



# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES  
2005**

Mr. Graham Addley, Chair  
Saskatoon Sutherland

Mr. Dan D'Autremont, Deputy Chair  
Cannington

Ms. Doreen Eagles  
Estevan

Mr. Andy Iwanchuk  
Saskatoon Fairview

Mr. Allan Kerpan  
Carrot River Valley

Mr. Warren McCall  
Regina Elphinstone-Centre

Hon. Mark Wartman  
Regina Qu'Appelle Valley

[The committee met at 10:00.]

**The Chair:** — All right, members, I'll call to order the Standing Committee on Crown and Central Agencies. Just some administrative issues, just to remind members that the committee meeting is being webcast and is available for in-house TV viewing. Following today's meeting, the full meeting will be video streamed and they'll be up on the Legislative Assembly committee website. The television rebroadcast will occur in November for the public.

At this time I would table the Liquor and Gaming annual report and financial statements. Today's agenda has been distributed and I note that there's one change and it's been agreed that the lunch break will be from 11:30 to 1:30 to allow members to attend an outside function outside of the Assembly. Is that agreed? Agreed. Okay.

Also to clarify for members that the Liquor and Gaming Authority financials are typically reviewed by the Public Accounts Committee in conjunction with the Provincial Auditor's report however the new rules, rule 128, mandate this committee to consider subject matters relating to liquor and gaming. Therefore our review of today's Liquor and Gaming Authority is under its policy field role as mandated by rule 129(2) to review annual reports.

We have Mr. D'Autremont. We have Ms. Eagles, and Mr. Heppner's filling in for Mr. Kerpan. And Ms. Harpauer is attending too . . . [inaudible interjection] . . . She would like to and will have some questions I'm sure. Mr. Harper is filling in for Mr. Iwanchuk. We have Mr. McCall, and Mr. Prebble is filling for Mr. Wartman. And we also have Mr. Martens from the Provincial Auditor's office, and if he wanted to introduce his official.

#### Liquor and Gaming Authority

**Mr. Martens:** — Sure. Thank you, Mr. Chair. With me today is Bashar Ahmad. He's the deputy provincial auditor, and he leads our work at Liquor and Gaming Authority.

**The Chair:** — And they will not be making a presentation today, but they'll be here as a resource to the committee.

And to that end, now what we've all been waiting for — Minister Cline, welcome to the committee. And if you'd like to introduce your officials and open with a brief statement if you wish.

**Hon. Mr. Cline:** — Yes. Well thank you very much, Mr. Chair, and good morning to you and to the members of the committee. And I want to thank you for the opportunity to appear before you today.

I'd like to introduce some officials from the Saskatchewan Liquor and Gaming Authority who are here with me. We have to my right Barry Lacey. He is the vice-president of corporate services. To my left is Mr. Jim Engel. He is the executive director of the policy and planning division. And behind me we have Jolene Tylandsvik, the vice-president of gaming operations; Dale Markewich, vice-president of regulatory

compliance; Lisa Ann Wood, executive director of the human relations division; Faye Rafter, executive director of the compliance branch; and Brian Keith who is the executive assistant to the president and CEO [chief executive officer] who cannot be with us today because I believe she's out of town. And together we will certainly endeavour to answer any questions the committee has. Thank you.

**The Chair:** — Thank you very much, Minister Cline. We'll now throw the . . . open to any questions. Seeing none . . . Oh, Mr. D'Autremont.

**Mr. D'Autremont:** — They were just hoping that there would be no questions. I'd like to thank the minister and his officials for coming in today. As the chairman pointed out, the auditor will not be making a presentation here. In fact I participated on the Public Accounts Committee when we went through the auditor's report for the '04, so we have dealt with that one already.

In reading over the annual report of Saskatchewan Liquor and Gaming Authority, I have to say that I think it's a good report in the presentation. It certainly led me to a lot of questions anyways because there is a lot of information in there and a lot of it dealing with the operations of SLGA [Saskatchewan Liquor and Gaming Authority] and the policy side of SLGA as compared to the financial side of the operation which is dealt with more at Public Accounts Committee.

So I'd like to thank the minister and his officials for the report as it's presented because I think it does lead to a much better understanding of the operation of SLGA and will allow us through this committee to present to the public a more complete picture and understanding of the role of SLGA and how it operates.

Now to get down to the issues. I'd like to thank the minister for the letter I actually just received this morning dated on the 3rd in relationship to a question that we had discussed back in the spring on a piece of legislation that the government was presenting on clarifying the operations of the brew kits and the wine kits which led to subsequent questions that I had of some of the officials.

In the letter I'd asked questions about the ability of an individual to purchase a brew kit — a wine kit or a beer kit I suppose — and have it stored at some commercial place run by, say, the seller of the you-brew kits free of charge. And the minister and I had gone through this fairly extensively in the legislature and come to the determination that it would be possible for someone to brew their brew kit at the place where they purchased it providing there was no compensation being paid to the owner of the location, that they didn't do any of the work, and that they didn't receive any compensation for it.

So in the letter that I just received it talks about that there is no regulatory regime in place to deal with this and that SLGA is viewing this as not permitted. In fact the last sentence is:

At the conclusion of the review a decision will be made on whether to create a regulatory structure specifically for such operations. Until such time as the review is complete,

SLGA will continue to advise that these operations are not permitted.

I'm wondering on what basis that SLGA would indicate that these are not permitted.

**Hon. Mr. Cline:** — The position that SLGA is in I think is that it's difficult for the SLGA to advise people that this practice would be authorized because there would be a danger that someone would then rely upon that advice, take in the new brew kits for wine or beer into their space and subsequently be prosecuted for manufacturing liquor, beer without a permit on the basis that an argument might be made that they were indirectly being paid for providing the service, that is the space for the kit.

And I think, Mr. Chair, that members of the committee can understand that in the normal commercial practice, an entrepreneur say would not want to provide space to a customer without receiving some kind of benefit, either directly which wouldn't be authorized, or indirectly — that is, having the cost of the space reflected by the price that would be charged by the kit or some other supplies that might be sold.

And so I understand Mr. D'Autremont's question. I think it's a good question in the sense that there is an ambiguity here and a grey area, but I think that SLGA does have to say to people, there is no specific authorization as such for this kind of activity — that is, it is not positively permitted in any regulations. And I think that the SLGA, without knowing all the details of a proposed operation for example, would have difficulty saying to people, that's okay, it's legal, go ahead with it, if indeed the police or other authorities may decide that it isn't legal and then prosecute the individual. So that's the kind of problem that there is.

And so that's why they're taking that position and advising people — it is out of caution. Perhaps you might say abundant caution.

Having said that, as Mr. D'Autremont indicated, Mr. Chair, I did indicate in my correspondence that this is a matter that is under review. And the review hopefully will speak to the issue in a way that provides more clarity either by saying it's not allowed if that's . . . if there's a policy reason for doing that or that it is allowed under certain conditions. And obviously I don't know what the review will say.

So that is why that they are so advising people — it is out of abundant caution and trying to avoid liability on the part of the individuals concerned and indeed on the part of SLGA and government.

**Mr. D'Autremont:** — Thank you. I think maybe it's a matter of wording here in the letter, and I'm not sure exactly what SLGA is saying when a person phones in. To say that it's not authorized I think gives one message, that SLGA is not giving you permission to go ahead.

But to say that it's not permitted gives a different message because SLGA is in the business of permitting. You get a permit for a special liquor licence. You get a permit for various other things as well. So I think maybe from a public view

there's a different perception in the use of the words — whereas no it's not permitted, meaning you cannot do it and we'll come down on you if you do, as opposed to no we cannot authorize this because it's not within our mandate, we don't have the legal mechanisms by which to do it. I think there's a distinction there that, you know, some entrepreneur may wish to make space available for free. And that's a difference there between a permit and an authorization.

SLGA can't authorize it and SLGA will not permit it is a different scenario. And so he could if he wanted to, could proceed with this and then if he does get charged then go through the court system to get a clarification. I know most people don't want to go through a court system to get a clarification. But I think there's a distinction in the wording there.

**Hon. Mr. Cline:** — Mr. Chair to Mr. D'Autremont, I do understand the point he's making and . . . But we do have to advise people that the activity is not authorized in the sense that we have no system to issue a permit to them to do it.

And I can understand what Mr. D'Autremont is saying. I believe that, you know, it might be possible and I'll ask the officials to consider in answering this kind of inquiry perhaps the language could be changed. Perhaps the language could be to say look, it is not authorized in the sense that we do not authorize it nor do we, can we issue a permit for it because there's no public policy regulatory regime in place to do that. And having said that, we offer no opinion to you on what may happen to you if you engage in this kind of activity and you do so at your own risk. And then the person could make the choice; we would neither encourage it or discourage it.

That's not a completely satisfactory state of affairs. And then the person getting a letter like that, I'm sure would say well come on, tell us whether we can or we can't. And that's where we get into difficulty. And that's why the best answer I think is for us to say in the review that's going on right now, at the end of the day to come up with a definitive answer: either you can under these conditions or if it's the public policy that we arrive at, you can't for these reasons.

And I'm not expressing any opinion here because I don't have any preconceived bias one way or the other, but we are asking the officials to come up with some recommendations which will come to government as part of the review. And I do agree with the member, Mr. Chair, that we need to provide people with a definitive answer one way or the other and bring some clarity to the issue. And that's what we're seeking to do.

**Mr. D'Autremont:** — What kind of a time frame are you expecting for this review?

**Hon. Mr. Cline:** — As I understand, Mr. Chair, to Mr. D'Autremont, that we believe that the review will take approximately one year from start to finish.

**Mr. D'Autremont:** — Well that's perhaps a little long on this one particular issue because I'm already receiving phone calls. I don't know if SLGA is or not, but I know I have been receiving phone calls from people who are interested in providing space for you-brew operations. So if possible, I think it would be

worthwhile for the public interest to have this clarified as soon as possible. And it would seem a year is a bit long. Has this review started or when will it start?

**Hon. Mr. Cline:** — The review has not begun but it will begin fairly shortly, within the next short number of weeks. I would say this, that I do understand, Mr. Chair, Mr. D'Autremont's concern that the review takes time. But I think that I should say that the main reason for the time is so that we can go out and consult with, you know, various parts of the public and the business community that may be concerned about the issues.

For example if we allow, you know, wine kits, beer kits, in commercial establishments for people to produce their own, what is the view of the local off-saler in terms of beer? I mean that isn't completely determinative of the issue, but nevertheless we would want to say to the hotel industry what do you think? We would want to say to the other parts of the liquor distribution, you know, what do you think? And to the municipalities who regulate business activities, what do you think?

And I'm not suggesting any conclusions. I'm just saying that we need to go through that process of stakeholder consultation to see what people think about the issue. Having said that . . . And I think this is true, by the way, with respect to each and every part of the review. I mean certainly we would want to consult with the public about what they think about this issue before making a recommendation to cabinet in terms of regulation or the legislature in terms legislation.

So I can't commit that we can make a decision without going through some kind of public consultation and that will take time. I do appreciate that Mr. D'Autremont has asked that if possible we give consideration to doing this, you know, in a more timely fashion and certainly we'll take that into account.

But we do have to recognize that if we're going through a public consultation process with respect to the other parts of the review, it may be most efficient to also have this as one of the items that we look at. But having said that I understand that Mr. D'Autremont is saying he'd like this matter to be dealt with as quickly and efficiently as possible. And if there is some way that we can do so we will, bearing in mind the need that we consult with the public.

**Mr. D'Autremont:** — Thank you, Mr. Minister. This is not a new scenario in Canada. There are other locations that provide somewhat similar services. I don't know exactly what their systems are, but there are places where you can do u-brew operations outside of your own home.

But I'm glad to hear that you're going to have public consultations because hopefully you've learned a lesson from the beer discount scenario where there seemed to be very limited public discourse on that before it happened and there was some strong reactions to that. So I look forward to hearing the results of the review and I think there is a time factor here as well and people are interested in understanding where this is going. So thank you very much on that issue.

We're going from the current backwards. That was just today's letter.

The issue that is probably most fresh on people's minds dealing with SLGA is the case of the two store managers that were dismissed. I understand in all likelihood there's limited amounts you can say about that because they may end up before the court system. I don't believe they are at the present time.

So my questions related to that is what kind of procedures does SLGA have in place for monitoring their operations? What do they do in the sense of auditing to determine whether things are in place? Does SLGA do criminal checks on employees that will be dealing with large amounts of money and are your employees bonded?

**Hon. Mr. Cline:** — Okay. Mr. Chair, I'm going to ask Mr. Lacey and perhaps Mr. Engel to comment, or there may be other officials that may have comments because there's several matters to the question. But before I do that, I'm going to ask Mr. Lacey in particular to talk about in more detail the nature of the controls we have and how those have changed. And then one of the officials can comment on what we're doing about criminal record checks plus the issue of bonding.

But I would like to say Mr. D'Autremont is correct that we are in a situation where we can't speak with very much detail about these particular cases in the sense that they've been referred to the RCMP [Royal Canadian Mounted Police] for investigation. But what Mr. D'Autremont is asking is certainly appropriate for us to comment on and we'll certainly do our best to answer his questions, which I think are appropriate. I do want to say that these irregularities were identified as a result of controls that SLGA has put in place, which Mr. Lacey will address. And in addressing that, he also can comment on the relationship we've had with the Provincial Auditor's office in trying to improve. So we did have controls in place to identify the irregularities, so that's obviously good.

Secondly, other controls have been put in place, which Mr. Lacey will outline, which we believe will prevent a reoccurrence of what we believe may have happened in these situations.

And thirdly, we have asked the Provincial Auditor's office to review our controls and procedures to make recommendations for improvement. And I have committed publicly to, you know, implementing the recommendations we receive from the Provincial Auditor. So we are taking action and have already taken action.

And now I'll turn it over to Mr. Lacey to describe the controls in more detail.

**Mr. Lacey:** — Yes, thank you. I believe there were three questions in that and I will attempt to address each one of those.

With respect to control processes, like any retail organization, SLGA has a number of control processes, many of them which are complementary to each other, both at the store level and at head office, and as well as an audit function. And so at the store level that means a variety of processes in place with respect to procedures, with respect to cash handling, deposit procedures; control processes in place with respect to inventory receipt and reconciliation of sales to existing inventory levels in the store, to security controls with respect to access to the store after

hours.

At head offices, also complementing those store controls, there's a variety of controls including reconciliation processes. And as well at SLGA we have an internal audit function that's involved in, in reviewing not only those control processes at the stores, but also at SLGA's head office location. In part that's what we've asked the . . . I think as the minister's identified our control processes, did identify those irregularities. However timing was of a concern to us and the timeliness in which those were identified, and as a result, in addition to reviewing and making improvements to our own control processes, we've asked the Provincial Auditor to come in, have an independent view, kind of a distinct eye with respect to those processes and whether there's further improvements that we can make.

With respect to, I believe there's a question with respect to whether or not SLGA undertakes criminal record checks. SLGA has historically not undertaken criminal record checks of its employees when it goes through its hiring processes. The members might be aware that the . . . would be aware that the Public Service Commission has recently introduced a number of procedures with respect to requiring criminal record checks for its employees within executive government.

SLGA does not fall within the Public Service Commission's mandate, so those new processes would not apply specifically to SLGA. However having said that, with the introduction of those new processes within executive government, SLGA has been looking at introducing criminal record checks within its own organization. And I expect that we would have a policy in place on that within the next one or two months.

