



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Greg Brkich, Chair
Arm River-Watrous

Mr. Warren McCall, Deputy Chair
Regina Elphinstone-Centre

Mr. Gene Makowsky
Regina Dewdney

Mr. Scott Moe
Rosthern-Shellbrook

Mr. Roger Parent
Saskatoon Meewasin

Mr. Randy Weekes
Biggar

Ms. Nadine Wilson
Saskatchewan Rivers

[The committee met at 10:05.]

The Chair: — Welcome. We're having a meeting today, the Crown and Central Agencies. I want to welcome all the members here. Before we proceed, I have two substitutions. Sitting in for Mr. Randy Weekes is Herb Cox, and sitting in for Roger Parent is Fred Bradshaw.

I think all the members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda. We need to table the following documents: CCA 13/27, SaskEnergy significant transaction report regarding the divestiture of SaskEnergy's ownership interest in Gas Sur, SA, dated December 4th, 2011; CCA 14/27, Crown Investments Corporation of Saskatchewan (CIC) losses reported during the period July 1st, 2011 to September 30th, 2011, dated December 16th of 2011; CCA 15/27, Crown Investments Corporation of Saskatchewan (CIC) losses reported during the period of July 1st, 2011, September 30th, 2011, dated December 16th, 2011. Sorry, there was a mistake on here. It should be from October 1st to 2011, if that's all right with the members.

Consideration of Outstanding Regulations

The Chair: — Then the first item will be consideration of the Law Clerk and Parliamentary Counsel report on regulations tabled as CCA 333/26, CCA 334/26, CCA 335/26, and CCA 336/26. The Law Clerk, Mr. Ken Ring, is here today to answer any questions the members may have relating to these reports. If there are no questions or concerns relating to these reports, I will ask a member to move:

That the committee conclude consideration of Law Clerk and Parliamentary Counsel reports and regulations tabled as CCA 333/26, CCA 334/26, CCA 335/26, CCA 336/26.

Do you want to say something before we go into a vote?

Mr. McCall: — I think I just . . . just for the record, Mr. Chair . . . [inaudible].

The Chair: — [Inaudible] . . . make his . . . yes, I'm just going to ask him now . . .

Mr. McCall: — Thank you, Mr. Chair.

The Chair: — Before we vote on the motion put forward, I would ask that the . . . Mr. Ken Ring, if he has any comments on it.

Mr. Ring: — Good morning, members. Happy Valentine's Day to all of you. The only remarks I wanted to make is that I did circulate a sheet of paper called the scrutiny of regulations process that will show, particularly for new members. what occurs after a regulation is enacted. It's just right after your agenda, and it just shows the timeline as to what will happen — the review by the Law Clerk, correspondence with the minister, review by the policy field committee if we bring the matter forward, if it's serious enough to bring forward to the committee, and then the report to the Assembly which is what you're in the process of discussing right now. So that just gives you a quick idea of what happens with delegated legislation in

front of policy field committees.

The only other remarks I had were in the time period since 2007 when we last discussed regulations, we've closed five files. There were two files that we're monitoring responses on yet. And really those were files I identified an issue that was very minor to ministries and asked them that the next time the regulations were being changed that they consider making that change. And so we're monitoring those; there's only two of those. And we're awaiting responses on six; although in five of those letters, I did not request a response. It was really bringing something . . . Four of them were grammatical.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you, Mr. Chair. Through you to the Clerk, welcome, and could you itemize for the committee the five that were closed, the two that are outstanding, and the six that require more comment?

Mr. Ring: — Yes, I can.

Mr. McCall: — Thank you.

Mr. Ring: — The files that were closed were one was a bylaw file, institute chartered accountants, and that relates to one that we're awaiting. It's noted as awaiting a response, but in essence they've adopted national standards and so they're waiting to change the national standards in order to make that grammatical change that was suggested to them. The second file is *The Automobile Accident Insurance (General) Amendment Regulations, 2009 (No. 2)*. SGI [Saskatchewan Government Insurance] committed to make the change that was identified to them.

The five files that we closed were *The Land Titles Amendment Regulations, 2009*, *The Traffic Safety Act Fees Amendment Regulations, 2010*, *The Condominium Property Amendment Regulations, 2007*, and the Saskatchewan Association of Architects bylaw. And that was similar to the other one. It was national regulations that were being adopted.

With respect to files that they're listed under the category of awaiting a response, but really some of them we just identified changes, grammatical errors, to two agencies. We have *The Snowmobile Amendment Regulations, 2006*, *The Ministry of Corrections, Public Safety and Policing Regulations, 2007*, *The Gaming Regulations, 2007*, *The Driver Licensing and Suspension Amendment Regulations, 2008*, *The Driver Licensing and Suspension Amendment Regulations, 2011*.

And with respect to those files, a response was not asked for in the letter that was provided to the ministry for the Crown corporation. It was simply identifying either an error, a grammatical error, cross-reference problem and indicating the next time the regulations were considered, they should consider making that change. So I didn't receive a letter back from my correspondence, but there are really no issues here that I felt was significant to bring forward to the committee's attention.

Mr. McCall: — Just for clarification sake, those letters, how do you decide whether it should be registered with the committee

or not, if it's just a grammatical error or if there's . . .

Mr. Ring: — If it's just a grammatical error, with the former regulations committee, I was instructed to write and to bring matters forward to the committee that I felt needed the committee's attention. One of the issues here is there's a reference to the *Young Offenders Act* and it should be the *Youth Criminal Justice Act*. So that was the type of thing in agreement with the previous committee, the Chair, and the Deputy Chair, we didn't feel we needed to produce four or five pieces of paper on all of that. And it makes it a more efficient way to deal with regulations.

When and if there is a serious issue or a ministry takes a position opposite to mine that I feel the committee may want to look at and decide on, that's when I bring those matters forward, provide the regulation, the correspondence, and that process there.

Mr. McCall: — Thank you for clarifying that, Mr. Ring. Mr. Chair.

The Chair: — If there's no other questions, I'll read the motion again:

That the committee conclude consideration of the Law Clerk and Parliamentary Counsel reports and regulations tabled as CCA 333/26, CCA 334/26, CCA 335/26, and CCA 336/26.

All in favour . . . [inaudible interjection] . . . Okay. Can we have a member move that, move the motion?

Ms. Wilson: — Mr. Chair, I so move.

The Chair: — Ms. Wilson so moves the motion. All those in favour? All those opposed? I believe the motion is carried. I will ask Mr. Ring to make a final comment.

Mr. Ring: — I'm sorry. My previous response, Mr. McCall, I should have indicated that the regulations that are being voted off are those . . . it's the list in which there were no concerns raised by the Law Clerk. Therefore the files that I have here, apart from the closed files, those are still active files and could be brought forward to the committee if I feel we're not getting enough action by a ministry or a Crown corporation. So these have not been . . . They're still active to come before the committee. Thank you.

[10:15]

Crown Investments Corporation of Saskatchewan

The Chair: — Okay. Next on the agenda is consideration of Crown Investments Corporation Saskatchewan 2008, 2009, 2010 annual reports and related documents.

Before we go with that, I think we'd agreed, talking to the member, that we'll do the Provincial Auditor's report first, if that's all right with the members. I will introduce the Provincial Auditor. You have the mike.

Ms. Lysyk: — Thank you. Good morning, Chair, members, and

government officials. I just want to introduce who I have with me here today. To my left is Judy Ferguson, deputy provincial auditor. Behind us is Kim Lowe who is our coordinator with this committee. And we are also joined here, to Judy's left, Bruce Willis who is partner with KPMG, and behind Bruce is Diana Adams who is senior manager with KPMG. KPMG is the appointed auditor for CIC that works with us on the audit.

The first item on the agenda that we have before you is chapter 25 on Crown Investments Corporation of Saskatchewan, and that's our 2010 report volume 2 chapter. This chapter reported on the adequacy of the processes that CIC used to produce and publicly report reliable information about its internal operations. CIC uses balanced scorecard information to monitor its actual against planned results and to publicly report on its performance.

During our audit, we did not find that the information that CIC publicly reported about its internal operations was inaccurate. The office found that CIC had adequate processes for producing reliable balanced scorecard information about its internal operations except for the areas reflected in two recommendations in the report. On page 382, the office recommended that CIC maintain current detailed documentation of definitions and calculation methods for its balanced scorecard measures. And on page 383, the office recommended that CIC confirm that documented calculation methods are appropriate and that they verify that staff use them to produce balanced scorecard information. A lack of current detailed definitions and calculation methods could put CIC at risk of producing unreliable balanced scorecard information. This concludes my comments, and we would be pleased to answer any questions.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you, Mr. Chair, and welcome to the Provincial Auditor and officials. Thanks of course to those who had filled in in past, making sure that the important job of the auditor was done, and welcome to you Ms. Lysyk to this committee. I understand you've been quite anxious to get here, and we're quite happy to have you here to consider these outstanding reports. Welcome as well to Mr. Willis and the folks from KPMG and to officials.

With the welcoming function out of the way, I'll turn the floor over to my colleague who's the official opposition critic for Crown Investments Corporation, Mr. Nilson.

The Chair: — If it's all right with the member, I'll just introduce the minister and ask him to introduce his officials, if we're going to go straight into questions, and if he has a few brief opening remarks. The minister today is Mr. McMillan. The committee welcomes him and his officials here.

Hon. Mr. McMillan: — Mr. Chair, I had some comments about the annual reports that I'd like to make at the start. So if it's all right, maybe I would introduce my officials now. And when we conclude discussion of the auditor's report, if I could make a statement in regard to the reports as well, so thank you very much. This morning I'm joined by Dick Carter, president and CEO [chief executive officer]. We have Blair Swystun, senior vice-president of finance and administration and chief

financial officer to my left.

To my far right, we have Doug Kosloski, vice-president of human resource policy, governance and legal and general counsel. Seated behind me, Mr. Chair: Iain Harry, vice-president of Crown sector initiatives; Rae Haverstock, vice-president of asset management; Ken Klein, executive director of capital pension and benefit administration; Mr. John Amundson, corporate controller; and Deb Clark, acting executive director of communications.

With those introductions, Mr. Chair, I would turn the floor back to the committee members, and happy to proceed.

The Chair: — I recognize Mr. Nilson.

