: Just to go back to $552 million – and if you want to hold off until Natural Resources, but I think it is out there anywhere. The $552 million, the breakdown to Nalcor was for what?

MS JOHNSON: The $222 million was for oil and gas and $330 million was for Muskrat Falls. That will only be released as it is needed, obviously. The funds are frozen until they require them.

MR. BALL: Is that it then for Muskrat, the $330 million then, will that be the last equity payment or will there be more for next year too?

MS JOHNSON: That is just for this year.

MR. BALL: Just for this year, yes.

Just around negotiations – and I know, Minister, this all comes in your bailiwick as well. With NLTA, the negotiations are started again now I am assuming?

MS JOHNSON: Yes.

MR. BALL: They are started. Who is the other group, nurses was it?

Where are we to on an update with nurses' negotiations?

MS JOHNSON: They are ongoing as well. Dentists are ongoing, ushers are ongoing, ambulance operators are ongoing, and CNA is ongoing. We have concluded three in the last few weeks.

MR. LANE: How long have these negotiations been ongoing?

MS JOHNSON: About eighteen months, probably.

MR. LANE: I know teachers are over a year or a year-and-a-half. What about nurses and the others, are they that long as well? Are they all the same time? Were they all negotiated basically the same time in the last –

MS JOHNSON: Brian, do you want to –

MR. MILLER: Nurses expire June of 2013 and we have been negotiating with them for a while. Teachers, we have been on the go for eighteen months or so. It is in progress.

MR. BALL: (Inaudible) questions, one around last year around the 10-Year Sustainability Plan and obviously the public announcements of commitment to the sustainability plan. We did not hear much this year about the reviews that Memorial, the RHAs and CNA. I am just wondering, where are we with that or is that something that has been completed or are we done with it?

MS JOHNSON: I should defer to Minister O'Brien, but I do know the reviews are ongoing. We have said that anything that they find in savings they can reinvest into MUN and the college.

MR. BALL: Okay.

RHAs are the same?

MS JOHNSON: RHAs – have you done Health Estimates yet?

MR. BALL: No. Okay, we will leave that to there.

I guess around pensions, obviously, it has become a significant public issue right now. I think it is April you said, Minister, that you will actually be meeting with the group. Have we done any analysis on if you do nothing with the pension fund – out at 2025 what does this look like, or at 2030 what does this look like? Was this part of the Mercer report?

MS JOHNSON: I do not know if it was part of Mercer or if it was internal but –

MS BREWER: Mercer started in the 1960s. Mercer was more of a retrospective in terms of why did we get where we are today. I do not recall Mercer as doing any kind of perspective.

MS JOHNSON: I think some was internal and did some calculations around, for instance, where we would be with teachers and that fund would be depleted in less than twenty years.

MR. BALL: If Mercer went back and looked at the history of the fund back, I guess, in the 1970s, what did they uncover? What did they say? What did the report look like? I mean, we often hear from groups that there was money that was stripped out of this and money that was not invested and on and on and on. People added to the fund where they had not been contributors.

Mercer must have come up with a number that said that because of the activity in this plan or inactivity in this plan over this particular period of time, there is a number that as a government we are responsible for. Did they say what that number was?

MS BREWER: As I indicated, it has been a while now since I read it, a few months, but they went decade by decade. Each decade they would end with a summary to explain here is where the liability was at the end of that decade and here are the things that contributed to the decade. When you look at it over the course of forty-plus years, they basically said there was not enough money that was invested to earn money to meet the promised benefit that was occurred.

The one thing that stuck out for me, that I recall, was even to keep the liability as it is today, you would have to earn 13 per cent every year and the actuaries only assume that we are going to earn 6.75 per cent. So that was a telling thing for me, just a standstill.

So the dot-com, the different market crashes that occurred, hit a lot of plans hard, but hit our plan hard as well. In the early years, we did not even have a pension fund.

MR. BALL: So what you are saying is that the plan had to perform at 13-plus per cent.

MS BREWER: Just to keep the liability from growing.