And I believe the third question related to bonding. Many retail organizations, while it's not a practice where all retail organizations bond their employees, it is common practice that many retailers will bond employees in senior positions, such as store managers. SLGA has chosen to obtain that protection or similar protection through its overall insurance coverage and it's our view that that coverage provides a broader protection than bonding individual employees. The protection that we have under our broad insurance coverage provides a broad protection with a number of types of losses, including incidents where employees are to be determined responsible for loss.

**Mr. D'Autremont:** — Okay, thank you very much. The bonding process though is an individual process is it not, for the employee? It's the employee as an individual that is bonded rather than the position. So wouldn't that provide SLGA with some additional level of comfort and protection that isn't there without a bonding process?

**Mr. Lacey:** — My understanding of the bonding process is that there is a number of processes that an organization goes through with the bonding agent with respect to statements an individual must answer, a prospective employee must answer, which in turn the bonding agent reviews in making a determination of whether or not to bond.

My understanding with respect to the bonding process is that it is essentially an insurance process whereby the bonding agent is providing, based on information it receives with respect to a particular employee, whether or not it will provide the employer

coverage in circumstances where losses might occur in relation to activities of that particular individual.

**Mr. D'Autremont:** — But would not the bonding process deal with, in dealing with an individual, make a determination on their financial history, their record of employment, criminal charges, and those types of things as well in determining whether or not the bonding agent wants to provide the bond for that person as an individual?

**Mr. Lacey:** — Certainly the bonding process is one tool that an organization can use in ensuring that the employees that it's bringing into its organization are employees that are hard workers with integrity and provides the employer with some assurance with respect to the future activities of that employee. I think it . . . I guess I'd answer that question by saying I think it's one tool, and it certainly is a tool.

I believe with SLGA moving to a criminal record check system that is another tool that can be used with respect to gaining some assurance with respect to the future activities of that employee. In addition to that, insurance coverage that we have being another tool to protect SLGA is available to us as well. And I guess the answer to that question, there is a number of tools I think available whereby you can obtain some type of an insurance with an employee entering your employment. However one tool in and of itself I don't think guarantees the future activities of that employee.

**Mr. D'Autremont:** — No, certainly one tool would not provide that. But various tools in combinations though would provide more assurance. What does SLGA have in place now to check on a potential employee when it comes to their past history work, their past history of their financial dealings? Up until now there has been no criminal checks, so what queries has the corporation made of potential employees and public checks that could be made of that employee?

**Hon. Mr. Cline:** — Mr. Chair, in answer to Mr. D'Autremont I would say that this is a very good question because it relates to the question of whether, with the public service moving toward criminal record checks of new and existing employees, SLGA should be doing the same thing. And I have to say that, you know, if it's logical for the public service it would seem to be logical also for the liquor retailing system and the other parts of SLGA. So it seems to me that what we need to do is move toward a system where we have some kind of individual checks and, as Mr. Lacey said, something is coming before the board of SLGA fairly shortly to do that.

And so I guess what I'm saying is in a general way I appreciate where Mr. D'Autremont is coming from and I acknowledge that there's something that we need to do. And I think the answer on the bonding issue is that we may be able to do the individual sort of check that Mr. D'Autremont is referring to on each employee with a new system. It would not necessarily mean that we had to have bonding, but we could have for example a criminal record check that would accomplish that. And that's what we're trying to develop. And again I think logically if the public service is going this way, and I think they should, then we have to move in this direction as well.

But I would add this is secondary to the issue, that the insurance

aspect of it, it does not identify the individual employees who may have a criminal record, so we need to take care of that. It does however allow us to recover a good part of any money that may go missing in circumstances covered by the insurance. So we do have at least that protection, but again we need to have protection that would help us prevent this kind of thing from happening in the first place, and that's what we'll endeavour to be doing.

**Mr. D'Autremont:** — Thank you. I know from personal experience, from past experience, that bonding does provide though you with some protections, not necessarily on the financial side, which is of benefit, but as you go into the hiring process. We had a situation where we were attempting to bond an individual and found out that we couldn't bond that person, not because of criminality, but because of financial irregularities . . . and certainly saved us a lot of embarrassment and potential harm because that person was not bondable.

In similar circumstances I think SLGA might benefit, not necessarily by actually bonding, but going through a similar process to provide those protections for the agency.

**Hon. Mr. Cline:** — Well, Mr. Chair, I think it's a good suggestion, and I will certainly ask the officials take into consideration what Mr. D'Autremont has suggested because in effect, I mean if there's a process, whether it's part of the criminal record check or bonding process, but the same sorts of questions that could be asked or the same sorts of people that could help you for certain positions that may have access to funds, it's something that we need to take into consideration, and we certainly will consider those suggestions.

And I'll ask the officials to, as part of our work, to take those comments into account and answer the question, you know, whether there is some similar processes that we should be going through. So I thank Mr. D'Autremont for the suggestion and obviously we should try to follow up.

**Mr. D'Autremont:** — In a newspaper article in the last week or so, two weeks, dealing with the situation with the two store managers, there was a statement in an interview that there had been other, smaller incidents in the past where investigations were done in relationship to financial irregularities in some of the stores. How numerous were those incidents?

**Hon. Mr. Cline:** — I'll ask Mr. Lacey to comment on that, Mr. Chair, because I'm not familiar with them myself.

**Mr. Lacey:** — Yes thank you. I think common to any large retailer there are unfortunate incidences where you do discover and identify irregularities within your store operations in addition to the two that recently announced publicly. In my time with SLGA over the last five years, I'm aware of a handful of others, two or three others. Those incidences are much smaller in scope and size. My recollection is that one of them was under the amount of \$10,000 and the remaining between two or three were under 5,000.

**Mr. D'Autremont:** — Thank you. What kind of disciplinary actions were taken? Were there reprimands, suspensions, or were individuals let go?

**Mr. Lacey:** — My recollection on that matter, at least . . . well in my view and my recollection is, is in all cases — although I can remember two in particular — where financial irregularities were identified and specific individuals were directly identified to be directly related with those financial irregularities, the disciplinary action taken by SLGA was dismissal in all those cases — with cause, dismissal with cause.

**Mr. D'Autremont:** — Thank you. And was any severance paid?

**Mr. Lacey:** — No severance was paid as these cases were a dismissal with cause.

**Mr. D'Autremont:** — I was thinking of Dingwall when I asked that question.

**Hon. Mr. Cline:** — I don't think he worked for us.

**Mr. D'Autremont:** — That was probably a good thing. He was the wrong political party anyway. So on the manager's accountability, what kind of tracking is done to determine in a store whether there are any irregularities? And I've heard within the system the use of the words, overage. And I'm not sure how you arrive at an overage in a liquor board store and particularly in the sense of you have more liquor on site than what your record books show that you have.

**Mr. Lacey:** — Well maybe to try and answer that question — it's a fairly broad question — is to begin with maybe I should state that with respect to control procedures within our store system, there is formally documented control procedures which both the management and staff are expected to be familiar with. Within those control processes there are specific procedures that are identified for front-line staff, I could say, customer service reps to follow. And then obviously as you move up within the supervisory structure, there are different duties and responsibilities that are assigned, and expectations are put forth with respect to those type of reviews that occur.

I mean a simple example I could give for . . . I believe that I could give for example is with respect to voids. When an error is entered into the point-of-sale system and the clerk has to reverse it, we would have processes in place for example where the supervisor would be the one that would have to come to the till and void that error. So I think it's dependent on what the particular situation is, but there are levels of controls, I guess, depending on what we're talking about.

**Mr. D'Autremont:** — So how do you end up with an overage?

**Mr. Lacey:** — Sorry. An overage with respect to . . . I'm sorry, if you could repeat the question. Yes.

**Mr. D'Autremont:** — Well that's the term that I've heard used from within the liquor board stores, is an overage. And the way the explanation was to me was that you end up with more stock on hand than what you've actually currently got listed in your books. And I don't know how you end up in that position.

**Mr. Lacey:** — I can think of a number of reasons of how that might occur. One might be on the receipt of a shipment into the store when a count is done of the goods that are received in that

store and verified that yes in fact that shipment's been received. That count may be inaccurate, and actually more may have been received than what's in the store records. So that would obviously lead that when you did your store account to the fact that you had some additional items that you hadn't accounted for. That's one example I can think of offhand. I think I'd have to think a little bit more on why there might be other reasons for an overage.

**Mr. D'Autremont:** — But okay, let's say the store in Regina Albert South here got an extra case of whiskey. Shouldn't there then be a shortage someplace else in the system for that case of whiskey?

**Mr. Lacey:** — Yes, typically there is. And as we go through our year-end counts, that's where we would see those discrepancies. And it is typical that where we see an overage in one place we would see a shortage in another place.

I think a good example might be when we receive our beer shipments. And our beer shipments don't come directly from SLGA's warehouse. They actually come from BDL [Brewers Distributor Ltd.]. At times we will do an inventory count, and we'll find that we're 50 cases over in Labatt's Blue product, yet we're 50 cases under in the Labatt's Lite product. And typically when we see those overages, in many cases it relates to the fact that what's been entered . . . while the number of units is the same what's in particular one product category versus another can be different.

And in part, one of the control processes over that is regular inventory count such that you can adjust your records, identify why those variances have occurred and if there's variances outside of the normal to follow up on specifically why there are variances that are unexplained.

**Mr. D'Autremont:** — So in those cases, would that be an error on the manager's part or would that be more of a systemic system problem?

**Mr. Lacey:** — I guess, I mean without a specific incident, I guess theoretically human error certainly . . . I would say humans can make mistakes, and some of them are human probably in nature. And some of them very well might be a system issue where at the point of origin a certain product got entered into the system. When it arrived at the warehouse an account was done. That adjustment wasn't made, so the system has one product being at a higher inventory level than another product.

**Mr. D'Autremont:** — What level of breakage or damage to goods does SLGA have and what happens to those goods when they are damaged?

**Mr. Lacey:** — Sorry for the delay. The VP [vice-president] of our retail operations was unable to make it here today, and I think he would be able to provide I think more detail than I could on this matter.

We certainly can confirm with you that matter. My understanding is that breakage rate is quite low. When breakage does occur, that breakage has to be accounted for. That product is destroyed when breakage does occur. With respect to further

details on that, if interested, we can certainly get back to you on that. I just don't think we have that detail here today.

**Mr. D'Autremont:** — Okay.

**Hon. Mr. Cline:** — Excuse me, Mr. Chair. To Mr. D'Autremont, we'll undertake to provide that information. We'll follow up with a letter just detailing the rate of breakage. We can get that number.

**Mr. D'Autremont:** — Okay, thank you very much. I know in other industries that can at times be a problem and part of the problem with the human error factor as well. So that's why I was interested in that particular question.

One of the comments that was made was dealing with cash. And I'm wondering how much cash on hand is standard for a liquor store. And perhaps you don't want to give this to encourage people to take . . . to appropriate it on you, but how do you deal with cash in that sense? Are there regular deposits on a daily basis, or do you have cash on hand for an extended period of time? Do you have cap limits on what can be kept at a location at any one sort of time?

**Hon. Mr. Cline:** — Mr. Chair, in answer to Mr. D'Autremont, he is correct that there is information that we don't like to make public for security reasons. But in answer to the question there is a certain amount of cash on hand and when the amount of cash exceeds a certain amount there are procedures to, you know, to remove that cash from the stores and to take care of it. But beyond that we don't like to talk publicly about what the procedures are or what the amounts are or how the cash is dealt with in the sense that we just don't want those procedures to be widely known. But I think the answer to the question is that there are rules in place with respect to how much cash there should be in a store and, if it exceeds a certain amount, what should be done with that cash.

**Mr. D'Autremont:** — Thank you. I have a concern that perhaps at times there is actually too much cash on hand and in some cases cash of a particular kind. You have coins and bills that you're dealing with. And in the liquor business the price is 18.98 for a bottle or something so somebody will pay a \$20 bill so obviously you're going to have that cash, but you also need to have a large amount of coin on hand to make the change.

Do you have a process in place that you get regular supplies coming in on a daily operating basis to ensure that you have the smallest amount required on hand during a day, or are there times when you end up with huge amounts of money on hand because you're not taking deliveries every day?

**The Chair:** — Sorry, Minister. I'm interested in your line of questioning, Mr. D'Autremont, but the item before the committee is consideration of Liquor and Gaming 2004 annual report. And the minister has just indicated his concern for delving into greater detail about the process of handling money, and I think this is starting to get into a concern of business competitiveness and just having some concern. So I would ask the member to bring the question back to the item at hand.

**Hon. Mr. Cline:** — I could say this, Mr. Chair, that Mr. D'Autremont has expressed a concern that he would be



concerned if the amount of cash available in liquor stores was too large, and he would be concerned if there wasn't a system in place to ensure that amounts of money over a certain amount are removed from the location. And those are obviously valid concerns.

And so without going into the details about the amount of cash or how it's removed and so on, what I should do is say to the committee I will ask the officials to provide me with a report which will indicate what the amounts are and what their system is and whether that system is consistent with, you know, other jurisdictions and other industries or whether it's higher than that or lower than that. And I will undertake to assure myself that, you know, that an adequate system is in place. And also it might be in order for us to share that information with the Provincial Auditor perhaps and have their opinion on it as well.

And so I think the best way to handle this might be just to follow up on the suggestion that as minister responsible that I have a look at it, maybe ask the Provincial Auditor what he thinks about it, and take it from there. But I do believe there is an adequate system in place, but I don't mind having that described in detail and also reviewed by the Provincial Auditor.

**Mr. D'Autremont:** — Okay. Well thank you, Mr. Minister. In fact it was my intention at some point in time — and not necessarily at the committee but this is an appropriate time — to ask perhaps if I could sit down with your officials and at some point in time go through the operation of SLGA. But we can talk about that later.

I have some questions dealing with, again though, still with store managers, and they obviously have a supervisor in place above them. What role does that person above them have in dealing with the overall management of SLGA and the stores?

**Hon. Mr. Cline:** — I'll ask Mr. Lacey to comment on that, and I do apologize for the fact that the director of the retail liquor branch is not with us. He's otherwise occupied, or he would be here. Thank you.

**Mr. Lacey:** — I guess there . . . I think the question was, is there a layer of supervisory, a layer above the store manager positions? In our province we have 81 liquor stores in the province, 81 store managers. Within that system and the management of that system, we split the province into regions, and we have what we call four regional managers. Those four regional managers are responsible for an oversight function with respect to the stores in the province.

In addition to that we have four, what we call four regional manager positions. They're really . . . I would call them, I think, training positions. It's our attempt to succession planning to provide individuals in our store system an opportunity to broaden their view outside a particular store to a more broader provincial view. And those four individuals obviously would be key in assisting those four managers in that oversight function of our store system.

**Mr. D'Autremont:** — Okay, thank you. The regional managers, how often would they visit an individual store? Do they visit them on a regular basis, or do they supervise from a distance?

**Mr. Lacey:** — Once again I wouldn't have the particulars of that. Once again I don't have that information . . . we don't have that information here. I do know that they're on the road frequently, on the road more than their head office. And I do know when they're on the road they're visiting the stores.

**Mr. D'Autremont:** — Well my thought was when you said they're on the road, they're on their way to Regina. Okay, where would these four managers be located, like where would their offices be? And so when they're travelling, would they actually be visiting the various stores under their jurisdiction, or would they be visiting the headquarters for SLGA?