Mr. Nilson: — Yes. Good morning everyone, and a special welcome to our new Provincial Auditor. I just have a couple of questions as it relates to chapter 25. You've indicated here that you think there should be some more documentation as it relates to some of these processes. This report's a couple years old. Have you received information confirming that, as they've done these reports in subsequent years, that they've taken your advice, or are you still waiting to get a report?

Ms. Lysyk: — We have not yet done a follow-up on this report and will be scheduling one in the near future to follow up on the recommendations, which is the normal practice of the office. Usually there is about a two- or three-year lag before we go back and double-check whether recommendations have been implemented as been put forward.

Mr. Nilson: — Okay. Well then I'll ask the minister if this advice has been good advice and if the officials have followed it.

Hon. Mr. McMillan: — Yes, Mr. Chair, we recognize the recommendations. We think they're valuable. And we have acted to ensure that we have the documentation in place, that through a manual and definitions spelling out exactly what our scorecard targets are, and why they're important and how we're going to meet them.

Mr. Nilson: — So with that response, I think the committee here will just wait for the auditor's confirmation of that. But I think the advice was good, and clearly officials have taken it to heart, and the matter's gone ahead. So I have no further questions on this chapter.

The Chair: — If there's no more questions, I would ask that the members, they concur with the recommendation and note compliance. Note the two recommendations and concur with the two recommendations and note compliance. All members in favour? Agreed. All those opposed? Okay. I just want to . . . that this committee concurs and notes compliance.

The next I would, I guess, for moving into discussing the reports, I would ask the minister if he has some brief opening remarks.

Hon. Mr. McMillan: — Well thank you, Mr. Chair, and thank you to the committee members for dealing with this important work that's before us today. I've already introduced my

officials, so I will move right into the matters before us. As CIC has not . . .

[Interjections]

The Chair: — If it's all right with the members, we will . . . A member had asked that we back up. And while the Provincial Auditor is here at the table, she will follow through with the other reports, if that's all right. We will carry on in that direction and deal with all of the Provincial Auditor's information, all the reports that are out today. So we're going to deal with the CIC Management Inc., Provincial Auditor's report. The Provincial Auditor.

Ms. Lysyk: — Thank you, Mr. Chair. The committee has before it chapter 12 on Investment Saskatchewan Inc. from our 2008 report volume 1 and chapter 13 on CIC Asset Management Inc., formerly Investment Saskatchewan Inc., from our 2010 report volume 1. Our comments will focus on these chapters.

In our opinion, for the years ended December 31st, 2009 and 2007, the corporation's financial statements were reliable. The corporation complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The corporation had adequate rules and procedures to safeguard public resources except at December 31st, 2007 and needed to outline the requirements and expectations related to its investments and analyze the key risks for each of its investments. In reaching these conclusions, my office worked with KPMG chartered accountants, the appointed auditor for the corporation.

Chapter 12 of our 2008 report volume 1 also reports the findings and conclusions from my office's audit on whether the board of Investment Saskatchewan Inc. had adequate processes to oversee its investments as of October 31st, 2007. Judy Ferguson will comment on this 2008 report.

Ms. Ferguson: — Thank you. So in our report we made three recommendations, and we followed up those recommendations in chapter 13 of our office's 2010 report volume 1. The first recommendation was that the corporation should document its requirements, expectations, and planned procedures in sufficient detail to facilitate a comprehensive evaluation of their external investment manager's performance. The second recommendation was for the corporation to document and monitor the expected and actual public policy outcomes for each investment. The third recommendation was for the corporation to receive sufficient documentation, analysis, and updates for each investment's key risk. I'm just going to turn it back to Bonnie to conclude.

Ms. Lysyk: — And if you have any questions at this point — that's all we were going to speak to on this report — we'll gladly take the questions that you have.

The Chair: — Mr. Nilson.

Ms. Ferguson: — Sorry. Can I just add one more thing? Each of the . . . The second and third recommendation was implemented. The first recommendation became no longer

relevant when the corporation terminated its agreement with the investment manager.

The Chair: — Mr. Nilson.

Mr. Nilson: — Thank you very much. That was going to be my question: what happened? So basically the 2008 report, then over the next year, year and a half, the recommendations were looked at and followed. One recommendation was no longer relevant. And basically the matter's dealt with, so I have no further questions.

The Chair: — Does the committee concur with the two recommendations and note compliance? Mr. Minister, have you complied with the two recommendations?

Hon. Mr. McMillan: — Yes, in fact it's my understanding that we have complied and that the auditor recognized our compliance. And we are pleased to move forward.

The Chair: — Then this committee will note that the minister has complied with two recommendations and will they note compliance? All in favour? We're concurring with 12(1) and 12(2) and noting compliance. Okay. I will, I guess, ask . . . That concludes the auditor's report. Would the members like the auditor to stay for the rest of the reports or do they believe they have some more questions to deal with? There's still one more chapter.

The committee will note that recommendation 12(1) is no longer relevant and that we're complying with 12(2) and 12(3). So noted. All in favour of that?

[10:30]

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. I will ask do you have any questions on chapter 13? Is there any questions any members have?

Mr. Nilson: — This is the chapter 13 about the Information Technology Office? Are you going to give us a report about that because you haven't done . . .

A Member: — [Inaudible] . . . CIC. Chapter 13 CIC.

Mr. Nilson: — Oh okay, so it's just the chapter as it related to them with the compliance. Well then I have no further questions.

The Chair: — I'll ask, now that the auditor's done with the reports, would the committee like the auditor to stay the rest of the day or do they feel that their questions have been answered satisfactorily?

Mr. McCall: — Thank you, Mr. Chair. We have no further requirement for the Provincial Auditor and attendant audit staff at this time. But again, thanks for coming out, and we'll look forward to seeing you again soon.

The Chair: — Okay, I want to thank the Provincial Auditor and her staff for a job well done, providing excellent advice to

the committee.

Then I will back up. The minister had started to make some opening remarks on the next agenda, so I will, I guess, ask the minister to continue on with his opening remarks.

Hon. Mr. McMillan: — Thank you very much, Mr. Chair. I will continue on. As CIC has not appeared before the committee in a few years, we're pleased to begin your examination by presenting CIC's annual reports for the fiscal years 2008, 2009, 2010. In addition we present the pay disclosure reports for these same three years. I will review only 2010 in my remarks, but we'd be pleased to answer questions regarding the previous two years as well.

I would like to focus on a few highlights of the entire Crown sector in 2010. Financially 2010 was another strong year for the Crown sector. The Crown sector was able to provide both regular and special dividends to the province while investing nearly \$1 billion in the capital program and meeting the growing demand for Crown services.

The Crown sector recorded a profit of 394.8 million on revenues of 4.5 billion in 2010. The non-consolidated earnings are the earnings of CIC as a holding company. These earnings or profits were 308.7 million, up 132 million from 2009. CIC provided a regular dividend of 266 million to GRF [General Revenue Fund] in 2010, a special dividend of 10 million for green initiatives, and 195 million for the children's hospital. In addition we were able to invest 960 million in infrastructure to support sustainable economic development in the province. This investment supported projects such as the carbon capture and sequestration project; the launch of the new 4G cellular wireless network by Saskatchewan Tel, SaskTel, and maintenance and coverage; the growth of the natural gas pipeline system and storage capacity by SaskEnergy to meet increasing customer demand of a growing economy.

Demand for Crown services in 2010 continued to escalate. SaskTel had its best operational year ever. SaskPower benefited from customer demand and favourable hydro and natural gas generating costs. SGI [Saskatchewan Government Insurance] endured a difficult year due to heavy storms, offset by favourable investment returns and the protection afforded by reinsurance. Sask Gaming worked through a labour disruption and market downturn. STC [Saskatchewan Transportation Company] achieved some growth in ridership and continued to rein in costs. ISC [Information Services Corporation of Saskatchewan] got the ball rolling on its single-window business portal. And the list goes on.

Looking ahead, we anticipate continued growth and demand. Our role will be to carry on supporting Saskatchewan's growing private-sector-driven economy. We anticipate capital spending will reach over \$1 billion annually for the next few years to keep pace with the growth which will require increased borrowing. Borrowing will be sustainable as we continue to protect the financial health of the Crowns. The government is committed to responsible growth, which means borrowing on a prudent basis. Debt and dividend levels are managed within a framework that benchmarks against industry practices and considers reinvestment needs.

We will continue to ensure our Crowns are capable of providing continued quality services at a reasonable cost. CIC's role as a financially self-sufficient holding company for Saskatchewan's commercial Crown corporations is to develop broad policy control, provide strategic direction, direct investment and route dividends into the provincial government's General Revenue Fund.

CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations as well as operating as a Crown corporation itself. The corporation oversees and manages a comprehensive framework designed to strengthen governance, performance management, and accountability of subsidiary Crown corporations. Performance management includes quarterly financial and performance reporting to the CIC board of directors.

CIC also assists Crown boards in discharging their responsibilities of overseeing and directing the management of the Crown corporations. CIC provides leadership in promoting best practices in governance. Some key examples are: the implementation of CEO [chief executive officer], CFO [chief financial officer] certification of all financial statements, enterprise risk management frameworks, and professional development for board of directors.

CIC continues to be recognized for its progressive by the Conference Board of Canada in the government index survey. Along with our annual report information for CIC from 2008 through 2010, we have included CIC's specific subsidiaries: CIC Asset Management Inc., GradWorks, First Nations and Métis Fund, Saskatchewan Development Fund, capital pension plan, and Saskatchewan Government Growth Fund Management Corporation.

CIC Asset Management Inc., formerly known as Investment Saskatchewan, was rolled into CIC in 2009. It was redesignated as Crown corporation and continues as a share capital subsidiary of CIC. Its mandate is to sell remaining investments in a systematic, prudent fashion. SGGF [Saskatchewan Government Growth Fund] and SDFC [Saskatchewan Development Fund Corporation] completed their mandates and are being wound down. SDFC has wound down as of December 31st, 2010. SGGF fund companies were dissolved as of March 31st, 2011 except for Fund III which is selling its remaining investments.

As I mentioned, we're also including the payee disclosure report financial information. This report now discloses, on an annual basis, names and amounts for all employees who receive more than 50,000 in salary and taxable benefits; suppliers, including consultants, who receive more than \$50,000 for goods and services; grants, contributions, donations, and sponsorships for more than \$5,000; and ministerial and board member expenses.

Mr. Chair, I am pleased to present this information. My officials will follow up with the . . . Actually, Mr. Speaker, with that we will go directly to questioning if your committee members have any questions in regards to the documents before us today. Thank you.