MS JOHNSON: It is quite complex and the history around it is interesting. So if you do want to come over for a briefing around that, we can – it is amazing how there were no pensions funds but people were getting pensions, but there was no requirement.

MS BREWER: I think there were two different royal commissions and recommendations and the recommendations were not –

MS JOHNSON: The pensions got enhanced, but there was no payment to go in to offset the enhancement. It is quite the history.

MR. BALL: So the breakout between post-retirement benefits and the actual pension itself, they are two different numbers again, I guess, right?

MS JOHNSON: Yes.

MR. BALL: So you are saying that right now that within the department – who looks after the forecasting? Who is doing the analysis on where we need to be in ten years' time or fifteen years' time based on where we are now, if we do nothing?

MS BREWER: We rely on our actuary.

MR. BALL: So there is an actuary. Internal actuaries you are saying?

MS BREWER: No, the department does not have any internal actuaries. We contract that out currently to Morneau; Morneau Shepell is our actuary on contract. They have to do it annually for Public Accounts, Ann Marie?

MS MILLER: We do have this regulation.

MS BREWER: Yes, and they also do work for the Auditor General to help him form his opinion on the numbers.

We do extrapolations as well for budget and then every three years, the plans have to go through a formal actuarial evaluation.

MR. BALL: Then there is a group, a committee, that makes a decision on how the money is invested, is that right?

MS BREWER: The Pension Investment Committee, they will set objectives. There is what we call an asset class mix. So, 100 per cent of the funds, so much has to be invested in stocks, some into global equity, some into Canadian equity, and some into American bonds real estate. Through the advice of an external consultant, Russell Investments Canada, they take us through a process where we as a committee then come up with a recommended asset mix. That is how the actuary then determines the discount rate, because the expected returns on those assets are really what your discount rate turns out to be.

MR. BALL: I would not mind – that are two meetings now we are coming out with.

All right, thanks. I think we are just about done, Mr. Chair, and timely, I might say. There are really no more questions for me, other than, I guess, one quick one. This goes back to oil projections again and how often that gets updated, because obviously, that is an important piece that affects all of us.

Where are we now with the projection of oil prices? I know we are at $105 this year, but when you look at the work that PIRA did – are we still on target with the work that PIRA did for us a couple of years ago or has there been any adjustments made in any of that, or is anybody even following it?

MS JOHNSON: In the sustainability plan last year we said it would be $105, $105 and $105. This year we have adjusted because of new information and new projections. We are using $105 for this year, $105 for next year, and $102 in 2016-2017. Again, we will look at that mid-year and we will look at it many times throughout the year, but we will update it at mid-year and we will update it again at Budget time next year.

It is not just PIRA, we use three others. I do not know, Consensus is one, GLJ, and – anyway, there are three others that we use as well.

OFFICIAL: Sproule.

MS JOHNSON: Sproule, yes.

MR. BALL: Okay.

MS JOHNSON: It is the same thing around the exchange rate. We go out to as many banks and other stakeholders that have that projection information. We use the best information we have before –

MR. BALL: When you look at projections for things like currency and oil pricing right now, what do you actually forecast for? Is it like a three year, a five year, what are you –

MS JOHNSON: We use three year. We are using 91.25 cents.

MR. BALL: For currency?

MS JOHNSON: Yes.

MR. BALL: The adjusted down to $102 for oil. You do not go beyond that?

MS JOHNSON: No, not for budget projections. We go out three years.

MR. BALL: Yes, okay.

MS JOHNSON: We were a little conservative around the exchange rate. The numbers were around ninety cents, but we are conservatives.

MR. BALL: Okay. Unless, Paul has some more questions.

MR. LANE: I have just one more. I just want to go back for my own clarification. I am trying to understand capital again.

You have to borrow this year. You are borrowing $1 billion, $500,000 of that is going to Nalcor – $550 million or $552 million is it, whatever it is.

MS JOHNSON: Yes.

MR. LANE: The rest you are going to invest in infrastructure.