**Hon. Mr. Cline:** — Well I do want to indicate an answer to the previous question and this question. The answer to the question, do they regularly visit the stores within their responsibility, the answer is, yes, they do. And in terms of their frequency with which they do that, we can provide a letter indicating what the exact frequency might be for a visit to each store by the regional manager. But this is something that they would do on a regular basis as part of their responsibilities.

**Mr. D'Autremont:** — You mentioned that there are four assistant managers, sort of a trainee position. How long do they hold those positions then? Are they full-time, permanent positions that so they are a trainee as long as they're in that position until they move up to a regional manager or how does that work?

**Hon. Mr. Cline:** — Mr. Chair, I'm going to ask Lisa Ann Wood who works in the area of human resources to shed some light on some of these personnel questions.

**Ms. Wood:** — The assistant regional manager position is actually a two-year developmental position.

**Mr. D'Autremont:** — So the employee that would be in the assistant manager position would only be there for two years.

**Ms. Wood:** — That's right. They would come into that position for a two-year period.

**Mr. D'Autremont:** — And how often do you rotate these positions?

**Ms. Wood:** — It would be every two years.

**Mr. D'Autremont:** — Okay, but I guess I phrased the question wrong. Okay, how many people were being paid as assistant managers in the year 2004?

**Ms. Wood:** — Assistant regional managers?

**Mr. D'Autremont:** — Yes.

**Ms. Wood:** — We would have four. We would have one for each . . .

**Mr. D'Autremont:** — So there would have been no changeover then.

**Ms. Wood:** — That's correct, yes.

**Mr. D'Autremont:** — So you had the same four assistant managers for all of the 2004 fiscal year.

**Ms. Wood:** — They would have changed over at the beginning of the . . . early in the calendar year of 2004.

**Mr. D'Autremont:** — Okay. So that would have actually been the 2003-2004 fiscal year.

**Ms. Wood:** — Yes, fiscal year.

**Mr. D'Autremont:** — Okay, that's what I was wondering, just how many individuals were in that position. And so there was only four people that were being paid that assistant manager position?

**Ms. Wood:** — The assistant regional manager position, yes.

**Mr. D'Autremont:** — Right, okay. Were there any people who had been in that position and then were seconded out to something else?

**Ms. Wood:** — There have been . . . We're into our third or fourth cycle of having assistant regional manager positions, so those individuals that have been in that position have either returned to their position as store managers typically or have gone on to other project assignments.

**Mr. D'Autremont:** — So the maximum number of people that were paid in this position then was 12 to 16?

**Ms. Wood:** — Yes. Again we can confirm that precise number for you if you would like.

**Mr. D'Autremont:** — If you would, please.

**Ms. Wood:** — Absolutely.

**Mr. D'Autremont:** — Oh, and I had asked the question as to where the regional managers' offices were located at.

**Ms. Wood:** — We have a regional manager who works out of the North Battleford office, and we actually have one based out of our Saskatoon head office. We have a regional office in Saskatoon. And we have two that are based out of the Regina head office.

**Mr. D'Autremont:** — Okay, the Regina ones, are they split geographically in some manner?

**Ms. Wood:** — One of the two that are based out of Regina, one covers the southeast area of the province. One covers the southwest area of the province.

**Mr. D'Autremont:** — And they are based right out of SLGA's head office here, are they?

**Ms. Wood:** — That's right.

**Mr. D'Autremont:** — And the Saskatoon one, what do they deal with?

**Ms. Wood:** — The Saskatoon . . . The regional manager that's

based in Saskatoon is responsible for the northeast region. As Mr. Lacey mentioned, the store system is divided into regions, so the Saskatoon-based regional manager is responsible for the northeast area.

**Mr. D'Autremont:** — Okay, and the North Battleford one then is . . .

**Ms. Wood:** — Northwest.

**Mr. D'Autremont:** — Northwest?

**Ms. Wood:** — Yes.

**Mr. D'Autremont:** — Have they always been in these locations?

**Ms. Wood:** — North Battleford, the individual based in North Battleford, that arrangement has been in place for approximately the last five to six years.

**Mr. D'Autremont:** — Where was it located prior to that?

**Ms. Wood:** — Saskatoon.

**Mr. D'Autremont:** — So why was it moved to North Battleford then?

**Ms. Wood:** — That individual actually lives in North Battleford, and that arrangement was thought to facilitate that person being more centrally located in terms of the stores that that person oversees.

**Mr. D'Autremont:** — So you're prepared to move these offices around then depending on where the employee lives at?

**Ms. Wood:** — It was an arrangement that we could make without much cost or bother so that it worked very well in that instance. I mean, these people do spend a considerable amount of their time on the road, so that facilitated that individual doing that.

**Mr. D'Autremont:** — Because they spend a lot of time on the road and it's a long ways from Regina to the southwest corner of the province, has any thought been given then to having a regional manager posted in — say — Swift Current or something?

**Ms. Wood:** — We have given thought to that. One of the challenges is, is that a certain amount of their responsibilities do require them to attend meetings in head office in Regina as well. So we have to strike a balance between travel time, and one of the understandings of the individual in North Battleford is that that individual does occur additional travel time in terms of coming to Regina, and that's something that he's willing to undertake.

**Mr. D'Autremont:** — He's willing to undertake. Does he undertake that on his own time or on corporate time, and what about the travel costs for expenses for mileage, etc.?

**Ms. Wood:** — Well regional managers are out-of-scope positions, so they don't have regular hours. They work the

hours required to get the job done.

**Mr. D'Autremont:** — And how about the travel expenses?

**Ms. Wood:** — Travel expenses would be standard rates that are charged.

**Mr. D'Autremont:** — So there will be some additional expense then because of that. How about the establishment of a physical office, staffing, physical location, desks, computers, those kind of things?

**Ms. Wood:** — It's just a one-room office that individual would have in North Battleford.

**Mr. D'Autremont:** — But the space had to be provided though for them so . . .

**Ms. Wood:** — Yes, but there would have been a space that would have been in the Saskatoon office so that would have been basically a . . .

**Mr. D'Autremont:** — But if you had to lease a new space . . . I don't know where he's located at physically.

**Ms. Wood:** — There's a government office building in North Battleford. And this individual has a single office in that building.

**Mr. D'Autremont:** — Okay so then you would be paying money to SPMC [Saskatchewan Property Management Corporation] or someone like that.

**Hon. Mr. Cline:** — Yes, excuse me, Mr. Chair. I just want to make the observation, as minister, I don't have any problem with these questions, but I want to make it clear what Mr. D'Autremont is wondering about. It's quite apparent that what the SLGA has done is dealt with an individual in North Battleford who was from there and wanted to do that job. And if the question is if there was somebody in Swift Current or indeed Estevan that wanted to do that job from that area and were going into that job and they wanted to be located in those places, we would work with them and allow them to be located there too.

I mean it's not a big controversy or a big deal. We would work with the person going into the position. And if they wished to be in Swift Current or they wished to be in Estevan, we'll accommodate that. And if they wish to be in, you know, Regina or Saskatoon, we'll accommodate that. So there is some flexibility here, and we have no problem with them going out into the regions.

**Mr. D'Autremont:** — Thank you, Mr. Minister. That sounds almost like a voluntary Fair Share Saskatchewan.

**Hon. Mr. Cline:** — Well I'll just say it's not intended to be.

**Mr. D'Autremont:** — Thank you, Mr. Minister. When the assistant manager has done their trainee training program and they're cycled back into their original locations, how often do the regional manager positions come available? So how many employees are you looking at training to be able to bid on those

locations?

**Ms. Wood:** — This program, the assistant regional manager developmental opportunity was developed in recognition of the fact that when we had regional manager turnover a number of years ago, there were very few candidates in our operation who had the broader experience that would enable them to take on this position. They had considerable length of service in our organization and had some excellent experience, but they hadn't had an opportunity to broaden that experience. So that was the intention of this program . . . was to be able to give people, who had come up within our system and had developed skills, that broader experience.

So they're ones that have completed the program, have gone back to senior store operations. Some of them have gone on to projects related to other facets of our retail operations area. And with respect to when we expect to next hire regional managers, it really depends to some extent on the individual plans of those people and when they may chose to make their retirement plans.

**Mr. D'Autremont:** — Thank you. In the selection of the assistant manager people for that position, is there a limit on who can apply? You have to be a store manager at some other location or can you be, you know, I got hired last week and I applied to take the training program?

**Ms. Wood:** — Typically the majority of the individuals have been from our store manager system, but we have had individuals who have been from other areas of our operation. For instance our audit area in SLGA, there's been at least one individual that has gone into the program. That person had a number of years with our organization, and they were deemed to be qualified in terms of the regional manager position and the duties they need to carry out.

**Mr. D'Autremont:** — So in applying for the position, people bid into it, do they or they apply in some manner?

**Ms. Wood:** — There is a competition process and an interview process that goes on.

**Mr. D'Autremont:** — Is there a qualification list that you have to meet to make that?

**Ms. Wood:** — Yes, there are some qualifications that we look for.

**Mr. D'Autremont:** — Is that list, the qualifications known within the corporation?

**Ms. Wood:** — Absolutely. We post the opportunities internally within the organization so all individuals in the organization have the opportunity to look at those positions.

**Mr. D'Autremont:** — To be aware of it and know what they have to do to qualify.

**Ms. Wood:** — Absolutely. And they can identify whether their own qualifications might be a match and whether they choose to make an application.

**Mr. D'Autremont:** — I wonder if you could supply the

committee with a copy of what those qualifications would be.

**Ms. Wood:** — Yes, we would be able to provide you with a job posting.

**Mr. D'Autremont:** — Okay. Thank you very much. I think that's the questions I have on that particular area.

**Hon. Mr. Cline:** — I assume from that, Mr. Chair, that Mr. D'Autremont is applying for this position out of Estevan.

**Mr. D'Autremont:** — I'm looking at future considerations.

I'd like to deal somewhat with gaming now and with bingo operations. What kind of audit procedures, controls do you have in place in the gaming . . . in the bingo industry?

**Hon. Mr. Cline:** — I'll ask Mr. Lacey to describe that. Thank you.

**Mr. Lacey:** — Yes, when a licence is issued to a bingo organization there's a number of terms and conditions that are attached to that. From an audit perspective, those bingo halls are visited on a cyclical basis and audits are conducted basically to compare actual bingo operations to those terms and conditions to determine whether or not that hall is in compliance with the terms and conditions attached to their licence.

**Mr. D'Autremont:** — I'm not real familiar with bingo other than the general concept of it. With the payouts, how do you determine what a payout for a particular game is going to be or for an evening? How is that broke down and how does that relate to the revenues that they may be receiving?

**Hon. Mr. Cline:** — Mr. Chair, this is Dale Markewich who works in this area and he's going to take some of these questions.

**Mr. Markewich:** — Thank you. The payouts are determined under our . . . under standard terms and conditions for a bingo licence, 20 per cent of all money-generated gross revenues have to be paid out to the charity; 17 per cent of the money is available for expenses, up to 17 per cent; and up to 70 per cent of the money can be used for prizes. So in a given . . . yes, up to — that's the key word. So in a given evening the charities have to go out with 20 per cent. The prizes are typically 63 per cent and operators get 17 per cent; so that's your 100 per cent.

**Mr. D'Autremont:** — Okay. How does SLGA as the regulator of bingo determine that the charities are getting 20 per cent of the money that comes in the door and that the prizes are only up to 70 per cent and, you know, if expenses are running at 17 per cent, then 63 per cent for prizes. But how does SLGA determine that the money coming in the door actually is money going out of the door in the sense of prizes and 20 per cent to the charities?

**Mr. Markewich:** — On a regular basis, actually every day, close outs are sent to our office. So a lot of them are online and we get them mailed in. Close outs don't usually happen the next day; they're usually a little delayed. We get a close out if we see irregularities or if we have any type of complaints about, you

know, not receiving the funds, things of that nature, then usually we have an audit or an investigation that goes into effect.

**Mr. D'Autremont:** — A close out, I'm assuming by that that's the receipts for the evening.

**Mr. Markewich:** — Gross revenues, yes. Yes, it shows exactly what was received on a bingo night at anywhere in Saskatchewan and how much the charity supposedly left with.

**Mr. D'Autremont:** — Okay. What mechanisms to control do you have in place to determine that the close out is being recorded properly? I'm assuming that you're selling bingo cards.

**Mr. Markewich:** — Yes.

**Mr. D'Autremont:** — And I don't know if they have a different value or not. You have pull tabs I believe there as well and I'm not sure if there's anything else that they . . .

**Mr. Markewich:** — The close out has to be . . . is usually prepared by the hall managers or somebody working at the hall. The charity has to sign that they received the money, so the charity is saying that we left with 20 per cent. So that is a significant control that we rely on that the charities are in fact leaving with what they say they did.

**Mr. D'Autremont:** — Do the charities take the money in as well when it walks in the door or does the hall operator do that?

**Mr. Markewich:** — Well typically in the bingo hall the charities are responsible for the sale of paper, so they work in the hall. That's the whole concept behind a charitable gaming is that charities have to be involved. So they work the halls. So they're there. They sell the paper. They're involved in the counting, collection, and making deposits and things like that. But the hall managers are there to make sure that the process and procedures are followed.

**Mr. D'Autremont:** — So the charities, do they sell everything that is sold there? I'm not . . . would concessions be a part of this or not?

**Mr. Markewich:** — No concessions are not part of this.

**Mr. D'Autremont:** — Excluding concessions, would they sell anything that's involved in the gaming side like the bingo cards or the pull tabs?

**Mr. Markewich:** — That's right.

**Mr. D'Autremont:** — So they would handle all of that themselves.

**Mr. Markewich:** — That's right and any leftover . . . Bingo paper is usually counted before an event and at the end of it so that you can reconcile what was sold. And same with pull tabs, or typically what you have, it's not every ticket that's left. It's half a box, three-quarters of a box left, but inventory controls are fairly tight over bingo and break-opens within a hall.

**Mr. D'Autremont:** — So if there were any irregularities the charities are there to know what's going on, and so the only . . . if there were irregularities the people who would be harmed at this would likely be the payout then, because if the numbers were reported too low then your prize money would be lower.

**Mr. Markewich:** — The customer's not going to be . . . The payouts on a bingo game, the prizes are known up front. The prizes are posted for every game in a hall during an evening so that if somebody wins a bingo they make sure they get it. If it's a \$400 prize they make sure they walk out with 400. And the charities know the number of . . . the amount of revenues sold during an evening and they know that they get 20 per cent. So they verify to us that they walked out with that money.

And then so all the only unknown is what the actual expenses were to run the hall.

**Mr. D'Autremont:** — How would they know at the beginning of the evening what the prize money would be, because they wouldn't know how many people are coming in the hall yet.

**Mr. Markewich:** — That's right. But the bingo events, typically the prize board is set well in advance of a bingo event. So if you're going to play in any bingo hall in Regina next Thursday night, you know what the prize board will be. And they can . . . the hall can typically tell you within you know 10, 15 people how many people are going to show up and what their money is going to be. They have to monitor it fairly closely because margins are tight.

**Mr. D'Autremont:** — So it's not directly correlated then to the actual number of people that walked in the door that night and what they spent? It's more of an average.

**Mr. Markewich:** — Yes, they can tell with fair certainty what . . . how many people will show up on a good night, like good weather and things like that.