The Chair: — Thank you, Mr. Minister. Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair, and welcome to the minister and officials. Three years of annual reports and attendant documents is a fairly substantial shot of work to be considering for the committee, so we're glad to see you here. We're glad to be proceeding with that work. And with that I would turn the floor over to my colleague, the Leader of the Opposition and official opposition critic for CIC.

The Chair: — Mr. Nilson.

Mr. Nilson: — Yes, thank you, Mr. Chair. I guess my question is: you're planning to present 2010 and basically say that it incorporates 2008 and 2009, or will you be going back and giving a formal presentation as it relates to each particular report?

Hon. Mr. McMillan: — In my opening comments I referenced the current, the most current document we had, but I also stated we'd be pleased to discuss or answer any questions in regards to any of the reports that are before us today.

Mr. Nilson: — But there won't be a formal report as it relates to the other ones, so we just deal with them all together, is, I guess, is my question.

Hon. Mr. McMillan: — I'm at the discretion of the committee. Whatever serves you best, we are pleased to accommodate.

Mr. Nilson: — And I guess what I would say is that it's obviously difficult to go through three years as well, but clearly the last report does a summary of what's happened over that time. I just encourage the committee to deal with these on an annual basis because it's easier for everyone to deal with these matters as they've been reported.

Now I guess my first question starts out with, 2010 was a very good year, is what you're stating. Does that mean that 2008 and 2009 maybe weren't so good and that's why you're not reporting about it? Or can you maybe give us a bit of an overview of what's happened over the last three years?

Hon. Mr. McMillan: — Certainly, Mr. Chair. In each of these reports, it does give a legacy of the past several years of the Crowns. What you can see consistently is at SaskPower, number of customers are growing consistently. The valuations of the companies are growing consistently. And in general our Crown sector, in each of those three years, have been healthy. In different years there has been different challenges with each business. As referenced, in 2010 SGI had storm losses, but was covered with reinsurance. There has been challenges in each of the companies.

I think for the purposes of today, Mr. Chair, we do not have the officials of each individual Crown, so what we're offering is the CIC financials which incorporates them all. But as far as specific information on each Crown, that would be more appropriately asked of those when they're before your committee. But I guess the general numbers, the consolidated numbers coming in from the Crowns and what we see on our budget . . . [inaudible] . . . has been very strong over the last several years, mirroring the growth in our province, the growth in the operations of these businesses as well for the most part, Mr. Chair.

Mr. Nilson: — Okay. Well thank you. I mean I respect your position, and I've been in your position before in reporting on this, so I know the challenge of reporting for all of the different Crowns. So I think, let's have a conversation, if I can put it that way, about some of the policy choices that have been made. And I mean clearly one of the major policy choices made and implemented from the Crown Investments Corporation was a strong decision to basically get rid of all of the investments outside of Saskatchewan. And so perhaps you can explain with reference to the information how that's happened and what's, you know, which years different things happened and what the status of that particular policy choice is right now.

[10:45]

Hon. Mr. McMillan: — Mr. Chair, to the member's question, he's correct in speaking of the Sask-first policy which was announced by our government shortly after we became government. That was based off the report. We had a study done by KPMG, looking at our investments outside of the province and were we well served. Coming out of that report, the decision to concentrate on Saskatchewan as the preferred place to invest the efforts and finances of the people of Saskatchewan, and also is viewed by our government as probably the best place for everybody to invest. And as a Crown corporation and a Crown sector, we knew that there were challenges of ensuring there was enough infrastructure in place to meet the growing needs of a growing province and that we were going to focus our Crown sector as well.

The nine investments that were identified initially for the Sask, as potentials to start concentrating in Saskatchewan were Heritage Gas in Nova Scotia, SaskEnergy; SaskTel was DirectWest, the non-Saskatchewan operations of DirectWest, the Navigata, which the expansion division of SaskTel is what it was currently called, Hospitality Network, Ag Dealer; and under SGI the Cooke Group in Prince Edward Island. What's reflected in these reports are those items have been sold. There is a couple of natural gas pipelines that as the time of the printing of these were still in place in South America and in Mexico, and a power station that's still retained by SaskPower that's in Alberta.

My further comment would be that this was the direction of the government. I put forward the rationale as to why we felt Saskatchewan was the best place to invest. But all of these decisions were made with the prudent mindset of ensuring that the stakeholders, the people of Saskatchewan, were kept whole; that there was not going to be a fire sale — that when assets were sold, they'd be sold in a timely manner that reflected the true value of these companies and that it would be done in a very businesslike and appropriate manner and professional manner that we would expect from CIC and through CIC to the Crowns themselves.

Mr. Nilson: — So you've indicated some of these assets have been sold. And the, for example, Hospitality Net, how was that sold? And could you perhaps give the details of that particular sale. And that's out of SaskTel.

Hon. Mr. McMillan: — Mr. Chair, again CIC operates as the holding company. It provides policy direction, but the sale of individual assets were done by the companies themselves. And

as far as the detail of how that transpired, SaskTel officials, when they're before your committee, would be a more appropriate person to have the detail that you're looking for.

Mr. Nilson: — So what was the net effect of the sale of that particular asset on the bottom line of CIC?

Hon. Mr. McMillan: — Mr. Chair, that item was actually . . . The sale was completed in 2011, so it isn't actually reflected in the report in front of us. Broadly how it would affect CIC is, if it was sold, then the Crown would take it as income or what portion they take into income. They also, in their annual business plan that they present to CIC, they put forward what is an acceptable dividend rate on their profits, and that's how it would float through to the CIC.

Mr. Nilson: — Mr. Chair, I would refer the minister to page 69 of the report he was just explaining to us, and it says there that the operating revenues of SaskTel were lower by 28.3 million, primarily due to reclassification of Hospitality Network and Saskatoon Square, which is the building in Saskatoon which was sold to discontinue the operations. So I'm curious as to that response, well this didn't happen till 2011, if it's actually reflected here in this report.

Hon. Mr. McMillan: — Mr. Chair, we're getting into accounting classifications here and I'm going to ask Blair Swystun to answer the accounting details on this item.

Mr. Swystun: — Thank you, Minister, and good morning, members. The reason for the explanation that the member is referring to in the CIC annual report is that this transaction was commenced in 2010, did not close until 2011. So for the 2010 financial statements there was a required reclassification of the revenues from that business because it was known at the time the financial statements were completed that this would not be an ongoing business of SaskTel. So for that reason the revenues are just simply classified in a different revenue category. So the revenues were still there. They just showed up on a different spot on the financial statements.

Mr. Nilson: — So I don't understand then. So it seems to indicate that the amounts were lower than budget and so the explanation you're giving me is that, at the beginning of the year, these were not going to be sold. So therefore it was budgeted that there be revenue from it. By the end of the year, because it was not there, it moved to some other spot. So I guess it sounds like there was about \$28 million a year that was revenue from this particular operation that's no longer there. Is that correct?

Mr. Swystun: — Thank you. I don't have the figures with respect to this particular investment, at my fingertip, but certainly the member's description of the reclassification is exactly right.

Mr. Nilson: — And then the way the report is given here is that this was actually positive cash flow for SaskTel and so it was sold as a going concern and is still operating. It's just no longer a part of SaskTel's portfolio. Is that an accurate statement as well?

Mr. Swystun: — That's correct.

Mr. Nilson: — And so the cash that was received for this will show up in next year's annual report, or where would it show up? And perhaps you might know the answer to that is what . . . Did we receive a good price? That was kind of what we heard at the beginning, that these things had been disposed of in a businesslike fashion.

Hon. Mr. McMillan: — Mr. Chair, and committee member, the member is correct. That will show up in SaskTel's 2011 financial statements. Also SaskTel would have filed a significant transaction report with this committee at the time of the sale and that information would have been made available to the committee at that time by SaskTel.

Mr. Nilson: — Thank you. Is there at the CIC level a reconsideration of this policy in light of an ongoing strategy for Crown Investments Corporation now that there's a new board and new people involved in looking at this? And perhaps you can tell us what the long-term policy is for the Crown Investments Corporation.

Hon. Mr. McMillan: — Mr. Chair, the Crowns have significant infrastructure spending that's going on in the province of Saskatchewan over the past several, the last four years and into the foreseeable future. There is great need at many of the Crowns, and that is where their focus is.

As far as if the member's question is the out-of-province investment, at the time that the decision was made to discontinue out-of-province investments, it was based on a long track record that the former government had of investing out of province. And there is a long list of investments that were made that were not winners. There were some that were, but there's a substantial list of investments that were made in Australia, in Guyana, in other provinces, around the world, that left the people of Saskatchewan short a lot of money, and that was taken into account. We asked KPMG to look at all the investments out of province. As I said, some were successful, but a great, great many of them were not.

I think those two factors at that time were what were considered that had the Crowns focused on Saskatchewan. The first and most important one for Saskatchewan is that we have the fastest growing economy in the country. We have the net in-migration at a rate faster than we've seen since they've started counting, keeping records in the '50s. And it is imperative of our Crown sector that they have the infrastructure in place, that they are building the power plants, the cell towers — you name it — that keeps pace with the growth we're seeing in our province.

It's a very attractive place for anyone to invest, and specifically our Crowns. And that is going to be our focus going forward.

[11:00]

Mr. Nilson: — Given that you made the comment about the past record and all of the various investments, I think you would agree that the net of all of those investments was positive for CIC and for the Crowns in that it provided extra income, and like any sort of basket of investments, there's some that work well and some that are sort of mediocre, and then some that work very well.

But would the minister agree that the overall basket of investments was positive?

The Chair: — If I may cut in, I think we're just dealing with the reports here even though the debate is very good. Let's just deal with the years. I think it's unfair to ask the minister to start going back into past years before the 2007 to make comments.

Mr. McCall: — If I could, Mr. Chair.

The Chair: — Okay.

Mr. McCall: — The minister himself has opened the door. He's made a statement and we're asking him to substantiate that statement. I don't see anything untoward about that. And how it particularly relates to the ongoing policy thrust of CIC which is very much the topic under consideration here today.

The Chair: — I'll leave that up to the minister if he wants to make a comment on it, but I would prefer that from here on the questions kind of deal with the years in question and the policy. So I'll encourage both sides to just stay with the frame that's laid out in this agenda because we have a lot to deal with with just these years without going back many years before that.