MS JOHNSON: No, $350 million roughly is for debt that is coming due – $354 million for debt coming due. That is debt. That was borrowing from the past years that have come due now. Your borrowing term is up. So $350 million is for that.

MR. LANE: Okay.

MS JOHNSON: When you say I do not see how you can have surplus next year and have to borrow, we might have a surplus on our current year revenues and expenditures but there is debt that is coming due from previous years borrowing.

MR. LANE: Yes. So every time we build a new school, a hospital, whatever, that is all being taken out as a debt and then amortized. Are we borrowing constantly for infrastructure and then you just sort of pay it off when you get surpluses or whatever? There is no capital out of revenue happening is there, or is there?

MS JOHNSON: Up until this year, we had been paying for infrastructure with our cash.

MR. LANE: Yes. So you would have had a surplus on your – on your operational, you had additional money left in terms of revenues coming in and expenses going out?

MS JOHNSON: Not this year.

MR. LANE: Additional money that you could take and invest right on infrastructure and pay in cash. Is that how it worked in previous years?

MS BREWER: I do not know if this is going to help or further confuse, but our surplus deficit is made up of cash and non-cash items. This unfunded pension liability, there is an interest expense that is recorded in the deficit figures for 2014-2015, but that is not cash. Our interest expense on our borrowings is cash.

If you look at Statement III in the Budget, at the back of the Budget Speech, we had a deficit of $537,856; but, included in that, almost $282 million is amortization of capital assets. That is not cash, right.

MR. LANE: Yes.

MS BREWER: Then we have Other, $665,000, the majority of that would be the interest on the unfunded liabilities of the pensions and the other post-retirements. So even though we had an actual deficit on our books, our operations actually provided us cash, because when you back up all those non-cash items we actually had a cash surplus of $400 million.

MR. LANE: Yes.

MS BREWER: That was $400 million available then to go towards your tangible capital assets.

MR. LANE: Correct, so –

MS BREWER: In other years we had that, plus cash on hand. We did not have to borrow.

MR. LANE: Yes.

MS BREWER: This year we need to borrow because of Nalcor, the $552 million, and debt that is coming due.

MR. LANE: Yes, so –

MS BREWER: Two of those alone are pretty much 80 per cent of it, right.

MS JOHNSON: Last year we had a deficit. We ended up with a $348 million deficit, but we did not have to borrow because we had cash.

MR. LANE: You had cash.

MS JOHNSON: Yes.

MR. LANE: Yes, that is right.

MS BREWER: Because the net debt is an accrual concept, whereas borrowing is your cash in, cash out and trying to make sure the cash is there to pay your bills when due, right.

MR. LANE: Yes, but if we were going to build – again, I will just an example.

MS BREWER: Yes.

MR. LANE: We are going to build a new school, right?

MS BREWER: Yes.

MR. LANE: So that money is coming from where? We have to borrow for that. This year we are borrowing. Last year we might not have borrowed, we might have had cash on hand and so on.

MS BREWER: It could have been cash on hand. There could have been cash from operations, which causes cash on hand, right.

MR. LANE: Yes.

MS JOHNSON: This year we will not have to borrow for all of the infrastructure that we are doing because we still have cash. After all of this is taken into account, there is still cash left. Some of that will be used for your infrastructure.

MR. LANE: The cash left over in this Budget, some of it goes to infrastructure, and then of the billion that you are borrowing, about $100 million or so was left over for infrastructure out of that. Is that right?

I think you said $552,300-something in past loans. You said you had $300 million-odd in loans that were due. You had $552 million to Nalcor. So I assume the other $150 million will go towards –

MS JOHNSON: Yes, infrastructure.

MR. LANE: – infrastructure, along with whatever you have. You also have a debt, though, right? This year you have a deficit.

MS JOHNSON: A deficit. So maybe this –

MR. LANE: Instead of investing in all this additional infrastructure, in theory you could have said we are not going to do all this infrastructure and the deficit would have been lower. Would I not be correct there?

You said, I think, you are doing $500 million. I thought I heard someone saying new spending this year or something. You could have not done that and then possibly balanced your books, right. Is that right?