**Mr. D'Autremont:** — Okay, because I've had some concerns related to me about some of the bingo operations. And perhaps I can talk to the minister and the officials afterwards on that. I didn't understand personally how . . . I can't remember the last time I went to a bingo so.

**Hon. Mr. Cline:** — That happens with age, Mr. D'Autremont.

**Mr. D'Autremont:** — Ah yes, that might be it as well, that's true. Okay. One of the other areas of interest I think is horse racing, and I . . . There's always people who are interested in horse racing. And what's actually happening in that area is the bet on horse racing going up and down and how is the money being distributed.

**Mr. Markewich:** — Actually the horse racing money, the live handle in the province of Saskatchewan in . . . We race right now in Saskatoon and in Yorkton. Last year it was Saskatoon, Yorkton, and Craven. Saskatoon's live handle is up this year approximately 25 per cent — not quite, 24 something on thoroughbred racing.

This is the first year we've had the standardbred racing up in Saskatoon and I think this will be the third weekend now of

standardbred racing. But the typical handle for standardbred racing last year, and the last number of years, has been under \$1,000 a day of racing. This year we're averaging close to \$10,000 a day of racing. So live handle's gone up significantly and I would probably credit Saskatoon Prairieland Exhibition association for the marketing efforts that they've put in place and the work that they've put into it.

**Mr. D'Autremont:** — What kind of racing does Yorkton or Craven have?

**Mr. Markewich:** — Yorkton is quarter horse racing and it's a quarter mile racing, so it's like . . . they call them speed horses. And they have six days of racing.

**Mr. D'Autremont:** — And how about Craven?

**Mr. Markewich:** — Craven last year had 16 . . . 15 or 16 days of standardbred racing. The Kinsmen decided to discontinue the race operations this spring and Saskatoon put on the racing this year.

**Mr. D'Autremont:** — So how many days would Saskatoon operate the live racing?

**Mr. Markewich:** — Thirty days of thoroughbred and 15 days of standardbred this year. So we had 51 days of racing this year.

**Mr. D'Autremont:** — Yes. There is some requirement about you need 50 days or something in place.

**Mr. Markewich:** — That's federal the regulations for . . . I assume what you're talking about is under the federal regulations there's a requirement that you have 50 days of racing at a track in order to get a simulcast license. But the rule also states that they can have an agreement with another track. So I think now they can have up . . . They have to have at least 10 days now with the approval of the province to maintain their simulcasting.

**Mr. D'Autremont:** — Ten days in the province or ten days at . . .

**Mr. Markewich:** — At their track.

**Mr. D'Autremont:** — . . . another track?

**Mr. Markewich:** — At their track.

**Mr. D'Autremont:** — At their track. Okay. So Yorkton then wouldn't have enough days for simulcasting?

**Mr. Markewich:** — That is correct.

**Mr. D'Autremont:** — And it's my understanding that the province charges a tax on the gaming revenues from this and then some or all is returned to the horse racing industry. How much tax is collected on that and is all of it returned or what percentage?

**Mr. Markewich:** — Last year, the . . . It's called the parimutuel tax. The province collects 10 per cent and last year I do believe it was about 1.2 million. Our grants, and we base the grants . . .

a grant for this current year based on last year's simulcast revenue generated. So last year's simulcast was 1.2 million approximately. This year's grant that we've approved is 1.4. So we're providing . . . 1.4 approximately, that we provided in grants this year.

And all the money that is generated through the parimutuel tax goes back to the industry in the form of grants to support live racing, purse money, and operator support.

**Mr. D'Autremont:** — So how is that split up then, because you've got Saskatoon and Yorkton and you've got standardbreds, thoroughbreds and quarter horses or speed horses?

**Mr. Markewich:** — Yes.

**Mr. D'Autremont:** — And those are three different categories? Is that right?

**Mr. Markewich:** — Yes.

**Mr. D'Autremont:** — So how is that distributed in the purses and how does that relate to the races run and the simulcast?

**Mr. Markewich:** — We don't allocate money based on by breed of horses. We just allocate money where they're going to race. For example, in what we consider rural Saskatchewan, what . . . we consider Yorkton rural; it's a smaller track. We provide \$13,000 a day for racing. Sixty per cent of it has to be used for purses, and 40 per cent is available for operators.

In Saskatoon the rest of the money will go to Saskatoon for live racing and to support live racing. The operator gets only \$7,500 a day for operator support, and the rest of it has to be used for purse money. So that way we were able to encourage more race days in Saskatoon.

At the end of the year I do believe the quarter horse and the thoroughbred . . . The speed horses are really . . . a lot of them are thoroughbred horses that race a quarter-mile track. So the thoroughbreds got approximately 70 per cent of the money this year, and the standardbred got approximately 30 per cent, just under I think.

**Mr. D'Autremont:** — So a thoroughbred horse that races the speed would still be a part of the 70 per cent then.

**Mr. Markewich:** — That's right.

**Mr. D'Autremont:** — And there's no distinction then between actual quarter horses and standardbreds if they raced the standard . . . or I don't even know if they do that.

**Mr. Markewich:** — Standardbred category race is a quarter mile or . . .

**Mr. D'Autremont:** — Is that the ones with the sulkies behind . . .

**Mr. Markewich:** — That's the one.

**Mr. D'Autremont:** — Okay. Tells you how much I know. And

that doesn't include ostriches, right?

**Mr. Markewich:** — We don't do birds.

**Mr. D'Autremont:** — Okay. How does that split, the 70 per cent thoroughbred, 30 per cent standardbred? How is that in relationship to the percentages of horses actually racing? So in the thoroughbred class, are 70 per cent of the thoroughbreds racing in the thoroughbred class and the speed races versus 30 per cent that goes to the standardbred? Are there 30 per cent of the horses racing in standardbred, or how is that determined what that level is?

**Mr. Markewich:** — I had mentioned earlier we don't allocate grant money based on the number of horses of each breed in the province of Saskatchewan. We supplement live horse racing. So if, for example, if the standardbreds were able to get more race days in Craven, for example, we would have tried to facilitate grant money for those race days. At the end of the day the thoroughbreds, I know in Saskatoon this last year had over 300 horses this last summer in their stalls, and I know just last weekend there was 55 standardbred horses in Saskatoon.

**Mr. D'Autremont:** — There may be other horses though around the province. So I'm wondering when you use the term in Saskatoon if that's during the races.

**Mr. Markewich:** — During the races, yes. And I don't know the number of horses that are bred and being raised in Saskatchewan for any of the breeds.

**Mr. D'Autremont:** — Yes, okay. But I was wondering how the numbers related to the operations of horse racing. But it's the number of horses that are actually at the barns during races is what those numbers refer to.

**Mr. Markewich:** — I just happen to know those numbers. We don't allocate money that way.

**Mr. D'Autremont:** — No, okay. Now the allocation . . . So would it be then safe to assume that roughly 70 per cent of the races, the race days, deal with thoroughbreds and 30 per cent are . . . I'm wondering how you've come up with that number of the 70 and the 30, how you've come up with that number to do the allocation.

**Mr. Markewich:** — Again that just ended up being the allocation for this year. We don't allocate money based on breeds. Saskatoon raced 15 days of standardbred racing, 30 days of thoroughbred racing, and then the quarter horse had six days in Yorkton. And we allocate the racing . . . We allocate the grant money based on whether it's rural or urban. So for example, if Saskatoon raced . . . they could race . . . 50 per cent of the races could be thoroughbreds or 50 per cent could be standardbreds. They would allocate the money. They would get the same grant money from us. Doesn't matter on the breed that races. So it's up to the horsemen to try to encourage, promote their own product on the field and encourage tracks to take them on and race them.

**Mr. D'Autremont:** — So in this attempt to encourage and increase their visibility and participation, I'm assuming that the purses are a big part of the draw for someone to race. Now with

70 per cent of the government's allocation going to thoroughbreds and 30 per cent going to standardbreds, how would standardbreds go about increasing that percentage of their share of the provincial money so that their purses are bigger therefore, and get more people racing with standardbreds. If they did more racing, would that increase that percentage for them?

**Mr. Markewich:** — There's a fixed amount of money that we have. So if you race more days, you're going to have less money available for purse money. If you race . . . Right now there's 51 days. If you made that 100 days, something's got to give. Either you put more money into the system or you dilute your purse money that's available.

**Mr. D'Autremont:** — Well correct me if I'm wrong on these numbers but you had 15 days at Craven.

**Mr. Markewich:** — That was the previous year.

**Mr. D'Autremont:** — Previous year. And you had six days in Yorkton for a total of 21 days. Is that correct?

**Mr. Markewich:** — In the previous year, yes.

**Mr. D'Autremont:** — Previous year. In 2004.

**Mr. Markewich:** — And 30 days in Saskatoon.

**Mr. D'Autremont:** — And 30 days in Saskatoon. But this year's split is based on last year's racing, is it not?

**Mr. Markewich:** — It's just . . . No. The money available is based on last year's racing.

**Mr. D'Autremont:** — Right. Yes, the money available.

**Mr. Markewich:** — Because we collect, the tax is collected by Finance . . .

**Mr. D'Autremont:** — Yes.

**Mr. Markewich:** — The 10 per cent.

**Mr. D'Autremont:** — So you had 51 days of racing, 21 . . .

**Mr. Markewich:** — This year. This year.

**Mr. D'Autremont:** — Last year or in 2004. Sixteen in Craven and six in Yorkton. Right?

**Mr. Markewich:** — And 30 . . .

**Mr. D'Autremont:** — And 30 in Saskatoon.

**Mr. Markewich:** — Yes.

**Mr. D'Autremont:** — Okay. Well that split would give you, let's call it 50, just make the calculations easy. That would give you 60 per cent of the racing in Saskatoon, 40 per cent of the racing either in Craven or Yorkton. And yet the split this year based on last year's racing is 70 per cent for the thoroughbreds which are raced at Marquis Downs in Saskatoon and 30 per cent

for the rural component, I think it was you called it. So I'm just wondering how you arrived at that number, when the split in 2004 was actually 60/40.

**Mr. Markewich:** — What happened this year is Craven originally applied for race days similar to last year. I think it was 16 days. They chose to discontinue racing so we told the standardbreds they can . . . you know, let's find another track and see if we can . . . you could race at. Saskatoon offered to race those days and so we moved the money up to Saskatoon.

However to run a . . . The capital investment at Prairieland is significantly more than it is at Craven. And to operate the track, it's significantly more. So that's why we allow up to \$7,500 a day for an operator. The rest of the money was used for purses. That's why we had . . . Actually Saskatoon was still able to give them 15 days. So I think . . .

**Mr. D'Autremont:** — When was this decision of the 70/30 made? Was it made prior to Craven discontinuing their operation or was it made after?

**Hon. Mr. Cline:** — Mr. Chair, I think I'll just interject to say it is not some . . . Mr. D'Autremont asked, how do you arrive at these numbers? We do not arrive at the numbers. The industry arrives at the numbers where they want the races to be.

We have absolutely no difficulty if Craven is racing or Regina used to be racing or someplace else. And then the industry comes to us and says, this is what we're doing, and we allocate the money. So that we don't make the decision to go from 60/40 urban/rural to 70/30. That's something that happens.

The decisions are made by industry. They come to us. And so we don't arrive at these numbers. We are trying to accommodate what we're told by industry in terms of where they wish to have the races. We don't make that determination.

**The Chair:** — Thank you, members. We're now at the agreed upon time to recess. So I'd just like to thank the minister and his officials for being here today and look forward to meeting with you in the future. And this committee stands recessed until 1:30 p.m. this afternoon.

**Hon. Mr. Cline:** — Mr. Chair, I would like to thank the officials for assisting us here today. I'd like to thank you and the members of the legislature — in particular Mr. D'Autremont — for the very useful discussion I think we've had today. And we look forward to coming back to the committee and also look forward to Mr. D'Autremont's continued service in other capacities. Thank you.

**The Chair:** — Thank you very much. The committee stands recessed until 1:30 p.m. this afternoon. Thank you.

[The committee recessed for a period of time.]

**The Chair:** — Thank you. We'll reconvene the Standing Committee on Crown and Central Agencies. The next item before the agenda is consideration of Crown Investments Corporation 2004 annual report and related documents. And members of the committee will recall that we did have a presentation on CIC [Crown Investments Corporation of

Saskatchewan], and we'll open the floor for questions.

Before we do that, we have Mr. Quennell filling in for Mr. Wartman, and Ms. Harpauer filling in for Mr. Kerpan.

And, Mr. Martens, if you want to introduce your new and improved officials — well not improved but new anyway.

#### **Crown Investments Corporation of Saskatchewan**

**Mr. Martens:** — Thank you, Mr. Chair. With me today is Ed Montgomery, deputy provincial auditor. He leads our work at Crown Investments Corporation. Also Tom Robinson, regional managing partner with KPMG who leads the work on CIC, as well, from his firm.

**The Chair:** — And with that I would welcome Minister Atkinson to introduce her officials.

**Hon. Ms. Atkinson:** — Yes. Today I'm joined by Tom Waller, president and CEO of CIC; Blair Swystun, our chief financial officer; Karen Schmidt, in charge of communications; and Kathie Maher-Wolbaum, government relations.

**The Chair:** — Thank you very much and before we open to questions, the Provincial Auditor's office has a statement to make.

**Mr. Montgomery:** — Thank you, Mr. Chair, and committee members. I'd just like to say with regard to CIC's annual report that the two sets of financial statements that were included in that annual report, we've examined them and we found them to be reliable. And also the capital pension plan's annual report, the financial statements included in that annual report are also in our opinion reliable.

And I'd like to also point out that we have received very good co-operation from both KPMG and CIC management in the course of our work. And that's all my comments, Mr. Chair.

**The Chair:** — Thank you very much, members, and we'll open the floor to any questions. Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair. And I welcome the minister and her officials here today. My first question is to revisit a comment that was actually made by the Chair last week when we were together. And he mentioned the availability of the pay disclosure and that it was somewhat of a challenge to have it readily available because of the cost of the document. So if there was an individual in the general public that would like to review that document, where would he find it available?

**Hon. Ms. Atkinson:** — My understanding is the documents are available in the Clerk's office, in the library, the Legislative Library, as well as the cabinet office in Saskatoon. And I also understand that it is available in each of the Crowns.

**Ms. Harpauer:** — So the individual would have to travel to either Saskatoon or Regina.

**Hon. Ms. Atkinson:** — If they wanted to view the entire document, yes. If there were some pages of the document that they wanted to have sent to them, a few pages, that certainly

could be accomplished.

**Ms. Harpauer:** — Has there ever been any consideration of having the document on the website.

**Hon. Ms. Atkinson:** — That's something that we're considering for next year, but it's not a consideration for this year.

**Ms. Harpauer:** — Okay. I want to go to a different area of questioning and it has to do with the policy involving Crown investment and how that whole process takes place. Now I understand that the initial work on a potential investment by a Crown is done of course at the Crown level directed by the managers of the Crown. And when they do that, that is where the third party review also takes place to examine the soundness of this investment. From there it goes, if they feel that it is a sound investment, it goes to the board of that particular Crown and again it's looked at. If they feel that it is a sound investment, depending on the size of the investment it then goes to the board of the CIC. And again depending on the investment and the size of the investment it goes to cabinet for approval.

So the question I have is what policy does CIC or cabinet have in place that defines the criteria or the dollar-value threshold for the different levels where it needs to be moved to another level of approval? At what level can it just be approved by the Crown? And when does it have to be moved further down the chain?