Hon. Mr. McMillan: — Thank you, Mr. Chair. I feel it is probably most appropriate that we don't get into a speculative nature. But just to answer the member's question, the decision to focus on Saskatchewan was based on those two issues. But the one in regards to were the out-of-province investments successful, the CIC board at the time engaged KPMG, a large financial accounting firm, to look at all of the investments. And as the member says, some were successful and some were not. And the accounting firm added all the positives and all the negatives and took a very broad view of all the investments over the past 16 years at that point.

And I believe that that report was tabled in the legislature. I would believe that it was actually tabled with this committee and that this committee would have access to it. I'm going off memory at this point, Mr. Chair, but I believe that the large accounting firm, when taking all investments into account, came up with a number in the hundreds of millions of dollars negative, that the people of Saskatchewan were negatively affected by what some would call out-of-province gambles on companies that didn't relate to the citizens here whatsoever. And we're left out of pocket hundreds of millions of dollars. So that was one of the two factors that has the Crowns today focused on meeting the needs in the fastest growing province in the country.

Mr. Nilson: — Mr. Chair, I think the minister's actually gotten further into this issue rather than following the direction of the Chair. And I think that it's a fundamental philosophical question here.

But I wonder if the minister and the officials know about a prominent Crown corporation in the province of Alberta called the Edmonton Power Corporation, EPCOR. Now anybody who follows the business pages knows that on a very consistent basis they have been investing outside of Edmonton, in Calgary and other parts of the province. I think they are interested in investments in Saskatchewan if they can get them. They've

invested in I think down in Arizona and yes, a few other parts of North America. And so we have, to the west of us, a company that is 100 per cent owned by the citizens of the city of Edmonton that has made a very positive statement in their business that they need to diversify their portfolio and get a bigger portfolio that allows for their citizens in Edmonton to get the best bang for their buck.

Is that kind of thing being evaluated by the Crown Investments Corporation board to see that other similar corporations are actually taking a broader look at what's happening rather than this, I guess, focusing in which I think raises some risks for all of us as citizens of Saskatchewan?

Hon. Mr. McMillan: — Mr. Chair, if the assertion is that we accept that there was a major loss to the investments outside of Saskatchewan under the former government but that we can look at other examples of government-owned companies that are doing it successfully, I find that logic hard to link, that just because it was done poorly by the former government, we shouldn't say that it isn't a priority now or that it isn't a tangible decision for the CIC. I don't know where to take that discussion.

But I think if we largely look at that Saskatchewan is growing at a pace we haven't seen for decades, we see net in-migration at a rate higher than has ever been counted in Saskatchewan since they started counting in the 1950s, we see our electrical infrastructure growing at a very fast rate, our gas utility growing at a very fast rate, the need for investment now is massive. And the Crown corporations today are investing in a very big way to meet the needs of a growing province, and that has been their focus.

That's the focus of our government, is to ensure that our province is growing and meeting its potential, meeting the promise of Saskatchewan, if you will. And it's going to require these Crowns to work very hard and to invest in a very prudent fashion to ensure that the growth is there as the industry and as the citizens demand it.

Mr. Nilson: — Mr. Chair, in light of the minister's comments over the last 10 or 15 minutes, can he explain what the CIC policy is as it relates to Coachman Insurance in Ontario that's an asset of SGI?

Hon. Mr. McMillan: — Mr. Chair, I am the Minister of SGI, but I don't have my SGI officials. I will say from CIC's point of view that focusing on Saskatchewan was something that was very important to CIC for all the reasons I have put forward. SGI was given a . . . was recognized that their specific business is one of risk mitigation. That spreading of risk geographically has some advantages.

As I said earlier today, that in the decisions we've made, they haven't been ideologic and rigid to a point of penalizing growing successful Crowns. SGI is a perfect example of that, that having geographically spread risk is important to their business and important, fundamental to what they do. When we look at . . . And maybe I will limit my comments to that because if the members would like to discuss that when SGI is before the committee, we would be pleased to do so. But I will leave my comments there.

Mr. Nilson: — Thank you, Mr. Chair. Well my questions are trying to get at the policy decisions that are made at CIC level. Can the minister or officials advise us of other investments outside of the province that have a similar rationale to the Coachman Insurance at SGI. Are there other places where SGI is exploring operations, or that CIC is working with other parts of the overall Crown sector to make sure that risk is spread outside of the province?

Hon. Mr. McMillan: — Mr. Chair, my comments from the CIC perspective is the Sask-first policy was one that, as I said in my last answer, was not so rigid as it was going to penalize or handicap any of our Crowns, that any of the divestitures were going to be conducted in a manner that was not going to maximize return. When it relates to SGI and the policy that they have to spread risk, CIC wanted to accommodate their business, the business that they're in — risk mitigation, risk management — and that's why that decision was made.

Mr. Nilson: — So my specific question for the minister, Mr. Chair, was whether there are any other places where there are investments outside of the province that are accepted as reasonable investments along the same rationale that you've just mentioned for Coachman in Ontario.

Hon. Mr. McMillan: — Mr. Chair, there were two exemptions that were made at the time to accommodate the business models of two of the Crowns — SGI is the one that we have debated; the other is SecurTek — to allow for bundling and to allow their business to operate in an efficient, effective manner. It was recognized that that would be something that should be considered, and was. And the Sask-first policy is based on rationale and the importance of investing in Saskatchewan, but again it isn't an ideologic stance that was going to handicap the businesses that are Crown corporations.

Mr. Nilson: — So, Mr. Chair, I'd like to ask the minister whether these comments over the last while are an indication of a shift slightly in policy — not dissimilar to what Premier Wall had last week about labour — and that you'll actually be re-examining some of these early decisions of your government that actually were not of benefit to the people of the province.

Hon. Mr. McMillan: — Mr. Chair, I would want the members to know that these two examples I've given that the member has brought up were contemplated at the time of the Sask-first policy, that at that date . . . So there's no shift from that. At that time, SGI and SecurTek recognized that these were challenges to their business. They brought it forward, and in a prudent, rational manner that they were accepted that this is the way their businesses work and how they should move forward. So has there been a change in stance? The answer is no.

But, Mr. Chair, we're talking about a large group of very dynamic businesses. I have no announcement today; I have nothing on my mind. But I want the members to know that these businesses operate in a very fluid, some in a very competitive market. And I think that it would serve any government well to ensure that they're focused on the right things, that they're meeting the needs of the people of Saskatchewan, and that they continue to. And I think that, I think most of our Crowns recognize that the largest growth opportunities are within Saskatchewan. And I think that a lot of

private sector companies recognize the same thing, that this is one of the best places in Canada or in North America to invest and to build a business.

Mr. Nilson: — Mr. Chair, and to the minister, from your last comments, does that mean that you are dealing with another report or review like the KPMG report as it relates to the present assets of the Crown Investments Corporation, such that we may be seeing some new policy coming forward in the next little while?

Hon. Mr. McMillan: — Mr. Chair, we've now strayed off our annual reports into future speculation. The reality is, Mr. Chair, that the Sask-first policy is a sound policy that we believe reflects the importance of building the infrastructure and building the future here in Saskatchewan, and we are not contemplating a change to it.

[11:15]

Mr. Nilson: — Mr. Chair, I'm a little surprised by that comment because if you start at the, almost in the very beginning of your report, the 2010 CIC report, one of the headings is, forward-looking information. And so it says:

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events.

I think the role of this committee and those of us asking questions is to go right to the heart of what you actually put in your reports which is, where are you going? What are you going to do? And so I guess that's why I'm asking the questions about the policy. I think the minister has told us, and I respect this and I appreciate this, that they are actually looking at all aspects and trying to make the best decisions about the assets for the people of the province. I think our role here as members of this committee is to ask questions where we think there are some issues that the public may be interested in. So I guess I'm just surprised that you would make that comment about, well let's stick to 2010, when your report 2010, and I'm sure every year, talks about, well this is where we're going. And that's why we actually do reports.

I have another question. It's quite clear here, and it's been quite clear for many, many decades actually, that a very large, important asset of the Crown Investments Corporation and all of its subsidiary corporations are the men and women who work for the various corporations. And I'm assuming that that particular perspective hasn't changed, doesn't appear to show that way in the 2010 report, and is . . . Simply, is that still what I've always thought was the number one asset of these corporations?

Hon. Mr. McMillan: — Mr. Chair, we have a very strong, a very strong team of employees and management at CIC, and it is our feeling that the Crowns have policies in place to ensure that they're hiring and that their employment engagement is some of the best in Canada. I would reference that many of our Crowns are on an ongoing basis recognized as the top 100

employers in the country; many are top 50 in Canada. And I think that that provides value to those employees, and those employees add value to Saskatchewan.

Mr. Nilson: — Okay. Well I appreciate that, and I assumed that was going to be the answer because I think we all feel that way about these Crowns. Now one of the reasons that there was an investment, for example, in Hospitality Net or in Coachman or SecurTek, these things that are going ahead, but even more importantly something like Heritage Gas, was the fact that we have very many capable people who can actually translate those skills and use them in other parts of the country and bring the revenues and the jobs back to Saskatchewan. And so I'm curious whether that particular concept or idea of using our homegrown Saskatchewan expertise and sending it out to other places or investing in other places and making sure that we can bring revenues back to Saskatchewan to fund all of the capital projects that you talked about here, if that policy has changed.

Hon. Mr. McMillan: — Mr. Chair, I guess I want to ensure that my comments are very clear. When I referenced the massive losses that the former government had in out-of-province investment, I don't . . . and I don't think I've ever . . . I don't think my comments have been confusing, that those are not the faults of employees of Saskatchewan, Crown employees. I think largely those are politically driven decisions which were the results of the losses, not the dedication or the commitment or the talent of the Saskatchewan workers.

You look at some of these investments were stock market gambles in Australia. There was no . . .

The Chair: — I think on both sides again we're straying back into the past. That argument could probably be better made in other places in this building in debate. I would like to just deal with the annual reports of 2007, 2008, 2009, 2010 and not get back into the past from either side. Can . . . [inaudible] . . . a question that relates to the reports that we're dealing with.

Mr. Nilson: — I think the public appreciates who may . . . We don't have a whole lot of visitors probably on this particular one. But the minister's rhetoric around massive, I think he's trying to develop . . .

The Chair: — Just put the question, Mr. Nilson.