MS BREWER: The cash one might be a bit easier to follow. That is Statement I in the Estimates.

We start off we have cash revenues, provincial and federal sources, $6.5 billion. Then we have what we call current account spending. If you went through all the Estimates of all the departments you have spending that happens, $6.7 billion. We have some related revenue. That could be cost-shared agreements with the federal government, it could be fees, and it could be different recoveries.

The net current account spending is $6.35 billion. On current account alone, we have a surplus of $177 million. Then we have capital account spending. Capital account would include your infrastructure, but it also includes your Nalcor payments. It includes any kinds of loans, advances, and investments that are done, say, by Innovation, Business and Rural Development. What else would it include? It is mostly your capital spending, your loans, advances, and investments and your infrastructure.

That net requirement is $1,148 billion. Our cash requirement for capital account then ends up being almost $1 billion, $971 million. That is why we say that we are not borrowing to keep our heat and light and keep our operations going, we are borrowing primarily for our capital. Of that capital, $552 million is equity for Nalcor.

MS JOHNSON: Our total cash requirement would have been $1.3 billion, but because we had that surplus, you can back that off.

MR. LANE: Next year when we have our surplus of – it is only a small amount?

MS JOHNSON: Thirty million dollars.

MR. LANE: Thirty million dollars.

MS BREWER: Our actual cash surplus will be a lot higher than that. Again you will back off that pension expense because it is not cash, and you will back off any amortization that is not cash.

MR. LANE: Yes, and that extra money that would be left over would go into infrastructure.

MS BREWER: Right.

MR. LANE: Then the money that you are borrowing next year, is that for infrastructure or is that for Nalcor as well? Next year, that you were talking about.

MS BREWER: Money next year, it could be a combination of both really.

MS JOHNSON: Debt coming due is one for sure.

MS BREWER: We probably do not have any more debt coming due until (inaudible).

MR. LANE: Yes. In prior years, say over the last three or four years when we had surpluses and so on, we were not having to borrow for infrastructure and now we are.

MS JOHNSON: Yes, that is fair to say.

MR. LANE: That is fair game?

MS JOHNSON: Yes.

MR. LANE: Okay.

MS JOHNSON: It is infrastructure that is already started too. You did not want to, halfway through a project, not continue it.

MR. LANE: Oh no, I understand. Yes, I am not disputing it; I am just trying to make sure that – okay.

MS BREWER: Then when the dividends start flowing back in to government, that will be a source of cash for us then. That is why we –

MR. LANE: Assuming it does not get reinvested into something else, like has happened in the past.

MS BREWER: Our plan right now is that the money comes back in and then it is used for our infrastructure.

MR. LANE: Yes.

MS JOHNSON: We still have cash on hand now. We will keep about $500 million in cash on hand, which we are required to keep for liquidity purposes. That is what the bond rating agencies require us to keep in case –

MR. LANE: So in order to have that cash coming in from Nalcor to do that, and that is assuming that you are not going to put it against electricity rates, like a lot of people are saying that that extra money from Muskrat – that is Muskrat money we are talking about I am assuming – could be applied against the ratepayers' electricity bill so they will not have to pay as much money. That is assuming that that decision is made, that it is going into capital because I think at the time when it was discussed government's position was the government of the day will decide whether or not they want to put it against someone's electricity bills or whether they want to take it in revenues for other sources. So if it went into electricity bills, then that revenue you are talking about would not exist, right?

MS JOHNSON: It still gets booked as revenue and then your program expense is how you spend it.

MR. LANE: I understand. I am thinking in practical terms versus – in practical terms, that would not be money that we would have for infrastructure if we decided to put it against someone's electricity bill, the Muskrat revenue for power sales, excess power sales, right?

MS JOHNSON: I think you are prejudging what may or may not happen, but the revenue comes in and the expenses go out.

MR. LANE: I am just asking the question when you are talking about revenue that is going to be coming.

MS JOHNSON: Yes.