**Mr. Swystun:** — Mr. Chairman, the governance framework for approval of new investments can be thought of as having two parts. First of all each Crown corporation would have a certain level of capital expenditures for the upcoming year. That level of capital spending directly by the corporation within the province is developed as part of the Crown corporation's business plan. That business plan is approved by the management and the board of directors of the Crown corporation. In addition to that, in effect a summary of the business plan is presented to the Crown Management Board annually and that includes a capital allocation for capital spending. So the level of approval by the Crown Management Board for capital spending within the Crown corporation is simply approval of a spending envelope.

When it comes to individual investments that would be outside of Saskatchewan there is a policy framework that's been in place for a number of years now. I don't recall the exact date of implementation; it would date back to the late 1990s. And it lays out a series of guidelines or criteria that specify what the performance of the new investment is expected to produce. So it would include things like addressing the issue of what kind of return might be expected from the investment, how the investment fits within the Crown corporation's core competencies, and so on and so forth.

Those criteria are used by the Crown corporation and by the Crown Management Board in the respective reviews when the investment is brought forward for approval.

**Ms. Harpauer:** — So just for clarification I'm ... if I understand your answer correctly, there is no dollar amount. For example, any investment beyond 500,000 must be approved by



CIC and any above 2 million must be approved by cabinet. It's a case-by-case basis where the, where the authorization for the actual expenditure takes place?

**Mr. Swystun:** — When it comes to . . . as I indicated, when it comes to conventional capital spending — so that's spending directly by the Crown corporation — that approval at whatever level is at the discretion of the board and management of the Crown corporation. When it comes to investments outside of Saskatchewan all, regardless of the dollar amount, are subject to approval of the Crown Management Board. When it involves the purchase of shares, there's also a cabinet approval required in that purchase of shares is subject to approval through the Lieutenant Governor in Council.

**Ms. Harpauer:** — Do all investments, both external and internal to Saskatchewan, have a third party review done?

**Mr. Swystun:** — The third party review policy applies to investments outside of Saskatchewan.

**Ms. Harpauer:** — Does Investment Saskatchewan have to have a third party review done on any investments that they consider?

**Mr. Swystun:** — Investment Saskatchewan, Mr. Chairman, is I suppose a bit of an exception to that general approach, and the rationale behind that is, I guess, twofold. First of all there is a board for that corporation that includes individuals that are considered to be experienced or experts in the investment management field, so there is a belief that that level of expertise exists on the board of the corporation. And secondly, different from Crown corporations such as utilities, investing is the core business or the day-to-day business of Investment Saskatchewan. So the organization or the corporation is organized in such a fashion as to be focused on that. So it's part of their day-to-day activity as opposed to a Crown corporation like a SaskTel making relatively less frequent investments.

**Ms. Harpauer:** — Now my understanding is Investment Saskatchewan is looking at investments at a level of 3 million or more, and I've just been told that it's at the discretion of the board whether or not they make those investments. Do they have to take any potential investment that they're considering, a proposal, to the CIC board before they make that investment?

**Mr. Swystun:** — Mr. Chairman, the framework that exists since Investment Saskatchewan was established in late 2003 is that the board of Investment Saskatchewan and its management have discretion for any new investment activity up to \$30 million. So an investment of \$30 million or larger would be subject to subsequent approval by the Crown Management Board in cabinet. Anything less than that is at the discretion of Investment Saskatchewan.

**Ms. Harpauer:** — I also understood from reading, you know, different documents on Investment Saskatchewan that they are to look at investments that are not high risk or particularly high risk. But that becomes at the discretion then of this one board to decide whether or not there is a high risk, and if an investment is deemed high risk, and as such that there isn't strong evidence that it will generate a commercial level of return. Does Investment Saskatchewan still have the authority to go ahead

with that investment at the discretion of that board?

**Mr. Swystun:** — Mr. Chairman, the Investment Saskatchewan board has been mandated to . . . going forward has been mandated to undertake new investments on a commercial basis. And that would involve a due consideration of both the expected returns from the investment as well as the expected risks that are inherent in the investment.

I would point out that investing activity in new business ventures has a fairly significant degree of risk inherent in it because you're dealing with new companies or companies that are growing or expanding. And there is always more risk in companies in that mode of operation than would be the case in an established company that has an established market. So there is always risk inherent in the activities that Investment Saskatchewan would undertake.

The mandate that the corporation has is to operate on commercial terms. So if risk is taken on, the expectation would be that it would be a good investment because the rewards that would be expected or the return that would be expected from the investment would justify the risks that are assumed.

Now Investment Saskatchewan is also mandated to manage that risk that's inherent in its activities going forward by taking appropriate steps to diversify its investments, to avoid undue concentrations of risk in any one investment wherever possible, to look for investments in different industries that might not all move in . . . returns of which might not all move in unison with one another.

So there's risk control measures that Investment Saskatchewan would be expected to undertake to manage those risks that are inherent in its operations.

**Ms. Harpauer:** — What mechanisms are in place by either CIC or cabinet to, in essence, step in if an investment is really bad, and Investment Saskatchewan on the board level continues to carry this investment and it's not a good investment and proving that it's not having a great return? What mechanism do we have in place? Who has the authority to then step in and advise them on what to do differently?

**Mr. Waller:** — I think, Mr. Chairman, as Mr. Swystun indicated before, the terms of reference that have been provided to the Board of Directors of Investment Saskatchewan give them some greater independence than other subsidiaries of CIC. However the corporation does produce annual forecasts and projections and goes through the same review process as the other subsidiaries of CIC. And under The Crown Corporations Act CIC retains the right to give directions and under the legislation the corporation is bound to follow those directions. So if it was perceived that there was a significant problem that wasn't being addressed by the board of directors, we do have the statutory authority as the holding company to step in and deal with it.

**Ms. Harpauer:** — Thank you. I just want to get one comment that was made clarified. If an investment is greater than \$30 million, then it needs cabinet approval.

**Mr. Waller:** — That's right.

**Ms. Harpauer:** — Okay, thank you. I want to have another totally different direction of questioning. There was mention at the committee meeting held last year in the fall — in September of last year — that due to the withdrawal of CIC from directly investing and the mandate of Investment Saskatchewan, that there is a void, in essence, from the small business to the \$3 million entity and that there was no funds available at that time, at that time of the meeting, for community groups or investors for small investments. And the minister stated last year that they were looking at establishing a foundation or a fund of some kind for small projects, perhaps projects where the investors don't need a significant rate of return.

And Mr. Waller also explained at that meeting that there may be some type of entrepreneurial foundation and there is mention of that again this year on page 23 of the report. But in reading what, the comments that were made last year and the comments that are in the annual report it doesn't sound like any progress has been made. It sounds like the same — we're looking at it, we're thinking about it. Has anything happened on that front?

**Hon. Ms. Atkinson:** — We expect to have something to say about this matter in a very concrete way by the end of October.

**Ms. Harpauer:** — Okay. So it's taken some time to get there. Can I ask if that something then will be administered through CIC or if there's going to be another entity that will look after administering and handling . . .

**Hon. Ms. Atkinson:** — Entity.

**Ms. Harpauer:** — The next area that I had some questions on has to do with the actual slide presentation that was given last week and how the dividends from one year to the next are decided and paid. Who ultimately decides the level of a dividend payment from each of the Crowns in any given year?

**Mr. Waller:** — The specific target is established by the Crown Management Board. That's done in conjunction with the finalization of the provincial budget.

**Ms. Harpauer:** — Okay. How long in advance does the Crown know what level of dividend they're going to have to pay? How much in advance do they know before that payment's due?

**Mr. Waller:** — The dividend policy is flexible in the sense that it responds to changing conditions at each individual Crown corporation, and it's a function of the debt ratio, the debt/equity ratio and profitability in the corporation.

So I mean the policy itself is well known to individual Crown corporations. They take into account the dividend policy when they formulate their business plan so that, for example, Crown corporations are currently working on or have completed the initial drafts of their business plan for the 2006 calendar year. And they would build into those business plans the anticipated dividend payment.

**Ms. Harpauer:** — When you have a dividend ratio that's fluctuating quite dramatically from, over the last four years, 55 per cent to 90 per cent in some Crowns, how do they have a clue how to put that in their business plan? How would they know that they're going to be required to raise their dividend

level rate 35, 40 per cent?

**Mr. Waller:** — Well they will do a forecast for the succeeding year and will be able to take into account that, if they meet certain targets that are established, then their dividend rate will be either 65 per cent or 90 per cent depending on your example, so that last year SaskPower anticipated that it would pay a dividend rate at the 90 per cent level, but the expectation is that because of expansion in the capital area that their dividend will fall to 65 per cent in the current year. And so they're able to plan that in advance. That's part of the planning process.

**Ms. Harpauer:** — I have to admit I fail to understand how they're going to know that in the case of SaskPower which you mentioned. Their debt ratio in the year 2000 was 57 per cent; their dividend rate was 55. In 2004 their debt ratio went up. Why would they? What would be the indicator to them that their dividend rate would increase dramatically to 90 per cent?

**Hon. Ms. Atkinson:** — I think what we try and do in terms of dividends paid and the percentage of the earnings that are forwarded to CIC and the percentage of earnings that are retained, what we do is look at the industry that those Crowns happen to be in, whether it's the electrical industry, the natural gas industry, the telecommunications industry, or the insurance industry.

I think there's some common approaches in terms of debt/equity ratios across the various industries. And if you look at our debt/equity ratios, in 2000 the debt ratio was 57 per cent, and the dividend rate was 55 per cent. And then in 2001 the debt ratio was 60 percent; the dividend rate was 55. The debt ratio in 2002 was 60 per cent; the dividend rate was 65. And then in 2003 the debt ratio was 57 per cent, but the dividend rate went to 90 per cent. As I understand this policy, it had to do with changes in the industry that SaskPower, for instance, was located in.

**Mr. Swystun:** — Sorry, Mr. Chairman, just perhaps to add to Mr. Waller's and the minister's comments, the dividend payout rate relates back to the capital allocation and dividend policy discussion that was included in the presentation last week. And I can certainly appreciate that it's been a few days since the members of the committee heard that presentation, so I'll just briefly review the key principle that I think applies here that may help to shed some light on this.

In any given year, a Crown corporation will produce cash flows or will put cash in the bank, and there is always three alternative uses for those cash flows. Either they can be reinvested back into the corporation to sustain existing infrastructure or in some cases to support growth or diversification of the company. When debt is higher than a level that is deemed to be prudent, cash might also be allocated towards reducing debt such that over time the debt would be brought down to a level that would be considered prudent. And the dividends that are paid out are in essence the residual after those first two uses are looked after.

So what we have is a dividend policy that has a dynamic application. The dividend that the Crown corporation pays changes, depending on its financial circumstances. As the financial health of the corporation improves, that means that less of those cash flows are required for reducing the

company's debt, and by definition there's more available to pay dividends on a prudent basis. And that's what we see in cases such as at SaskPower where from 2002 to 2003, it reached that crossing point from debt being above the target to debt being into a range that was considered to be prudent. And as a result of that, there was more capacity for SaskPower to prudently pay a higher dividend while still protecting its balance sheet.

**Ms. Harpauer:** — I understand most of what you're saying. I guess the confusion comes in . . . is that any time that questions have been asked today and in the past as to the actual policy behind the rate of dividends that are requested from any given year, the answer's always on, you know, it's based on the debt/equity ratio. And it doesn't seem to be that that is the case. I mean, yes it's looked at. But by no means, if you do the math in any given year, is that the priority. It's not the number one benchmark that's looked at when a rate has been decided, and yet consistently that's the answer that we always get.

The numbers are differently . . . If, you know, you're just saying now that it has to do with the amount of money that they have available for reinvestment, and that you take into consider the amount of debt that they're carrying and whether or not that's an acceptable amount of debt, I would put out there that it's often a political decision on how much the government will need the money. It's a year . . . any election year it seems like the dividend amount is particularly high so that I would say there's a lot of political decision that goes into it as well.

When you talk about the debt, what is calculated into that debt? Is it just money borrowed, or is it depreciation of the assets? What is looked at when you look at the debt figure?

**Mr. Swystun:** — Mr. Chairman, the calculation of a debt ratio for any company in general is simply the amount of debt that the company carries divided by the sum of debt and shareholders' equity in that company. Or in the cases of our Crown corporations, that shareholders' equity is described a little bit differently on the financial statements as equity advances and retained earnings. The debt itself consists of both short-term debt and long-term debt of the Crown corporation.

Depreciation is a concept that would not enter into the calculation of a debt ratio per se. Depreciation or amortization is a concept that is intended to reflect the fact that a company might spend perhaps \$10 million — by way of illustration — might spend \$10 million on a capital asset that might be expected to have an economic life of 10 years. And to match the cost of that asset with the period of time over which that asset will produce revenues, it would be depreciated or amortized over those 10 years such that the company might record an expense of \$1 million per year for each of those 10 years. So the concept of depreciation is one that enters into the calculation of the company's earnings or net income in a year and would not have any direct relevance to a calculation of the debt ratio.

**Ms. Harpauer:** — What mechanism is used then to allow for reinvestment? That was another area that you said was taken into consideration when calculating the dividend rate in any given year. Each Crown I'm sure is looking at different amounts that they're going to, you know, different amounts, different time periods, that they're going to need for reinvestment in their infrastructure.

And SaskPower has put forward a very compelling case on the need to replace their infrastructure. It's going to be very costly, and it'll probably take place over the course of the next 20 years at least. So what has been taken into consideration? Are they be able to retain on an annual basis an amount of money that they can bank away and then slowly be investing this in their infrastructure?

**Hon. Ms. Atkinson:** — Maybe I can answer that. Now as was previously stated to you by the officials, each of the companies are putting together their business plans for 2006. Those business plans will be presented to the Crown Management Board, so that's the board of ministers. Each of the companies will indicate to us what their capital construction budget looks like for the following year based on projections, will determine whether or not their debt/equity ratios are going to go over the target. If their debt/equity ratio is going to go over the target, we have to take into consideration that the dividend that they will pay, the dividend rate that they will pay, will be reduced.

If a company is within its debt/equity ratio for that company and the industry that they're in, they'll pay a 90 per cent dividend rate to CIC. If they're under that, they'll pay . . . their debt/equity ratio is higher than the industry standard, then the amount of money that they get to retain is larger.

So the way we work it, and I think that's the slide that Mr. Swystun presented to the committee, is that if your debt/equity ratio is below the industry standard, then 90 per cent of your earnings are forwarded to CIC in the way of a dividend. If they're above the industry standard, 65 per cent of the earnings are sent to CIC in the way of a dividend; they get to retain more earnings.

So given SaskPower's projections over the next two decades, it is possible that their debt/equity ratio will go above the target, and they will get to keep more of their earnings to deal with their infrastructure needs which means CIC will receive less money because SaskPower is reinvesting in their infrastructure. And this may well apply to SaskTel as well.

**Ms. Harpauer:** — I've noticed in various years of reporting, I've never seen a chart that shows the industry standard levels in any given year that our Crowns are being compared to. Is that available for this committee to look at?

**Mr. Swystun:** — Mr. Chairman, certainly the debt ratio and capital structure targets of all Crown corporations are based on industry norms, and we could certainly provide that information to the committee. I can tell you just quite quickly here what the debt ratio targets or debt and capital structure targets are for each of the Crown corporations listed in the slide from the presentation.