Mr. Nilson: — Mr. Chair, the Crown Investments Corporation has as its role to provide support to all of the various corporations and also to provide a common sense of direction. Can the minister or the officials explain to us in more detail how the Crown Investments Corporation and its board working together with the boards of the various subsidiary Crowns . . . but more importantly, how the senior executives of the various corporations are working together as they develop policy for these corporations which are a valuable asset of the people of Saskatchewan.

Hon. Mr. McMillan: — Mr. Chair, there are many ways in which the CIC works with the individual Crowns. This is a list but certainly not an exhaustive list. But some of the highlights would be there's a Crown strategic plan which is a document that lays out a broad direction for the Crown corporations and where CIC is going and what the expectations are, that fairly

high-level document.

Beyond that there's a corporate secretariat group that works with each of the Crowns. Each of the Crowns puts together their business plan for the next year, and they present that to the CIC Board once a year at performance management days. It has a list of their performance targets. It has a list of challenges, threats, where they're going, what they see on the horizon, and is an opportunity for the CIC Board to interact with the board Chair and the president of each individual Crown.

At almost every level there is interaction. Our presidents and vice-presidents of CIC meet regularly with the presidents of the individual Crowns. The board Chairs meet quarterly for the board Chairs forum which is attended by our president. And the interaction is ongoing.

Mr. Nilson: — And I guess I asked that question because often there's an issue around everybody moving together in the same direction or that there are some other challenges. So is it such that some of the subsidiary boards are raising questions about the overall direction of the Crown investments, or is that not an issue? And I guess part of that is, you know, how often do you as Chair of Crown Investments' Board meet with the board members of the subsidiary Crowns?

Hon. Mr. McMillan: — Mr. Chair, this is an ongoing process at multiple different levels, and again this is not exhaustive in any way, but each Crown has a minister responsible who would deal with their board Chair regularly and their board members as well. As Minister of CIC, I have attended board Chair forums, and we would meet with each board Chair in performance management day as a committee as well. And again there are just multiple different levels of interaction between CIC officials and CIC board members and committee Chairs of each committee.

Mr. Nilson: — Are the ministers members or ex officio members of the boards of the subsidiary Crowns?

Hon. Mr. McMillan: — No, they are not.

Mr. Nilson: — And there's no policy change in that area at all that's being contemplated?

Hon. Mr. McMillan: — No.

Mr. Nilson: — Thank you. Let's go on to another area that's in this 2010 annual report. In the annual report, you indicate that there was a \$195 million special dividend to the children's hospital. Where is that money now?

Hon. Mr. McMillan: — CIC flowed that money through to the GRF, and with that, Minister of Health would probably be the better individual as to how that flowed out to the region.

Mr. Nilson: — Given that the money has not obviously been spent, wouldn't it have been more accurate to report it in this statement as just a straight dividend? Or maybe I'm reading this incorrectly that it was actually just a dividend from Crown Investments to the Government of Saskatchewan.

Hon. Mr. McMillan: — The reason that it is a special dividend

and written in the manner as it was is it was committed to as being allocated and earmarked for that project, and that is what it was sent for.

[11:30]

Mr. Nilson: — Can the minister explain where that money came from that is a special dividend?

Hon. Mr. McMillan: — It was from the Saskferco proceeds.

Mr. Nilson: — Perhaps you can explain more what that means.

Hon. Mr. McMillan: — In 2008 Saskferco was sold for approximately \$870 million. Of that 870, 195 was earmarked for the children's hospital.

Mr. Nilson: — But it was effectively went to the government. As we all know, the money has not been spent on the children's hospital yet. We're hoping that it will be, and that's clearly a long-term project. This type of special dividend, I would take it to be an unusual accounting item that doesn't happen every year. Would that be accurate?

Hon. Mr. McMillan: — This, Mr. Chair, is the standard process of how it would flow through. You'll see a similar thing with the green initiatives, \$10 million. They flow through to the GRF, to the relevant ministry, and to the appropriate initiative at that point. As for the children's hospital, that is probably a better question for the Minister of Health as to what financial commitments they currently have.

Mr. Nilson: — If we go to the 2009 report, which is also here, or the 2008 report, are there similar dividends in those reports or something that would be related? Could you give an example?

Hon. Mr. McMillan: — An easy example is, in 2009, \$10 million went to go green initiatives. Again in 2008, \$10 million went to go green initiatives. It's a practice that has been followed for some time.

Mr. Nilson: — Now I know a fair bit about that go green initiative, and I know that this relates directly to a sale of the upgrader in Regina, and the money at that point was committed for overall environmental issues and the environmental policy of the government — that this was cancelled. I don't remember the exact amount. I think it was around \$300 million. Could you perhaps explain where that other money — beside the \$30 million, which I guess is about 10 per cent that's gone to go green — where that other money has gone based on the reports that you've got in front of us here today?

Hon. Mr. McMillan: — I can report to the member that 140 million went for highway infrastructure and 215 million went for debt reduction.

Mr. Nilson: — So are these, I guess, jobs of Crown Investments Corporation? Or wouldn't you rather say that the money was just transferred to the government, and the government then made decisions in their overall budget?

Hon. Mr. McMillan: — Mr. Chair, the members earlier

commented that that same money had been, under the former government, been allocated in a specific manner. I guess I would ask him to clarify his question. Do those two contradict each other?

Mr. Nilson: — No. I think the only point I'm trying to make by asking these questions is that last week when we got the third quarter report from the government, which totally ignored the summary financial statements of the province . . . I mean at least in the half year report, we had a summary statement. Last week we did not. These kinds of questions actually go directly to that point, is that the finances of Crown Investments Corporation and the finances of the government are inextricably linked. And so we need to have better statements both from Crown Investments and where these things go. And so when you give us answers that are kind of the press release that relates to the children's hospital or other places, you're also ending up with the confusion.

Now we know for many years, governments across the country had these separate books. Now we're the last ones in Canada that don't report on a summary financial basis. So I guess I'm asking that question because one of the key points in the 2010 report is the whole discussion about the new accounting rules and how they affect the corporations. And so I would appreciate if we could get an explanation of how the new international rules affect the reporting that we're going to see in the 2011 report and following, because we will need some guidance now on the record so that we can prepare for looking at this report and the '08 and '09 report in conjunction with 2011. So my question is around the new accounting rules that are coming into place.

Hon. Mr. McMillan: — Mr. Chair, when we get into accounting policy and procedures, I'm going to make a stab at it, and it is very important because this is a big change in corporate financing and corporate accounting, North America, or maybe worldwide. Before I get to that though, Mr. Speaker, as far as some of the preamble of the member about third quarter reports and summary financial statements, I would just like to have on the record that, again, that is GRF, not Crowns, and we're here today to discuss these Crown reports.

But I would indulge him enough to say that in fact the accurate statement is that we do prepare summary financial statements. And to say that we don't is an inaccuracy that I have heard repeatedly, Mr. Speaker, Mr. Chair.

As far as the IFRS [international financial reporting standards], I'm going to make a couple of comments, but if the member wants more detail, I will have one of my officials go into the detail on it because this is a fundamental change in accounting policy for us, and it's being felt across the business and Crown sectors in Canada.

IFRS comes into effect in 2011. We ran parallel books in 2010. We ran two sets of financial statements to allow for comparison and the transition to this year. It's been a great amount of work for each of the Crowns and for CIC to ensure that we were doing double duty and ensuring that we were prepared for the 2011 date. As far as the specific details, if the member has questions that, how different things are treated under the new rules as opposed to the old, we certainly have some people here

that can answer those questions.

Mr. Nilson: — So I guess I object to being called inaccurate, but last . . . We didn't get the summary financial statement last, but we did at the half year point. And so you can check that if you wish, but that's the accurate statement.

As far as these international financial reporting standards go, you've indicated that there are two sets of books, I guess, or two sets of reporting, accounting. But it's, I mean it's two sets of books, following different rules. And are those included in the annual report this year, or will they be next year? Or when will we actually see the side-by-side statements so that we can actually see the difference?

Hon. Mr. McMillan: — I'll ask Dick Carter to answer the IFRS reporting.

Mr. Carter: — Thank you, Minister. Mr. Nilson, the IFRS comes into effect for the 2011 financial statements, but once 2011 statements are produced, the comparative figures need to be restated. So 2010, when compared to 2011, will be restated to reflect IFRS. So they will be different than the ones you have in front of you.

On the three quarterly reports that have been put out already from CIC, you'll see the 2011 quarterly reports are IFRS, and the 2010 are restated to be on the same basis. So that's kind of how that works, and that's sort of the reason for the two sets of financial statements.

Mr. Nilson: — Clearly it's lots of extra work for everybody who's doing things. Just for the committee and for the public, can you explain the rationale for the adoption of these international financial reporting standards and what we're going to get that's better than what we had before, if that's possible to answer that question.

Hon. Mr. McMillan: — Mr. Carter again will talk us through this.

Mr. Carter: — Mr. Nilson, the reason the change is being made is that it's being mandated under the accounting standards in Canada. So Canada's now going to the international standards. So that we're comparable, we need to adhere to those to obtain a clean auditor's report.

Now I have a list of quite a few of the things that change, but maybe I'll just hit a few of the key ones that maybe help explain some of the difference.

Customer contributions. Previously in most cases customer contributions were . . . Let's say on a major project for SaskEnergy: they were doing a pipe for someone; they got a customer contribution. That would have been applied against the capital cost or deferred and then amortized over time. That now comes into income.

Finance lease obligations. In very simple terms, more of lease obligations are being capitalized. In other words, you set up the asset and you set up the liability. Some that weren't captured under the old rules are now captured and you'll see more of those. That's a significant change.

[11:45]

We had to fair value the land and buildings as opposed to cost. And the associates and joint venture interests are accounted for differently, and if you needed more detail, I'll have to pass that to someone else as well. And there also are differences in the environmental remediation provision.

So those would be kind of some of the major ones that will change, so can make a significant difference to our balance sheet.

Mr. Nilson: — So just going on that last issue of environmental remediation, I think CIC somewhere in its books has got some obligations related to the P.A. [Prince Albert] pulp mill. So does that mean that that evaluation has had to change to take into account that, or were we smart enough to actually put it in early enough . . . Maybe that's not the right word, but where did we actually have all of those longer term costs already in the books?