MR. LANE: That is the revenue we are talking about. That is assuming the decision is made that that is where it is coming.

MS JOHNSON: That is some of the revenue. That is the dividends from Nalcor for both oil and gas operations and Muskrat Falls.

MR. LANE: Okay, so part of the oil and gas would be and the Muskrat piece could be, depending on the decision made at the time, right?

MS JOHNSON: I am not really following. The revenue will come in and go into general revenue. So if a government decided to use it to pay down our net debt, then it is revenue that comes in, you can apply it to debt, you can spend in program expenses. I suppose you could offset money for light bills –

MR. LANE: Ratepayers.

MS JOHNSON: – ratepayers, but that would come under program expenses. It still comes in as revenue and goes out as an expense.

I think what you are trying to say is that it never would come in as revenue in the first place, is that your point?

MR. LANE: No, I guess the point I am making is that when we talk about the dividends that are going to come from Nalcor – oil and gas, I understand, that is different – the Muskrat Falls piece is assuming that the government makes the decisions that the revenue is going to come back to the Province as a dividend in our coffers which we could use for operations, we could use it for capital and so on; whereas a lot of citizens out there have been calling and saying no, no, if you sell excess power to Nova Scotia or whatever then that should come off the cost of the project and therefore my light bill, instead of costing $300 a month, should only cost $240 a month. You should apply that revenue to the overall picture in Muskrat Falls so I, as a ratepayer, do not have to pay as much.

If that decision were made then that revenue, the portion of that revenue that you are talking about, would not be coming back into the coffers, only the oil and gas portion would.

MS JOHNSON: It would come as revenue. It definitely has to come as revenue in terms of dividends and then it is up to the government of the day to decide how it gets spent, if they want to give a rebate or not, just like we give a rebate now on the HST portion.

MR. LANE: Okay.

MS JOHNSON: We do that based –

MR. LANE: So, Nalcor could not automatically just put it into the –

MS JOHNSON: It will come to general revenue.

MR. LANE: We are talking about what could happen. I was just trying to clarify.

CHAIR: Okay.

If there are no more questions –

MS JOHNSON: I do not think Nalcor has the power to say they are going to come – that would be a government decision.

CHAIR: There are no more questions?

MS JOHNSON: I was just going to say I do not think Nalcor would have the power to say we are going to give residents a rebate. That would be a government decision to make, so the money would have to come to us and the government make the decision.

CHAIR: Yes, that is what they were saying.

There are no more questions?

MR. BALL: I am good. Just to make some brief closing comments, I guess.

I want to thank the staff and the minister for – that is assuming there is no question from behind me –

CHAIR: I still have to call for the subheads.

MR. BALL: I just want to thank the staff for your time. I know we have had lots of challenges this week, lots of snow to shovel and all of that so thank you for coming in and doing a great job. It has been three hours. To the minister, thank you for answering the questions and we look forward to the two meetings that has been set up, and to you, Mr. Chair, for the work that you have done.

CHAIR: Thank you very much.

We will call for the subheads.

CLERK: Subheads 1.1.01 through 2.4.02 inclusive.

CHAIR: Subheads 1.1.01 through 2.4.02 inclusive.

On motion, subheads 1.1.01 through 2.4.02 carried.

CHAIR: Shall the total carry?

SOME HON. MEMBERS: Aye.

On motion, Department of Finance, total heads, carried.

CHAIR: Shall I report the Estimates of the Department of Finance and Treasury carried without amendment?

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

On motion, Estimates of the Department of Finance carried without amendment.

CHAIR: Thank you.

A couple of housekeeping items: The next meeting of the Government Services Committee will be on Monday, April 7 in the a.m. That will be Transportation and Works and Labrador and Aboriginal Affairs.

As Dwight said, I would like to thank everyone for their time, our Clerk, Sandra, and our Page – she is still here – and all of the Committee.

Thank you very much.

I will ask for a motion for adjournment.

MR. POLLARD: So moved.

CHAIR: Moved by the Member for Baie Verte – Springdale.

Thank you.

On motion, the Committee adjourned.