For SaskPower the debt ratio target is 60 per cent debt, 40 per cent equity. For SaskTel the target is 45 per cent debt, 55 per cent equity. For SaskEnergy the target is 65 debt, 35 equity and then SGI CANADA as a property and casualty insurer uses a somewhat different type of indicator that's more commonly used in that industry. It's something called the net risk ratio. That relates the size of the company's capital base to the amount of premiums that the . . . and in turn claims liabilities that the company is subject to and in the case of SGI CANADA

the net risk ratio target is 2.5.

**Ms. Harpauer:** — You mentioned for SaskPower the ratio that would be standard or considered standard is 60 per cent. In 2004 the debt/equity ratio for SaskPower fell below that. It was at 58 per cent. But it was also below it in the year 2000. And we're looking at two dramatically different dividend rates. So that's why I'm suggesting that the debt/equity ratio isn't the number one determining factor on the rate of the dividend. Or was the standard quite different in 2000? Was the standard 55 per cent in the year 2000?

**Mr. Swystun:** — Mr. Chairman, the member is quite correct in pointing out that there are on the surface different dividend payout rates in what apparently would seem to be similar circumstances in terms of SaskPower's debt ratio.

I believe in the presentation I provided last week, I did indicate that the industry targets for debt ratio will change occasionally based on changes in industry circumstances. And indeed that's the case for SaskPower and as a matter of fact for SaskTel over the past five years.

In the year 2000 SaskPower had set a debt-ratio target or the target that was in place at that time was to target to have a 50/50 debt and equity capitalization. And that was based on industry circumstances at the time where there was a number of jurisdictions in North America that were starting to get into more competitive electricity markets in terms of generation — companies moving from being integrated at generation transmission and distribution utilities to become specialized generating companies or transmission and distribution companies. And there were a number of jurisdictions that had in fact moved toward competition by the year 2000, and there was a somewhat prevalent belief that that was going to happen in Canada and in turn in Saskatchewan as well.

Over the early part of this decade however there were a number of instances where jurisdictions introduced competition with somewhat difficult results. And a couple of notable examples might be California and perhaps to some extent Alberta. Both of those jurisdictions experienced some severe spikes in the price of electricity as competition was introduced into those markets. And what we've seen over the past four or five years is that fewer jurisdictions have been as anxious to move into fully competitive markets. So that's meant that for existing incumbent utilities, the competitive environment has moved from an outlook of a move towards intense competition to one that's maybe looking like competition is not quite as likely to arrive.

Competition introduces risk in the operations of a company, and when a company has more business risk it's generally considered prudent to accept less financial risk. So in a competitive market you would expect to see a company that has a lower debt-ratio target and a more stable operating environment like the one that SaskPower operates within where it is for all intents and purposes the sole provider of electricity in Saskatchewan. That's a more stable operating environment, and so there was a decision made on that basis by SaskPower to move toward a somewhat higher debt ratio. So from 2000 to 2002 that target was ratcheted up from 50 per cent up to 60 per cent.

So the target has indeed changed over time and coincidentally that also happened in the case of SaskTel where the . . . Back in 2000 the industry target or the industry's norm would have been a debt-ratio target of about 40 per cent and over time that's moved up to 45 per cent for different reasons. But the story is . . . or the conclusion I guess is essentially the same. That being that as industry circumstances change, the target debt-ratio for a Crown corporation operating that industry would change as well.

**Ms. Harpauer:** — Actually that didn't clarify the issue; it raised more questions. Because my understanding prior to that answer was that we looked at different entities within the same industry and what their debt-equity ratios were, and at that we were . . . we chose a standard and what would be optimal. Now you're suggesting the Crowns themselves decide what they would like to be . . . what they would like as their optimal debt-equity ratio, and that's the target that we're moving towards. Which one is the determining target?

**Mr. Swystun:** — Mr. Chairman, I apologize if I wasn't clear in my response. When the Crown corporations change their targets, they absolutely do it in the context of changed circumstances within that industry. So the Crown corporation would do a scan of what the level of debt of other companies operating in that same industry would be, and the move to a different target would absolutely be based on what the prevailing norm is in that industry at that time.

**Ms. Harpauer:** — So does CIC and does the board that's viewing or reviewing all the information made available to them from the Crowns — and they're ultimately going to make a decision on what the dividend rate is going to be — do they review different debt-equity ratio standards within the industry? If so, give me some idea of what entities would we be looking at when we're comparing SaskPower.

**Mr. Swystun:** — Mr. Chairman, in the case of SaskPower the relevant benchmarks would be other utilities in Canada operating in the electricity market, so that would include both private sector companies and to some extent other Crown corporations.

So in the private sector category, it would include companies such as, for example, ATCO or TransAlta in Alberta. In Manitoba it's Manitoba Hydro. In British Columbia it's BC Hydro. In Ontario the market is changing there. There is Ontario Power Generation on the generation side of things. There are private sector companies that are now supplying electrical generation in Ontario, so those companies would be relevant benchmarks. Other companies that come to mind that are operating in that industry would be TransCanada Pipeline has some operations in the electricity markets. And there is a number of income trusts and income funds that are also in that business.

So those would be benchmarks against which a Crown corporation like SaskPower would be compared.

**Ms. Harpauer:** — Once a Crown is asked to pay a dividend and we know that amount, do they . . . like it is . . . is it a lump sum of money then that transfers to the General Revenue Fund or is it paid in instalments over the course of the year and

adjusts? Or how does that actually physically take place?

**Mr. Swystun:** — Mr. Chairman, the dividend for the year is paid in quarterly instalments with a lag of one quarter. So the dividend on earnings in the first quarter of the year, for example, would be paid at the end of the second quarter and so on and so forth, such that the dividend for the year would be completely paid for calendar 2004, for example, by March 31, 2005.

Those dividends are paid by the Crown corporation to CIC at the holding company level, and the dividend that's paid by CIC is paid — to the General Revenue Fund — is paid annually on March 31 of the following year which coincidentally is the last day of the government's, the General Revenue Fund's fiscal year.

**Ms. Harpauer:** — Do they actually . . . Do the Crowns have the money, cash on hand or is this cash generated from their income monthly due to the utility that they're selling? Or do they have a bank account with cash on hand at all times?

**Mr. Swystun:** — Mr. Chairman, I think it's safe to say all Crown corporations would maintain a certain amount of cash in the bank. And the cash would obviously be the result of cash from operations. They provide a service to the public and collect on the bills issued to their customers, and in addition funds would also be sourced from borrowing from time to time within the type of framework that was described. And from time to time there might also be sale of assets or sale of investments that might also be a source of cash.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. I'd like to welcome the minister and her officials here today. A couple of questions. In your 2004 report you claim that CIC paid \$75 million for the CAIS [Canadian agricultural income stabilization] program. Is that correct? I'm just wondering did CIC send this money directly to farmers.

**Hon. Ms. Atkinson:** — No, Mr. D'Autremont.

**Mr. D'Autremont:** — Did CIC send this money then to the Department of Agriculture for distribution?

**Hon. Ms. Atkinson:** — CIC sends its money to the Department of Finance, the General Revenue Fund.

**Mr. D'Autremont:** — Oh. So it went then into the General Revenue Fund along with the money from income taxes and royalty revenues and all of those sources.

**Hon. Ms. Atkinson:** — Yes.

**Mr. D'Autremont:** — So it didn't go directly for CAIS funding then.

**Hon. Ms. Atkinson:** — Yes, it did.

**Mr. D'Autremont:** — But then if was sent directly for CAIS funding, then it must have gone directly to farmers in some manner.

**Hon. Ms. Atkinson:** — It did go directly to farmers.

**Mr. D'Autremont:** — But you just said that CIC did not send it to farmers.

**Hon. Ms. Atkinson:** — No, we didn't.

**Mr. D'Autremont:** — Neither did the Department of Agriculture. So it went into the Consolidated Fund, the same as every other government dollar that goes into the Consolidated Fund. So the money that came out from the Consolidated Fund that was paid in to support the additional commitment that the government had made originally that it underfunded on the CAIS program could just have easily have been money that came from liquor sales. It could've been from fuel gas. It could've been from income taxes. It could've been from royalty revenues or any other of the government sources — not necessarily CIC money.

**Hon. Ms. Atkinson:** — We forwarded to the Department of Finance for the General Revenue Fund an additional \$75 million over and above what we had originally budgeted for. The \$75 million that came from the public ownership of our Crown corporations was directed to farmers in the province who also use those utilities.

**Mr. D'Autremont:** — No, it was directed to the Consolidated Fund and the government then distributed money from the Consolidated Fund to fulfill its commitment to the CAIS program. The monies coming out of there . . . The idea that CIC was paying money directly to support the CAIS program is simply political spin put on by you, CIC, and the government because the money did not directly go from CIC to farmers. It went to the Consolidated Fund where all the other money from taxation and every other source the government has goes.

You keep saying over and over again, in other venues. Well if you take . . . You have a choice — do you want money for the CAIS program or do you want money for health care or education. Because it comes out of the Consolidated Fund. Well the money that CIC put in went into the Consolidated Fund, and money came out of the Consolidated Fund to pay the commitment to the CAIS program. And it's not necessarily the same money.

**Hon. Ms. Atkinson:** — The Crown Investments Corporation provided special dividends over and above its normal dividend for two programs — \$5 million in a special dividend for Saskatchewan's 2005 centennial projects and celebrations, \$75 million to fund CAIS. And, Mr. D'Autremont, I don't want to get into a big fight with you today because you're looking awfully happy. In my view, you're dancing on the head of a pin. This is not . . . This was a special dividend that was paid by the Crown Investments Corporation to support farmers in this province — \$75 million. As well there was a \$5 million special dividend that was paid to support centennial projects in the province.

**Mr. D'Autremont:** — Well I tend to disagree with you, and I'm happy because maybe we can get into a fight.

The \$75 million simply went to the Consolidated Fund. It was the government's decision how to distribute the money from the

Consolidated Fund. They could have pulled additional \$80 million out of CIC for any of a number of reasons, and it still goes to the Consolidated Fund. Money that goes through the Consolidated Fund does not come with a tag on it that says, this is CIC money and it's being directed to the CAIS program.

And the fact is the Provincial Auditor's office doesn't want monies coming through taxation and revenues to be dedicated to any particular entity or purpose as it's being generated. So the fact that you paid 70, \$80 million out of CIC as a dividend to the Consolidated Fund is nice, but it's irrelevant how you spent the money after it got into the Consolidated Fund as far as CIC is concerned.

What you're writing in your annual reports is nothing but political spin, because the money comes out of the Consolidated Fund irrespective of where it came from in being generated in providing it to the Consolidated Fund. And you've argued that for many years that you . . . if you take money, if money goes into the Consolidated Fund, then you're making choices with it on how it's going to be directed.

This time you made a choice for money out of the Consolidated Fund to meet your commitment that you as a government had made to support the CAIS program. How you generated those funds is irrelevant to the Consolidated Fund. The mere fact that they are generated and put in there is what's important. It's political spin only to say that CIC provided a special dividend to support CAIS program, because that wasn't the case.

**Hon. Ms. Atkinson:** — We did. Mr. D'Autremont, we're just going to have to disagree.

**Mr. D'Autremont:** — It won't be the first time.

**Hon. Ms. Atkinson:** — No, it won't.

**Mr. D'Autremont:** — On the SPUDCO [Saskatchewan Potato Utility Development Company] legal costs, you have \$7.9 million here for legal costs. Is that the legal costs or is that . . . also include the cost of the settlement?

**Hon. Ms. Atkinson:** — Yes.

**Mr. D'Autremont:** — So how much of this cost, the \$7.9 million, was the legal fees?

**Hon. Ms. Atkinson:** — I believe that Mr. Prebble is going to be before your committee and he'll be able to articulate precisely how much was for legal fees and how much was for the cost of the settlement. But this was the cost to CIC for the settlement of the SPUDCO lawsuits.

**Mr. D'Autremont:** — Are there any other further outstanding claims, legal claims, against CIC or any of its entities in relationship to the SPUDCO debacle?

**Hon. Ms. Atkinson:** — I believe that all of the claims against SPUDCO have been settled with the exception of, I believe there are two . . . there is a lawsuit by two former employees that has not yet been settled.

**Mr. D'Autremont:** — Outside of the two employees, were

there any . . . is there any additional cost coming forward in 2005 then in relationship to settlements on the SPUDCO issue?

**Hon. Ms. Atkinson:** — I think, Mr. D'Autremont, Mr. Prebble is going to appear before the committee and he'd be in a far better position to answer this question.

**Mr. D'Autremont:** — Okay. He'll be appearing before the committee as the . . . for SaskWater? Okay. Not as the Minister of the Environment. No. I was going to say why is he coming.

**Hon. Ms. Atkinson:** — He's not the Minister of the Environment.

**Mr. D'Autremont:** — That's right, David Forbes is now. Yes.

**Mr. Waller:** — Mr. Chair, if I can just clarify one point. The \$7.9 million was the amount paid to the plaintiffs. It didn't include the legal fees.

**Mr. D'Autremont:** — You say it did include legal fees or didn't?

**Mr. Waller:** — Didn't include. That was the amount of settlement at the end of the day.

**Mr. D'Autremont:** — And okay, the legal fees then, are they being dealt with through another entity then, through SaskWater or someone else, or does CIC have to deal with those legal fees?

**Mr. Waller:** — SaskWater had the responsibility for dealing with legal fees and Minister Prebble should have full details of all of those costs.

**Mr. D'Autremont:** — Okay. Thank you. Just a similar type of subject but . . . And I'm not sure that you'll have the answer to this and it may be better directed to another Crown. But do you have any idea what the total final costs for the Channel Lake situation was? Because it's my recollection, and this goes back a few years now, that when we had talked about this there was possibly a \$10 million loss there, but there were still some ongoing gas contracts that had to be dealt with and hadn't been settled yet. So I don't know personally what happened to them in that case.

**Hon. Ms. Atkinson:** — I think what I would suggest is that Mr. Quennell and his officials will be before this committee and you might direct that question to them.

**Mr. D'Autremont:** — Thank you.

**The Chair:** — Okay. Members, I think now would be a good time to take our short break. So we'll recess for 15 minutes. Thank you.

[The committee recessed for a period of time.]

**The Chair:** — Okay. We'll reconvene. Consideration of the CIC. Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair. I want to visit the programs that are run through CIC by first returning to one that I had talked about earlier; the one that the Minister had said

there was going to be an announcement at the end of the month.

Last year when questions were asked about what was said — I believe in the Throne Speech and what it would imply — and the Minister had at that time noted a void in funding for small businesses when CIC transferred the investments into Investment Saskatchewan and implied that they're looking at a fund that would address that and perhaps be available for community groups or groups of investors. And then Mr. Waller had said they were looking at a type of entrepreneurial fund. So the new entity that's going to be developed and sort of address this void, can you share with us today if it's just going to look at young entrepreneurs or if it will also include community groups of investors in small projects?

**Mr. Waller:** — What I think I spoke to last year was a foundation that would provide assistance to young entrepreneurs, and by young entrepreneurs we're not defining that necessarily by an age group nor are we limiting it to a single person, so groups, co-operative organizations, those kinds of things is the kind of thing that we envisaged at that time. And what I can say is that we have been proceeding along those lines and as the minister said, we would hope to be in a position to make an announcement shortly.