Mr. Carter: — I would make the comment that it wasn't — and I appreciate you sort of took it back — the smart enough. It's not so much even having the foresight, as it was what would have been there would have been what was required under the old generally accepted accounting principles. So we would have had a liability based on the methodology under generally accepted accounting principles the old way. Under the new, there may be a different method and therefore you'd come out with a different . . . I don't know if that particular one changes. I'm told that that liability would go down because you discount the fact that it may not need to be paid until sometime in the future. You're able to discount it, whereas that wasn't the approach before.

Mr. Nilson: — Okay. Another question that comes out of this relates to joint venture projects or — I'm not quite sure because we don't really know — for example, some of these long-term lease supply projects that relate to power plants. Will they be reported differently than they are now? And can you explain how differently, if I can put it that way?

Mr. Carter: — Two questions: leases and the joint ventures. Under leases, or power purchase agreements if you will, a number of those previously included in these financial statements would have been shown as an asset within a liability. Not all were. So with the IFRS, we will now have some that previously were not recorded as an asset and a liability, will be added to the assets and the liabilities. So assets will increase and liabilities will increase when we look at the 2011 compared to 2010. So under rules previously, generally accepted accounting principles, certain leases were not captured that way. They'd have been considered an operating lease. They now become capital.

Mr. Nilson: — So just for example, the one at North Battleford, that new plant, would that be captured in this or not?

Mr. Carter: — Under the IFRS, it would be. Yes.

Mr. Nilson: — So we'd get the full details of that.

Mr. Carter: — You would get the liability, and you'll show an

asset, offsetting asset.

Mr. Nilson: — Okay. And then how about the SaskPower cogeneration project at Cory? Is that one that would be reported differently? Or maybe that's already been pretty obvious in how it's been reported.

Hon. Mr. McMillan: — Mr. Chair, I think that all assets, no matter how they were accounted historically, will from this point forward put both the assets and the liabilities on the ledger. The details as far as specific projects that have been done in the past with SaskPower, we think we know the details of them. But I again hesitate to give possibly inaccurate information to the committee, and the details of each of those would be available with SaskPower or whichever other Crown were here. But as far as the transition, if any in the past weren't accounted in this manner, all will be from this point forward.

The Chair: — The major Crowns are still coming up, so there's an opportunity for the committee to ask questions on there and maybe get, you know, the right, accurate answers. So carry on, Mr. Nilson.

Mr. Nilson: — Yes, thank you. I'm asking these questions and, you know, I asked specific . . . just to help me understand what you're talking about, but I respect that response. But my overall question is, if we looked at the final books for 2011 versus 2010, we'll see an increase in assets and an increase in liabilities, is just a simple way of asking a question. Is that what we can expect?

Hon. Mr. McMillan: — Yes, if nothing was done in that entire year and nothing was amortized, yes, you would see an increase in both assets and liabilities purely from the accounting rule changes which is, I think, where we're going.

Mr. Nilson: — Okay. Well thank you on that. Now related to this accounting issue is another one where, in your report, where they're talking about what's happened in 2010. It says that the non-consolidated CIC earnings increased from 132 million to 308 million, primarily results of a recovery of amounts previously written down, increased dividend revenue, increase in grant funding from the GRF, and decrease in other operating expenses. What kinds of things were written down and how did they go up, I guess would be my question.

Hon. Mr. McMillan: — Can I clarify, are you on page 137?

Mr. Nilson: — No, I'm on page 52.

Hon. Mr. McMillan: — 52.

Mr. Nilson: — 51 and 52, but it's also on 137.

Hon. Mr. McMillan: — Mr. Chair, we're discussing accounting rules that largely are under Canadian GAAP [generally accepted accounting principles] and how they affect an asset which was written down a long time ago and that they can't be written back up. And it's getting a little confusing, and I think if John were to explain it, it would be far more understandable than if I tried to. So I will pass it on to John Amundson.

Mr. Amundson: — I'll try to explain this, and we're getting into some pretty technical accounting. In the early '90s, CIC III [Crown Investments Corporation of Saskatchewan Industrial Interests Inc.] — I don't know if you'll remember that, but that's what AMI [Asset Management Inc.] is now — had some severely distressed assets and there were some major writedowns taken at that time on those assets, the biggest one being bi-provincial upgrader. Now under Canadian GAAP, once you write something down, you're never allowed to actually write it back up. IFRS is different. So at that point in time, there was a large writedown. It impaired CIC's value or the amount of value we had on our books for III [Industrial Interests Inc.] at the time. So last year of course bi-provincial recovered. We sold it for basically the money we had in it, so that recovery happened, but CIC couldn't write it back up on their books because that was Canadian GAAP rules.

Last year CIC took a \$100 million, got \$100 million from Asset Management as a repayment of their equity. We only had it on our books for 28.5 million, so the other \$72.5 million became a recovery of an amount previously written down. So all it was recovering the value of an amount that CIC had written down, in Asset Management, in the early '90s, if that helps.

Mr. Nilson: — So that's the major . . .

Mr. Amundson: — So that was a major . . .

Mr. Nilson: — Are there any other similar ones like that or just that one?

Mr. Amundson: — No, that was it.

Mr. Nilson: — That was it. Okay. But you're saying under the new rules you won't have the same problem because there'll be flexibility going up and down.

Mr. Amundson: — For IFRS you can write things down, but you can also write them back up depending on the market conditions.

Mr. Nilson: — So that's positive actually for, you know, reporting and letting people see what's actually happened with some of these . . .

Mr. Amundson: — I think so, yes.

Mr. Nilson: — With these assets. Are there any other, I guess, frozen assets or frozen losses or gains that need to be corrected through subsequent accounting years, or is this the last one?

Mr. Amundson: — When you see the new statements, there is still an \$80 million loss that we hadn't recovered on AMI. When we adopt IFRS, that \$80 million will be reversed.

Mr. Nilson: — So AMI then is the new III?

Mr. Amundson: — Yes.

Mr. Nilson: — And it's pretty well the same assets or are there new assets or . . .

Mr. Amundson: — Totally completely different assets at this

point.

Mr. Nilson: — Okay. And so we're going to . . . I mean obviously that's a 20-year history on some of these things that I guess many of us know well. So that's why I appreciate the answer on that.

But it may be that when you do the report for this for 2011, which I assume you're working on now, that you might do some of this historical reconciliation in a way that's obvious in the report so that we can actually see, we'll see both how the new rules apply but also how some of these other things were done because, you know, on that one that's a particularly pleasing result which was that, you know, the federal government got 8 cents on the dollar and Alberta got — what? — 12 or 13. And we got a dollar for a dollar on that particular deal, and here's the money showing. So it was actually not easy to do, but it ended up that way. So I appreciate that.

[12:00]

Hon. Mr. McMillan: — Mr. Chair, for some fascinating reading, in our first quarter report which we released on March 31st, there's 20 pages of reconciliations explaining how exactly what the member's asking about are treated under the new terms, just so you can follow along through these changes in rules the complicated transactions that have happened as far back as the '80s and '90s and how they're reflected in what was put forward on the 1st. So it'll be some tough slogging to get through those 20 pages, but that is where we've accounted for all those changes.

Mr. Nilson: — Thank you for that. I know there are people that are interested in trying to figure out both how some of these things have been reported but also how the new rules are going to work. Because the last thing that we want, I think all of us here, is that we can't make comparisons over the decades. So thanks.

The Chair: — I believe the members still . . . if the members still have more questions? Okay. I guess then we will adjourn consideration of these reports, and we are in recess now until 1:30. And we will assume the agenda at 1:30, where it starts. Thank you.

[The committee recessed from 12:02 to 13:30.]

CIC Asset Management Inc.

The Chair: — Well good afternoon. We'll continue on with our agenda. We're under CIC Asset Management Inc., dealing with some outstanding reports. Does the minister have any comments on it at all? Mr. McMillan?

Hon. Mr. McMillan: — I look forward to entertaining further questions from the committee.

The Chair: — Questions? Mr. Nilson.

Mr. Nilson: — Thank you. I guess I was anticipating that there might be a report on each one, but we'll start with the first one which, I guess, is called Investment Saskatchewan 2008. And can the Minister give us a bit of an overview as to what

Investment Saskatchewan is — or was may be the more accurate term — and what happened during the year 2008 that either would get us excited or have us remember that year with not so much fondness?

Hon. Mr. McMillan: — Mr. Chair, 2008 for Investment Saskatchewan, there are several points to make the committee . . . refresh the committee's memory. That was the year of the Saskferco sale, which was \$691 million.

That was also the year that . . . And maybe I'll go back a few years before that. In 2003 the former government had spun out the investment economic development portfolio out of CIC into the stand-alone Crown corporation Investment Saskatchewan. In 2008 it was decided that it would be brought back into CIC. Negotiation between the fund manager, Victoria Park Capital, and CIC commenced at that point to negotiate a process to bring those investments back in. At the same time, the Saskferco sale was completed. And those would be the biggest points for 2008, but there would be several smaller, more smaller ones.

Mr. Nilson: — Okay. Thank you very much. As it relates to the contract with Victoria Park Capital, has that been totally resolved now? I assume it maybe took a little while to disentangle everything, but can you give a little bit of an update on that?

Hon. Mr. McMillan: — Mr. Chair, in April of 2009, the negotiation was concluded with Victoria Park Capital, and the files were handed over in June 2009. There was a payout to Victoria Park Capital for the work that they had done and the contract that they had negotiated with the former government, and as of June 2009, that concluded their relationship.

Mr. Nilson: — Thank you, Mr. Chair. I'm asking these questions because I think this is the first time CIC has appeared in front of this committee for about three or four years, and so a lot of these things are not in the memory of the committee because they haven't heard any of this before.

So this Investment Saskatchewan then, the decision was made during this year, 2008 — which this is the report — to change the nature of its mandate and its goal. And the new name obviously is Crown Investment Corporation Asset Management Inc. Can you state the new mandate for the corporation that was developed in 2008 and give us a little explanation about the change? I mean I guess I understand the change, but it's more the shift in what has happened with the corporation.

Hon. Mr. McMillan: — Mr. Chair, the mandate of CIC Asset Management was largely the same as the reason that we brought it back into CIC. CIC under this government doesn't believe that we should be investing dollars into private companies, into mature industries. And following its inclusion in CIC, we have been prudently divesting those positions in mature companies, in mature industries.

Mr. Nilson: — Thank you. I would just add for the clarification of the committee is that during the '90s and early 2000 years the investment community of the province was very concerned because there was not capital available in small amounts — sort of the 3 million to \$10 million range — and so there was a request for some assistance to provide some of that kind of

capital. It was possible to do initial public offerings of big companies, and there were some funds for really small companies, but for a lot of these middle-sized ones there wasn't capital available.

Now practically we know that some of these things that were done at that time increased the number of homegrown businesses which, if you look through the report, there's a lot of these businesses that are successful. Some of them aren't, like anything that works. So I appreciate that description, and I think it is quite interesting to see that that change is just basically to manage investments that are already there. And it appears that's what's happened in how you're reporting.

So on this particular report, I think my sense would be that I don't have any more questions, and then we'll go on to the next year.

The Chair: — So you're going on to 2009 then on the same report?

Mr. Nilson: — Yes.

The Chair: — Did you want to vote off 2008 or just do them together?

Mr. Nilson: — Whatever your procedure is, but I'll say I'll go past that one and go on to . . .

The Chair: — If it's all right, we'll just vote off two of them at the end. So you can continue on asking questions on 2009.

Mr. Nilson: — Okay. So then in 2009, we have quite a difference. Well it's not dramatically different, but it's a different focus in the report. And it's actually a report, not from a Chair of a board, but basically from a manager within Crown Investments Corporation. So could I ask the minister to give a bit of an overview of what happened in 2009 and some of the significant events that are recorded there.

[13:45]

Hon. Mr. McMillan: — Mr. Chair, to the member's question: in that year, three. We were able to divest in three companies, then started the positioning process of positioning our other investments to where we could liquidate them. On the balance sheet, what you would see is a fairly big number which was a loss of 13.3 million for Big Sky. And that would be largely the biggest items that transpired that year: the sale of three of the assets, the positioning of the remainder for sale in a prudent fashion, and the Big Sky numbers.

If the member would give me one second, I actually have a list of the three companies that were liquidated. Fytokem Products Inc., Woodland Lanes, and Minds Eye Entertainment were the three that were sold in that year.

Mr. Nilson: — Okay. Well thank you very much. It's actually, for anybody who's interested who's watching us today, to read some of these reports is a bit of a history of Saskatchewan over the last five decades because as you go through the various reports, you see different investments that . . . Some have done pretty well and others have still got lingering effects.

And one of the lingering effects in this report — and I think it also then will continue to be reflected in subsequent reports that are incorporated in your CIC annual reports — relates to environmental liabilities. And I was wondering if you could set out how these are being . . . I mean I can see on page 17 how they're being dealt with in the 2009 annual report of CIC Asset Management Inc. Can you maybe give us an update related to the Prince Albert pulp mill liability question, especially in light of some of the announcements last fall, because I assume maybe some of this will be getting resolved as well.

Hon. Mr. McMillan: — The P.A. pulp mill environmental liability — a couple of important notes I will highlight here. When Sinar Mas took over from Domtar, they assumed Domtar's environmental liability as well. The Government of Saskatchewan still retains the liability it had pre that deal, and that liability dates back to the time period pre-1986.

In the 2009 report, which we're referencing right now, the number in there is 28.4 million is what we have for an environmental liability. An update to that is Golder did a more updated study here in 2011, and they put in a range between 10 million and 30 million. So the number in '09 is still within that range, near the higher end, so hopefully there's less of a problem than we anticipated or that the costs to clean up are less than we anticipated.

Mr. Nilson: — So the answer then about this is that at this point as this new project goes ahead, this liability will have to be paid by CIC AMI [Crown Investments Corporation Assets Management Inc.]. Is that correct, or what point will this cost hit the books of CIC?

Hon. Mr. McMillan: — Mr. Chair, as far as when it hits our books, I guess officially it is on our books now, and we have allocated for that. But as long as the facility is an operating facility or even in flux as it has been for the last several years, the cleanup doesn't begin. If at some point it were to be no longer in operation and no longer in flux, that's when all parties would be compelled to start the cleanup, is my understanding.

And I guess I just want to be clear that we are responsible for the pre-'86 liabilities and Domtar had the rest which has now been assumed by Sinar Mas. And at that point if the cleanup were to begin, each of us would have to take on responsibility for our portion.

Mr. Nilson: — In this particular project, is there any responsibility from CIC towards the city of Prince Albert, and any costs involved there?

Hon. Mr. McMillan: — No, I do not believe so.

Mr. Nilson: — Okay. Now the other one that's listed here on page 17 is Erco Worldwide site, and for the public that's the chemical plant site just north of Saskatoon along the river. Can you give us . . . I mean here it says that, it looks like it's liability of almost \$50 million for that one. Can you give us a similar progress report on what's happening with this one?

Hon. Mr. McMillan: — Of course. Mr. Member, and Mr. Chair, this is also a continuing, a facility that is continuing to operate, and like the previous one, we are again liable only for

the environmental liabilities pre-1986. And my understanding is the number that you see in front of you is still very similar to the number that we expect those liabilities will be when ultimately the cleanup begins.

Mr. Nilson: — So these are, I guess, liabilities that'll be held in this particular part of CIC for the foreseeable future, and they obviously don't provide any income, but they don't cost you anything right now. Is that correct?

Hon. Mr. McMillan: — That's correct.

Mr. Nilson: — Now also in this report, on page 17, it talks about the sale of Crown Life Insurance to Canada Life Assurance. And it basically says that there's an almost \$30 million that was set in a special fund to deal with any outstanding liabilities related to litigation on insurance. Can you give us a little more information about this and where this particular liability is at right now.

[14:00]

Hon. Mr. McMillan: — Mr. Chair, on this liability, 31.4 had been put aside for this liability. The end date of these policies was approximately 2017. As we're getting closer to that date, we saw the numbers getting smaller and smaller. And in 2011, we were successfully able to settle with all of the companies that had policies through this for a number that it was substantially less than what you see in this book. But we hesitate to give you our range — but more than 10 million we think, off the top of our heads, but substantially less than the 30, 31.

Mr. Nilson: — So practically, we'll get the report when we get the 2011 report, and we can ask you more questions about it then if they're still relevant. But it's nice to know that that particular liability has been resolved.

Now in this report which is, I guess, the last year, 2009 will be the last year that'll be separate from the CIC reporting structure, you indicate that there are some investments that are made that are new investments. Can you describe for me those investments which are on page 18 and what kind of investments they are. They're not ones that are familiar to me.

Hon. Mr. McMillan: — Mr. Chair, the items that the member speaks about on page 18, these are commitments that were made under Victoria Park Capital with different companies and funds, and these were fulfilling the commitments that had previously been made by Investment Saskatchewan.

Mr. Nilson: — So that includes . . . All of the companies that are listed there are part of their initiative to get capital out of the fund. And when everything came back in, then the Asset Management had certain commitments to meet which they have met, and now they're . . . Have there been any further outlays of capital from this corporation since 2009? Or is it all a consolidation and a basically selling off of assets?

Hon. Mr. McMillan: — The answer to the member's question is yes. What we see on page 18 is investments that were committed to under Victoria Park Capital. And there are a couple more of those following 2009 that were also made and

also a couple protective disbursements where we had investments and the decision was made it was the right thing to maintain the share.

Mr. Nilson: — So thank you for that. So basically you've stuck with the mandate as set out on page 2 of this report, which is to prudently manage and divest, and there's no invest at all in the mandate. Would that be an accurate statement?

Hon. Mr. McMillan: — Yes, I believe that's fully accurate.

Mr. Nilson: — So then that leads me to my next question which is, if and when or when and if — I guess we can put it that way — CIC is involved as a partner in a new stadium in Regina, would you be using this corporation as the investment vehicle?

Hon. Mr. McMillan: — Mr. Chair, I would say that we are again straying off of what task has been put before us today.

Mr. Nilson: — I'm not sure about the answer there. I mean basically the question is . . . Okay let's put it another way. Will there be a point where the funds are used from a vehicle — this vehicle or a similar vehicle — to invest in other businesses?

Hon. Mr. McMillan: — Mr. Chair, I think that the member's comment about have we been consistent about prudently divesting in this fund is the mandate and is what we have done over the last several years. That is the goal of CIC, is to divest of AMI.

Mr. Nilson: — Thank you for that. So there's no, no wavering on the mandate this year on this particular part of the corporation, and I appreciate that.

I guess what we can do is, as we have further questions about this, we still have the 2010 report, and that's where we can get an update on things that are happening here. So I don't have any further questions on this report either.

The Chair: — If there are no other questions, I would ask that a member move a motion:

That the committee conclude consideration of Investment Saskatchewan Inc. 2008 annual report and the CIC Asset Management Inc. 2009 annual report.

Ms. Wilson.

Ms. Wilson: — Mr. Chair, I so move.

The Chair: — Ms. Wilson, so moves. All in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Saskatchewan Development Fund Corporation

The Chair: — I believe the next item will be Saskatchewan Development Fund Corporation, consideration of outstanding annual reports. Does the minister have a few remarks or just take questions?

Hon. Mr. McMillan: — I would be pleased to take any questions.

The Chair: — Okay. Questions. Mr. Nilson.

Mr. Nilson: — Yes, thank you. Given that this is the first time that CIC's been in front of this committee for quite a number of years, can the minister or one of the officials explain the history and utility of these particular funds, or maybe the history in the future of these funds, but especially as it relates to the year 2008 because it looks like there's some things that have been happening in 2008.

Hon. Mr. McMillan: — Mr. Chair, the member's question was based around 2008, but this fund was closed out in 1986. And the way that it's kind of carried on over time, the timeline here maybe is more important. If you will indulge me to go past '08, I will.

So in 1986, the fund was closed down. It became a closed-end fund; no one else could enter it. It carried on. It was managed in that way until 2009. In 2009 we were down to 120 individuals that were still in the fund — now this is the mutual fund side. We closed down the mutual fund in 2009 and paid out the 120 individuals, and it was done.

In 2010 we closed out the annuity fund. They were down to five individuals. At that point, there was \$1.6 million worth of assets. They got rolled into CIC, and CIC took over responsibility for the remaining five annuitants. Of those five, three were paid out at the time, and two more continue to be paid out and will until April of this year at which point it will be fully terminated and completed.

Mr. Nilson: — Thank you for that explanation. So basically this is another winding down. And the reports that we're looking at — '08, '09, and 2010 — actually then tell that history. And I guess there will be one final, two final reports. It would be obviously '11 and then '12. Or maybe the question is, when were the assets rolled into CIC, and where were they . . . which part of CIC were they put into?