**Ms. Harpauer:** — What sort of dollar ceiling are you considering for any single investment or investor group?

**Mr. Waller:** — I think that the question that was asked earlier today indicated that the range of investments that Investment Saskatchewan was looking at was in the \$3 million or above. The private venture capital entities tend to move in the range of 1 to \$3 million so the void appears to be in the range of under \$1 million, give or take.

**Ms. Harpauer:** — And the third question or the last question I have on that particular program that we're waiting to hear more about at the end of the month, can you share with us an approximate dollar figure that you're looking at, at initially putting in that fund?

**Hon. Ms. Atkinson:** — No, not at the moment. I think I'm not going to pre-empt our announcement.

**Ms. Harpauer:** — With that I'm going to move on to other programs that are run through CIC, one being the major investment in youth. It was announced in October 2003 there was \$20 million over five years that was announced: 6 million for careers for Saskatchewan youth and Aboriginals; 4 million for leadership development of youth and Aboriginal peoples; 2.2 million for the workplace and career mentorship; 2.5 million workplace preparation and development; 1.3 million for youth engagement and awareness; and 4 million supporting youth, Aboriginal, and our educational institutions.

How much has been spent in each category to date?

**Mr. Swystun:** — Mr. Chairman, I don't believe we have that information segmented in that manner with us, but we would be happy to provide it to the committee.

**Ms. Harpauer:** — Could you, along with that information, provide the number of youth that's also been able to access the

funding and, you know, take advantage of these programs? Do you have the numbers that we're looking at that it's been able to assist?

Can you give us some indication of what type of activities have occurred in each of the programs? What are they actually doing?

**Hon. Ms. Atkinson:** — We have a partnership with both universities — the University of Saskatchewan and the University of Regina.

In the case of the University of Regina, we've committed \$2 million for bursaries for Aboriginal students. It's a partnership. It's a bursary for undergraduate Aboriginal students, and this is over a five-year period so it's about close to \$300,000 a year. Each bursary recipient receives \$2,500 per semester or \$5,000 for an academic year, and they can reapply for each year of their studies. We, I believe, have 34 — and I indicated this in my opening remarks — I believe we have 34 recipients in 2005. And we anticipate that we'll assist up to 165 students over the five-year period.

In addition we have entered into a partnership with the University of Saskatchewan, and in that partnership we are helping the funding of the math and science enrichment program at the University of Saskatchewan. Once again, it's a bridging program for Aboriginal students who wish to upgrade their math and science skills. And the notion is to move more and more First Nations and Métis students into the professions like engineering, pharmacy, medicine, nursing, and so on. And we'll provide \$1,053,200 over five years to the mathematics and science enrichment program. And we also, we hope that in the life of that program we'll assist 250 students in a very significant way, improving their math and science skills.

In addition to that we have the Gradworks program. And the Gradworks program is a program that provides internships for young people who've graduated from post-secondary institutions — whether it's SIAST [Saskatchewan Institute of Applied Science and Technology] or whether it's the two universities, FINC, the Saskatchewan institute of Indian technologies — so someone who has graduated from a recognized post-secondary institution. And the idea is to assist those young people gain valuable work experience so that they then can go on to land a permanent job because young people were telling us that they didn't have the opportunity to gain work experience. Any jobs that they were applying for required work experience. So this is an opportunity for those young people to get that work experience.

In 2004 there were 15 interns that were hired by the various Crown corporations, and we anticipate by the end of 2005 there'll be an additional 85 interns that have been hired. And we'll have 50 in each of the next three years.

What we're finding is that some of the interns are being hired permanently by the Crown and then that opens up a position for another intern. And this is a very popular program, and we expect that the interns' salaries alone during the life of the program will be about \$6.9 million.

To administer the program, there is a non-profit corporation

which is a subsidiary of CIC, and it receives annual funding of about \$300,000. But it operates at arm's-length with its own board of directors, and CIC pays the cost of the intern salaries when they work in each of the Crown corporations. There are some other activities that we're pursuing but we're not yet in a position to announce. But over the life of this five-year program, we anticipate that we're going to invest about \$20 million in young people and Aboriginal people.

**Ms. Harpauer:** — Going to the beginning of the minister's response, you described partnering with the universities for a number of students. Is that in addition to the programs that were announced in October 2003 or have you consolidated some of those programs, pooled the money, and used it for the bursaries for the universities that you described?

**Hon. Ms. Atkinson:** — If you're talking about the announcement in 2003 by the Premier, I'm giving you details of the announcement because we have now been able to implement many aspects of that announcement if that's what you're talking about.

**Ms. Harpauer:** — It was an announcement, yes, in 2003. There was a press release on \$20 million over the course of five years. And it was very specific in that, like I had mentioned earlier, 6 million was to go to careers for Saskatchewan youth and Aboriginal youth, 4 million for leadership.

So I looked through there to see where bursaries fell in and it didn't fall into those categories specifically. So I was wondering if that was still included in those categories or if it was an additional program.

**Hon. Ms. Atkinson:** — No. The bursaries are part of it.

**Ms. Harpauer:** — Is there other programs, leadership? It mentions leadership, careers. Or is it all through the universities that this \$20 million is going to be allocated?

**Hon. Ms. Atkinson:** — We have not yet entered into a partnership with SIAST, but we expect to have that completed in the months ahead. And there'll be some other partnerships that we hope to enter into with other post-secondary institutions.

At this stage, we have two partnerships — one with the University of Saskatchewan and one with the University of Regina.

**Ms. Harpauer:** — Okay. Then I have to ask why were . . . I don't understand when you had no programs in place at the time of the announcement and you didn't know what it was going to look like, how the specifics of dollar amounts could be assigned to specific programs that didn't exist. You know, you're still trying to create them at this point.

So I mean, it was quite specific in the announcement. It was 6 million for careers for Saskatchewan youth, 4 million for leadership development, 2.2 for work . . . [inaudible] . . . and career mentorship, 2.5 million for workplace preparation and development, 1.3 million for youth engagement and awareness, and 4 million for supporting Aboriginal youth and our educational institutions. So that perhaps could fall, like the

bursaries would fall, in that area.

If you're going to specifically allocate a sum of money over a specific period of time, we should maybe have a specific program in mind.

**Hon. Ms. Atkinson:** — I think we did. We had a program of supporting young people in work placements, and that's what we call Gradworks.

We had the notion of supporting Aboriginal young people, and that's why we've entered into the partnerships with the two universities for bursaries. In the case of the University of Regina, they felt bursaries would be the appropriate way to use the funding.

In the case of the University of Saskatchewan, they have a huge push on to ensure that First Nations and Métis students have math and science skills because they're trying to get them into medicine, into pharmacy, into engineering, into the professions that require math and science. This is the way they wanted to structure the program.

And we anticipate there will be some other opportunities for other post-secondary institutions, and we're not fully finished implementing the program.

**Ms. Harpauer:** — What type of program do you see filling the 2.2 million allocated to the workplace and career mentorship?

**Hon. Ms. Atkinson:** — I will get you that information. We have our budget, and I just don't have the appropriate documentation here to give you that kind of detail. I'll get it for you.

**Ms. Harpauer:** — Perhaps you could answer a broad question. Is there any thought to mentorship within private business or entrepreneurial skills? I understand Gradworks, and that's internship within our Crowns and the public service. But I think it would be advantageous for a lot of our youth and Aboriginal youth to gain some skills in entrepreneurship of their own and businesses of their own. So is there any thought to how that could be done through the career mentorship?

**Hon. Ms. Atkinson:** — Of the items that the Board of Directors of Gradworks is pursuing, is partnerships with private business, municipalities, other institutions. So this is a possibility.

Obviously our focus is on the Crowns because Crowns are going to see a large number of their employees retire in the next five years. We're going to see significant retirements, and we want to signal very clearly that there are opportunities in these various publicly owned companies.

And what's interesting about Gradworks is we . . . I believe we've had about 1,700 people want to get into the program. We simply don't have the number of internships that we could fully use all the people that are applying. So that tells us that young people are desperately looking for opportunities to use their education in the workplace, and obviously businesses are looking for people as well. So we'd be quite interested in partnering with business, fully understanding that they would pay for the internship. But we have the capacity to do this, but



the business would have to be interested in bringing their money to the table.

**Ms. Harpauer:** — I think there can be no question, and I mean the committee's well aware that I'm the mother of three, three young women. They're absolutely looking for opportunities. There's no doubt. That also explains quite frankly in a lot of cases why they leave. If they don't find it, they leave and . . .

**Hon. Ms. Atkinson:** — Saskatoon has 5,000 job openings in the city of Saskatoon. Saskatoon has a huge shortage of people to work. I think the question is what kind of jobs are they? Are they jobs where you can use your professions or are they lower skilled jobs? In the case of Saskatoon, we have a significant labour shortage and many of those jobs require people with some pretty significant skills. And this is according to the mayor.

**Ms. Harpauer:** — Well we can debate this and we can drag in the statistics on this and we can do all of that. The fact is the youth are moving. And if you ask them why, they'll say opportunity. Most often they'll say opportunity. Now I am fortunate, mine are here. But opportunity is very important to them.

With the internship program in the . . . Or in the Gradworks program, the website has listed 73 positions that's been created in the Gradworks program, and the goal from the annual report is 85. So what are we speculating or projecting for the future of that program?

**Hon. Ms. Atkinson:** — Another 50 in 2006, another 50 in 2007, and another 50 in 2008. There are 250 internships.

**Ms. Harpauer:** — So at 85 positions, a total amount that was spent was 195,500. And yet an allocation of 300,000 would be on average available each year.

**Hon. Ms. Atkinson:** — No, I think I said earlier that we have budgeted about \$6.9 million for Gradworks. That's for their salaries. Two hundred and fifty internships.

**Ms. Harpauer:** — Fifty interns or additional 50 per year, right? So at the end of the program you would have 250. And then from there I would assume you would assess it and see whether or not you wanted to extend the program or if it was worthwhile.

**Hon. Ms. Atkinson:** — Yes.

**Ms. Harpauer:** — Each intern receives \$2,300 per month is my understanding.

**Hon. Ms. Atkinson:** — We pay the intern's gross salary of \$2,300 per month, yes.

**Ms. Harpauer:** — Are they evenly divided among the core Crowns?

**Hon. Ms. Atkinson:** — Each Crown corporation has interns, and we'll get that information for you. I think some have more interns than others, but we'll get . . . The smaller Crowns would have fewer interns; the larger Crowns would have more interns.

**Ms. Harpauer:** — The next topic that I wanted to touch on was the utility bundle program that was first conducted last year. What can the consumers of the province expect for 2005?

**Hon. Ms. Atkinson:** — That is a moving target, and the reason it's a moving target is because of the cost of natural gas. Natural gas is — particularly since September 4 when SaskEnergy made its application to the rate review panel — natural gas, as a result of Katrina but more importantly Rita, has increased significantly. And so all companies across the country are either making applications to the rate review panel in the jurisdictions that they're in for significant increases in the cost of home heating . . . So we don't know at the moment. We still have October, November, and December to go — so a quarter of the year to go — before we can precisely determine what we might be looking at, at a utility rebate.

At one stage we thought there would be no rebate and it moves so quickly. The cost of natural gas moves so quickly. Then it became clear that there would be a utility rebate. We believe there will be a utility rebate, but it's too soon to tell you precisely how much that'll be.

**Ms. Harpauer:** — How much do you think you saved on that rebate by deferring the increase that SaskPower may have got?

**Hon. Ms. Atkinson:** — Oh practically . . . very little, very little. I can't answer that question. SaskPower's rate increase was deferred from October 1 to January 1. We don't know what the utility rate review panel will determine. I think SaskPower's application was 4.9 per cent — very little.

**Ms. Harpauer:** — Because it does look very suspicious that it was conveniently deferred to the month after the tentative rebate. It was highly suspicious, the timing of that. And the reason that . . .

**Hon. Ms. Atkinson:** — We knew that when SaskPower came forward and asked that its rate review be delayed until January 1 that there would be some people that would say this is suspicious, but the reality for SaskPower is that they made their rate application I think at the end of June 2005. That's when they applied to the rate review panel. In the summertime you'll know that we had a fairly significant amount of rain, and the scenario for SaskPower because of hydro conditions changed fairly significantly. And they felt in terms of their operating costs and their revenues for 2005 that they would delay their application.

**Ms. Harpauer:** — Actually that's a little misleading because the reservoirs were full this spring. There wasn't a dramatic change in the levels of the reservoirs. They announced that they were quite full this spring.

**Hon. Ms. Atkinson:** — What you need to look at is the sustained flow for a longer period of time, and that's what we had. And we certainly had that in June. My basement can attest to that towards the end of June.

**Ms. Harpauer:** — There's a number of difficulties that the different constituency offices faced with the last utility bundle and how it was conducted. And so I would like to ask a few questions to try to clarify those scenarios and how they're going

to be addressed going forward for yet another utility bundle rebate.

For example, I had a family that had two households because the husband and wife both worked in different communities — one working in a city, one working in a small community. They had two households with two sets of utility bills, and yet they're not eligible or were not eligible for two rebates even though they were paying utilities on two separate households. Why?

**Hon. Ms. Atkinson:** — We made it clear . . . I mean I have two households too. I was eligible for one utility rebate. We made it clear that it was based upon one home that you occupy or it's for, you know, one family home. Otherwise we could be dealing with cottages, people like yourself and I where we may have our home but we also have an apartment in Regina. This was about the lowest bundle of utilities in the country for families.

**Ms. Harpauer:** — Actually these are families, and the reason why the husband and the wife are in two different communities is to try to make ends meet for their family. So they found themselves working in two different communities. So one household gets the lowest utility bundle. The other one does not get the lowest utility bundle.

In our situation I don't think you can compare it because we wouldn't be eligible for one of our households. If we have an accommodation in Regina, it's not eligible because we are subsidized for that. The cottage, I'm not so sure it would fall into that because I also had a number of letters and phone calls with individuals that unless their phone was hooked up for the entire year they weren't eligible. They had difficulty getting the rebate. So a lot of cottages, if indeed it just is a cottage if it has a phone, and a lot of them would not, so we're kind of falling into . . . I think we're losing significant situations over some that are not likely.

I had a number of constituents who put SaskTel on a vacation mode because they were gone for part of the year, and yet they couldn't have the rebate applied to a different bill. Now they are paying utilities.

**Hon. Ms. Atkinson:** — Well they could. They could. I think the problem was . . . You're talking about snowbirds. Snowbirds go south — say in November; they don't get back until April — and they needed to apply to have another utility recognized for the purposes of the bundle by the end of March and they came back in April. And the cut-off date for the application was March 31, and I think that was the problem.

**Ms. Harpauer:** — The other question that arises is why or how is it even justifiable when you talk about this bundle to include SGI [Saskatchewan Government Insurance] because it's hardly a utility. How did that come about that that would be rolled into the whole entire policy concept?

**Hon. Ms. Atkinson:** — Well the Premier made an announcement in the fall of 2003 about public ownership of Saskatchewan's Crown corporations. And at the time he said that he was going to ensure that Saskatchewan people had the lowest bundle of utility costs in the country, and he included SaskEnergy, SaskPower, SaskTel, and SGI.

Because of our geography, many people have vehicles. Because of distance they have vehicles. And this particular Crown corporation provides auto insurance, so for the purposes of the utility bundle we include auto insurance. For many people a vehicle is a necessity in this province, just like energy, telephone, and power.

**Ms. Harpauer:** — That answer doesn't fly. Clothing is a necessity too at 40 below. A winter coat's a necessity. Fuel is a necessity. I don't call it a utility. I have many — especially in our climate — I mean we have a lot of necessities but they're not utilities. The question was why we call it a utility bundle when it includes insurance.

The policy is quite questionable at that point. It's just because it was convenient for him to roll it in there, and it helps crunch the numbers quite frankly, because there is no justification for putting SGI into a utility bundle when it is not a utility — a necessity, perhaps; a utility, no.

**Hon. Ms. Atkinson:** — Once again you and I will simply disagree. We made the decision in the fall of 2003 that we were going to have the lowest bundle of utility costs in the country. We included auto insurance, natural gas, electricity, and telephone.

And for the purposes of the lowest bundle of utility — which has been confirmed by Meyers Norris Penny and our methodology — we anticipate to once again this year have the lowest bundle of utility costs in the country.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. On the same issue, the bundle, I had a similar circumstance although somewhat different to the one related by my colleague about two locations. This individual works at the Kin-Ability Centre in one of the communities and they, because of their circumstances, have not been able to generate a credit record, you know, and so find it difficult when they approach one of the utility companies to get utilities. This person is living in a rented home in the community so that they can work at the Kin-Ability Centre. And so their parents got the telephone in. So it was under the parents' name but the child was living in the home as their own home, and working. But yet because of that they were ineligible, that individual was ineligible for the bundle rebate. Are you looking at making those kind of adjustments on an individual basis when there are extenuating circumstances?

**Hon. Ms. Atkinson:** — I think what I can say to you is that it . . . There were some issues in terms of our criteria that arose and we are re-evaluating the criteria that we used for the purposes of the bundle in order to make it much clearer to the public. And I think that one of the criteria certainly was for those snowbirds that they had to apply by the . . . They put their phone on hold basically. They had to apply by the end of March; they don't get home until April. And to be blunt, they are the maddest group of people that I have met. They're very angry, and they want us to fix that. So we are taking a look at, you know, can the application be extended until the end of April, that sort of thing.

In terms of the issue that you raise, that's a bit of a tough one because how do you, you know, how do you know whose . . . why a person has a phone in their name. You'd need to have some verification. But it's certainly something that we'll take a look at for the purposes of the criteria. The way we tried . . . We tried to make this as administratively simple as possible. SaskTel covers the largest range of customers in the province, and the way we defined this was that if you had more than one number on your bill. So it might be your cottage number, your other . . . if you had an apartment away from home, you travel back and forth. If you had one bill with two or three numbers, you got one bundle. You got one rebate. So that this would be something that we'd have to take a look at to determine if there's some way to do this and still have it as administratively simple as possible.

**Mr. D'Autremont:** — So the questionable criteria here then is the fact that those numbers are all on one bill. If — and I don't know if this is possible or not — if you had two separate bills sent to you, then you might qualify for two bundles.

**Hon. Ms. Atkinson:** — Two separate bills sent to the same address, SaskTel's system can catch that.

**Mr. D'Autremont:** — But in the case of mine, they could have sent it to the son's address in the parents' name, if that's actually where the phone was at.

**Hon. Ms. Atkinson:** — Perhaps.

**Mr. D'Autremont:** — Yes, I don't know either, but that would be one of the . . . So it's Fred Smith in town A and Fred Smith in town B.

**Hon. Ms. Atkinson:** — I suspect what happened was the bill went to the parents at the same address.

**Mr. D'Autremont:** — Yes, I don't know.

**Hon. Ms. Atkinson:** — Or they may have had that phone on their bill and that's why there was only one bundle.

**Mr. D'Autremont:** — But if they had a separate address for it, one in town A and one in town B, they might have got both bundles then. It's possible. Okay.

Have you made the determination yet for 2005 on the bundle program, whether it will be run again through SaskTel, or have you made that decision, which Crown will be the sort of the lead on it?

**Hon. Ms. Atkinson:** — I believe that it will be run again through SaskTel, and it's because SaskTel has the largest number of customers in the province. One of the . . . We did look at SaskPower, but SaskPower does not have customers in either Saskatoon or Swift Current. We did look at SaskEnergy, but SaskEnergy doesn't cover a number of farm sites. SaskTel has the largest coverage in terms of customers. They have the largest number of customers, and that's why we chose SaskTel.

**Mr. D'Autremont:** — One last question on this, and maybe I'll make it a multiple question. One of the concerns that has been raised is that SaskTel utilized the bundle program as a recapture

of some of their delinquent accounts. What kind of recapture might there have been in place, and what is the delinquency of the various utility Crowns?

**Hon. Ms. Atkinson:** — We'll have to get that for you. I could give you a hunch. I suspect the Crown that has the largest delinquent accounts would be SaskEnergy, then SaskPower, and then SaskTel. I suspect; I don't know that. But a basic telephone is a little easier to pay than some of the other utilities, unless you use long distance I guess, but yes. But I don't know. We'll get that for you.

**Mr. D'Autremont:** — In the calls that I have received over since I've been an MLA [Member of the Legislative Assembly] SaskTel has been the one. They cut my phone off, you know. So okay, if you could get that information for us please.

**Hon. Ms. Atkinson:** — Yes.

**The Chair:** — Mr. McCall.

**Mr. McCall:** — Thanks very much. I've got a question that's sort of related to the whole matter of bundles and certainly utility costs, but I guess it's more in the context of the pressures. And I know this is sort of . . . it's outside of the reporting year for the agenda. But in the discussion around SaskEnergy in terms of management's discussion and analysis, it talks about on the 2005 outlook, the outstanding balance of \$25.1 million in the gas cost variance account at the end of 2004 will continue to be recovered in 2005.

Now obviously there are some particular pressures being brought to bear around SaskEnergy and how that translates into home heating costs. You know, we've had a cold day today and it's only going to get colder as we get into the winter. In terms of the more broader concerns in North America as the energy markets start to absorb the impact of things like Katrina — just the sort of global demands growing on energy generally — I guess what I'd like to hear from the minister and his officials is how the gas cost variance account fits into the whole matter of the bundles generally, but more particularly how it fits into what CIC plans to do to make good on the bundles promise as we go forward.

**Hon. Ms. Atkinson:** — I think we all know that SaskEnergy applied for a rate increase before the public utility review panel. And they made this application in early September based on what they believe the rates would be going into the winter. At the end of August, their application for a \$9.50 per gigajoule rate increase would have cleared off the gas cost variance account by October 2006. We have a problem in that post their application, we've had Katrina and Hurricane Rita.

And Hurricane Rita really is the one that has really damaged, in a sense, the North American gas market in that a lot of the distribution system and gas wells were significantly damaged along the Gulf Coast. As a result there's been a huge pressure on the market, the North American market, and the cost of natural gas has shot up dramatically. So there is a possibility that . . . a real possibility that SaskEnergy will have to go again to the rate review panel to have another increase because of the price of natural gas that they're . . . the cost of natural gas that they're paying at the moment.

If they don't do that, then the gas cost variance account could shoot up to, at today's costs — and I think it was \$10.83 on Monday — could shoot up to over \$70 million by October 2006. So there is a possibility, a real possibility that SaskEnergy will have to go again to the rate review panel. And this is happening all across the country, where the price of natural gas is changing so dramatically that companies are perpetually before their rate review panels in order to get increases.

And you'll know, Mr. McCall, that SaskEnergy doesn't make any money on the cost of natural gas. They simply buy it and it flows through to the customer and they pay the actual cost of natural gas. So this is a real problem and a real worry. I note that the federal government on Friday is going to announce some sort of significant program, I understand, to help customers or consumers deal with home heating. They're looking at an energy efficiency program. And we are too. We're looking at how we might be able to help individuals in the province of Saskatchewan mitigate the cost of home heating. And in the case of Saskatchewan, for a lot of customers or people, they don't use natural gas. They use propane, they use electricity, they use other . . . wood; they use other forms of home heating.

So we've been trying . . . We've been taking a look at how we might be able to help. But we're certainly . . . we don't have the capacity to help hugely, but we might be able to help a little bit and we're looking at various options.

**Mr. McCall:** — It's obviously a matter of great concern. And it was bad enough before the impact of things like Katrina and Hurricane Rita on the North American market and the price of energy.

Does the minister have any indication as to when these efforts at mitigating or helping out Saskatchewan people meeting this challenge around home heating, do you have any indication for the committee as to when that is forthcoming or what?

**Hon. Ms. Atkinson:** — We're examining a number of options and I hope that we'll have something to say about this before December but . . . I'm hopeful. I can assure the public however that regardless Saskatchewan will have the lowest bundle of utility rates in the country for next year, 2006. We will this year. And the other thing that I can say is that escalating home heating costs are a huge problem all across the country, including our province.

**Mr. McCall:** — So we will continue to have the lowest cost bundle as a basic response to this matter.

**Hon. Ms. Atkinson:** — Yes.

**Mr. McCall:** — Okay. Thank you, Minister.

**The Chair:** — Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair. Mr. Chair, I just wanted to point out something that I was looking at while Mr. McCall was asking his questions. I'm quite delighted to see that on page 48 of the CIC annual report that CIC agrees with the point that I had made earlier. On that page, it's a closer view of the CIC holdings, and they're all colour coded and lo and

behold, SGI does not fall under utilities. It is separate and apart. So I guess the CIC board agrees with myself. And the minister and her Premier are on their own in their opinion.

**Hon. Ms. Atkinson:** — What I can tell the member is the Auto Fund does not show up in the annual report.

**Ms. Harpauer:** — No, the insurance does.

**Hon. Ms. Atkinson:** — No, the Auto Fund does not show up in the annual report because the Auto Fund is separate and apart.

**Ms. Harpauer:** — It's also separate and apart from the utilities.

**Hon. Ms. Atkinson:** — In your opinion. But I think if you were to ask most people in the province I think that they would say that insurance is a . . . auto insurance is a necessity, a car is a necessity.

**A Member:** — So is a winter coat.

**Hon. Ms. Atkinson:** — But in terms of publicly owned utilities — which we don't have a public utility for winter coats — we do have public corporations for SGI, SaskTel, SaskEnergy.

**The Chair:** — Order.

**Hon. Ms. Atkinson:** — What I can say is that we consider it to be a utility, a basic service for the people of this province.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. Well that was an interesting discussion, but I think there's other opportunities for interesting discussions as well.

On, well some of the pages in the book don't actually have numbers so . . . It's called commitment to a green and prosperous economy — oh 23, okay it's colour coded; I can't read colour — talks about the wind generation at Rush Lake as 150 megawatts. Is that capacity? Is that what the 150 megawatts is? What's the actual generation? Because with wind there's a difference between capacity and generation.

**Mr. Swystun:** — Mr. Chairman, I believe the explanation here is that the 150 megawatts is the maximum capacity of the facility when it's operating at full capacity. And the member is quite right, with wind power the capacity is only there when the wind blows. And I believe typically the sort of effective capacity over the course of a year might, with wind power might typically be about 40 per cent of that maximum capacity.

**Mr. D'Autremont:** — So about, realistically, generation would be about 70 megawatts then.

**Hon. Ms. Atkinson:** — I think that's a question that could be best asked or answered by SaskPower.

**Mr. D'Autremont:** — But it's in the CIC report so that's why I was asking the questions on it.

On another issue on the same page, with the Saskatchewan Transportation Company with their pilot project on biodiesel

fuel additives as a pilot project, I'm assuming that they'll be making a report both to STC. Will they be making a report on that as well to CIC?

**Hon. Ms. Atkinson:** — Yes.

**Mr. D'Autremont:** — Has that report been presented yet?

**Hon. Ms. Atkinson:** — No.

**Mr. D'Autremont:** — Okay. Do you have any idea when that might be coming down?

**Hon. Ms. Atkinson:** — My understanding is that it is something that we will hear about in December as part of our performance management review for each of the Crowns. Each Crown comes before the board, the Crown Management Board and we do a performance management review, so that information will be available to us in December.

**Mr. D'Autremont:** — Thank you. I think biodiesel is an important . . . not only because of its green ability but because just of the savings and the fact that it can be produced in Saskatchewan. And I think it's a very timely thing to be looking at right now in light of the announcement that was made earlier this year that there was a 50 million litre plant — I believe it was litre — plant going into Minot, North Dakota. As well, today there was another announcement that ADM [Archer Daniels Midland Co.] is putting in a biodiesel plant down at Velva, North Dakota. So I mean other people are moving ahead in this and getting ahead of us.

North Dakota doesn't produce that much canola to be utilized in those plants and that's what they're looking to utilize, so that canola has to come out of Saskatchewan and Manitoba. And so we need to be on the ball on this and getting those kind of plants up and running here.

I know there's a small plant, I believe, in the Lanigan area that is producing some limited amounts of biodiesel . . .

**Hon. Ms. Atkinson:** — Foam Lake.

**Mr. D'Autremont:** — . . . Foam Lake . . . biodiesel and I think it's something that we need to be moving ahead on very quickly. And so I think a pilot project like that of STC needs to come forward as quickly as possible to show what the possibilities are, how reliable is this fuel, what benefit is this fuel, not just on the green sense but I'm told that it also makes your equipment run better and more fuel efficient. So I think that's something that we need to move ahead on very quickly and need to put in place the capability in this province to encourage that kind of development. If ADM is getting their canola from Saskatchewan to build a plant in Velva, North Dakota, why isn't it being built in Saskatchewan? So I think we need that report as soon as possible.

The other thing on wind energy, there was a deal in the works that fell through with Enbridge. What did Enbridge say when they pulled out of the deal with SaskPower down in the Gull Lake area? That was I think last summer, within the last year anyways. I think it was Enbridge, was it not that . . .

**Hon. Ms. Atkinson:** — Yes.

**Mr. Swystun:** — Mr. Chairman, I believe the deal that the member may be referring to is in fact the Rushlake Creek project that's mentioned in the CIC annual report and in fact in that instance the potential partner was ATCO, not Enbridge. As we understand it, ATCO had simply re-evaluated capital spending priorities elsewhere within the company and so they elected not to proceed as a partner due to other considerations within the company. And as we understand it, it was not due to the project not being an attractive one.

**Mr. D'Autremont:** — Okay, thank you on that. Yes, that's right, it was ATCO. I think Enbridge though was looking. They have . . . SunBridge has a small project down there in the Gull Lake area and I believe they were looking at expanding that operation and yet that has not moved ahead. In fact now I'm told that Enbridge is looking at building in southwestern Manitoba in that Turtle Mountain area. And I don't know how big but a significant project as well. Was SaskPower talking with Enbridge about any expansion of their operation in the Gull Lake area?

**Hon. Ms. Atkinson:** — You're asking us a detail that we don't know. We don't know so I would suggest that you ask SaskPower when they come forward.

**Mr. D'Autremont:** — Okay, thank you. That's what I'll do with it. That'll be it for today. We'll rake you over the coals another day.

**The Chair:** — Thank you, members. Actually that'll be tomorrow. Thank you, members, for your patience and thanks to the Provincial Auditor's office and thank you to the minister and your officials and see you tomorrow. Yes?

**Hon. Ms. Atkinson:** — There's a letter from Minister Quennell that I'd like to table with the Crown and Central Agencies Committee and it is in reference to the Provincial Auditor's report from 2002 as it relates to SaskPower. And so I would table that with the committee.

**The Chair:** — So tabled. And could I have a motion to adjourn? Moved by Mr. D'Autremont. Is that agreed? That is carried. This committee stands adjourned until 10 a.m. tomorrow. Thank you, members.

[The committee adjourned at 15:57.]