[14:15]

Hon. Mr. McMillan: — Mr. Chair, in 2010, when the \$1.6 million rolled into CIC, they rolled in as a dividend, and the payouts to the annuitants show up in the operating costs of CIC. Under the Act that created this fund, it needs an Act to terminate it. And an annual report will be coming out this year which will show that there's no assets or no liabilities in it, and we will be . . . To terminate this fully and correctly, an Act will have to be passed to repeal the development fund repeal Act.

Mr. Nilson: — So the annuity, the final two annuities, you've indicated expire in April of 2012. And so at that point, we'll know what the final cost of . . . or the final . . . yes, I guess the final cost of this fund or the funds have been. Is that correct?

Hon. Mr. McMillan: — We can do the math, and we know what the costs have been. And over the lifetime of the entire fund, it came out with a net 1.6 to the good. So that was the dividend that went into CIC.

Mr. Nilson: — And that's always good news when people are talking about retirement funds, especially in the present climate where there's concern. It's very rare actually that retirement funds are done or finished or have no further aspect to them.

So as it relates to this fund, I think my memory is correct that 1986 when this fund was closed was the same year that the Saskatchewan Pension Plan was set up. Is that correct?

Hon. Mr. McMillan: — I think your memory might be as good. The consensus is that you're pretty close, and your memory probably serves you very well.

Mr. Nilson: — And I'm raising that question because when you look at the original mandate of this particular fund, it's very similar to the changes that were made by this government just, I think, last year or the year before to the Saskatchewan pension fund to set up effectively another RRSP [registered retirement savings plan] system, and it actually changed the way that fund was created.

But is there any sense on CIC's part that some of the money that is to the good on this one, when it's all said and done, that it might be used for some assistance in providing other retirement tools for people or maybe some new versions of retirement tools for people? Or I guess another way to put this: is CIC planning to go into the retirement investment fund area?

Hon. Mr. McMillan: — I've got too many funds going around in my mind. What you referenced of the changes made by this government is a change to the fund in the GRF side, not of CIC's doing. As far as this 1.6 being rolled into CIC, it came in as a dividend.

We believe that there's a lot of options in the private sector for retirement funds at this point. Back when the Saskatchewan Development Fund was initiated, there wasn't a lot of options, and it served its purpose very well. Now the citizens of Saskatchewan really have a lot of choices. We're not considering getting into that business.

Mr. Nilson: — Thank you for that response. Will there be more annual reports, or will this all be reported out in the CIC annual report?

Hon. Mr. McMillan: — There will be financial statements filed when CIC files its annual report, but there will be no specific annual report filed. And we will need to pass the repeal Act to remove that financial statements showing balances of zero.

Mr. Nilson: — And we know there was an omnibus repeal Bill introduced in December, but this was not included in that, so I assume you're waiting until everything is completed before you bring that forward. Would that be correct?

Hon. Mr. McMillan: — As of April we'll be looking to terminate the legal requirements, yes.

Mr. Nilson: — Just a final couple of questions about this. In the corporate profile of Crown Investments Corporation, I think this is the only corporation or entity that's listed as an investment kind of asset as opposed to insurance or utilities or

infrastructure. Does this mean that Crown Investments Corporation, with investments as its middle name, no longer will be involved in investments, or is this just, I guess, a quirk of the particular report that I'm looking at here?

Hon. Mr. McMillan: — I don't think we're contemplating a name change of CIC for no particular reason. This is a business. We had a closed fund. It was running out of members. It didn't make economic sense to keep all the overhead in place just to manage 120 people on the mutual side and five on the annuity side, and we don't see a need to start new funds. So we won't be going into the investment side of things, no, personal investment end.

Mr. Nilson: — So I have no further questions on these three reports, but I guess I want to thank the people at Crown Investments Corporation that have managed these funds over the years. Clearly they've been managed well and have provided the people with everything that was promised and that's an important thing. And so thank you.

The Chair: — Seeing if there are no other questions, I would ask a member of the committee to move a motion to conclude consideration of Saskatchewan Development Fund Corporation, consideration of the outstanding annual reports of the year 2008 annual report, 2009 annual report, and 2010 annual report.

Mr. Cox: — So moved, Mr. Chair.

The Chair: — Mr. Herb Cox so moves. All those members in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thank you.

Saskatchewan Government Growth Funds

The Chair: — The next item on the agenda is the Saskatchewan Government Growth Funds, consideration of outstanding annual reports, financial statements. Again I will ask the minister if he has an opening remark on it or just ready for questions.

Hon. Mr. McMillan: — I'm ready for questions, Mr. Chair.

The Chair: — Thank you. Mr. Nilson.

Mr. Nilson: — Thank you. Now I'm assuming that on the agenda for 2008 we're dealing with the annual report. And I'm not sure if it's quite what I've got. But I've got annual reports for 2008 for each of the separate funds and then there's a . . . and I assume maybe the financial statement . . . No, financial statements are included in that report. Is that how it works? I'm just trying to . . . because I don't know if this list that we have here in front of the committee accurately reflects the documents that we've got. Can I have an explanation about that, please?

Hon. Mr. McMillan: — Each related fund, of which you have a report, has its individual financial statements included in it.

Mr. Nilson: — And so then basically then the annual report is the same in each one. Is that how it works or . . . because we . . .

Hon. Mr. McMillan: — Mr. Chair, there should be nine financial statements under the SGGFMC [Saskatchewan Government Growth Fund Management Corporation]. There were eight separate funds and then one common financial statement that included all eight.

Mr. Nilson: — I'll just deal with the documents that I have, and then you can tell me whether . . . Okay. We'll start first with number . . . The first one is the SGGF III, so Saskatchewan Government Growth Fund III 2008 annual report. And I don't see that listed on our agenda that we have today, but I'm assuming it's here somewhere. But let's start with this one. Can you tell me what happened in the year 2008? It starts out by saying that it incurred a loss of \$1.7 million which was less than it did the year before. But perhaps you could describe what's happened in this particular fund.

Hon. Mr. McMillan: — Mr. Chair, of the 1.7 million loss, 1.6 of it comes from a decrease in their investment values. And of that, the bulk of it was a vary large writedown in the Big Sky operation, in the investments in Big Sky, and that's where the bulk of the loss for this fund comes from.

Mr. Nilson: — So if you look at the report . . . And we'll have to make sure we get proper reference in the agenda because it doesn't reflect the actual documents here. So this particular fund has as its main assets, as I see it then: Big Sky Farms, Fairmount Energy, and Star Bio Investments. Would those be the only three investments that are part of this fund? Is that correct?

Hon. Mr. McMillan: — To the member: we're talking about Fund III, but a more umbrella statement is that all of these funds, I through VIII, that we are discussing, all of them are in wind-down mode at this point. When they were in operation, they would've had 30-plus investments. At this point we're down to three, one of which was Big Sky, and all three of them are . . . The reason that they are still being held are because they were rather distressed assets and were very difficult to sell, to move. And that's why there was only three, and the three that you mentioned are them.

[14:30]

Mr. Nilson: — I think it may be important for you to explain the purpose of these funds because you probably hadn't had a chance to report it to this committee for quite a few years. And then we'll go and look at each of the funds separately because they are all different and I think it's important that we ask some questions about that.

Hon. Mr. McMillan: — Mr. Chair, if I could read in the mission for the SGGFMC funds. It's a short paragraph but I think it's probably good to have on the record.

The mission of the SGGFMC was to participate in the federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms . . . [Investment of this capital created economic] wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

This is the early days of the immigrant investment funding. It's done in a different way now, but that is the genesis of where each of these funds come from.

Mr. Nilson: — Thank you very much. I think it's helpful to remind us all that this was a provincial government program that was triggered by the federal rules and the federal immigrant investor program and that the rules and the regulations were quite strict as to how these things were to be operated. But I think it's important, as we tail these ones down, to actually go and make sure we have on the record what the different funds were involved.

So from what you've said as it relates to the immigrant investor fund or the Saskatchewan Government Growth Fund III, those assets in 2008, according to the report, were Big Sky Farms, Fairmount Energy, and Star Bio Investments. And the fund was being wound down. When was the fund closed or when were all of the investors fully invested in this, and how many? Well I'll end with that question and then I'll ask another one.

Hon. Mr. McMillan: — Mr. Chair, the details around how these started back in the late '80s, early '90s — we're stretching our memories a little bit — but largely one was created each year. The funding period was 18 months. Each one of them had a different offering document, a different focus, or a different plan on what it would invest in.

I guess the record of them is the first one that dates back to 1989 was profitable, but all of the rest of them were not. There was supposed to be a set period of time where at the end of the time period the immigrant investors would be paid back their money. The reality is that a lot of the investments that were made were very hard to get back out of, and some of them stretch on, and actually one still stretches on to this day. And it is actually this one that we're speaking about here, the no. III, and largely because Big Sky has gone through CCAA [*Companies' Creditors Arrangements Act*] and continues to be a distressed asset.

Mr. Nilson: — Thank you for that explanation. So each year then CIC prepares a report that goes out to obviously the public but also to all of these investors. Is that true?

Hon. Mr. McMillan: — Just for no. III. All of the rest have successfully liquidated all of the investments and repaid the investors. No. III is one that continues on because the assets can't be liquidated. So yes, we still prepare a report.

Mr. Nilson: — So in the documents that I have, there is no report like this for no. II. Is that correct, or because it was ended by that point? Because I know we've got a financial statement for 2009 for no. II, but we don't have a report.

Hon. Mr. McMillan: — As of March 31st, 2011, all but no. III are officially closed. III is still open because there's still assets in it. You would have the financial statements but not a report because there was nothing in it. It's just the legal entity hadn't been officially closed until March 31st. But it was essentially a liquidated, empty fund at that point.

Mr. Nilson: — Is there anywhere a final report on each one of these which shows what you've just told us, that only of them

was provided a return of the investment and all the rest were negative? Or is it basically just these reports we have here?

Hon. Mr. McMillan: — Mr. Chair, as of June 2011, the documents were filed with the legislature after the March 31st termination of all but no. III. So that has been filed with the legislature. As far as the specific breakdown of the losses in each of them individually, in the 2008 annual report, SGGF Corporation, on page 12, the top chart lays it out quite well as to the cumulative — to that point — losses. We can see that no. I made 700,000 roughly, and all the rest lost substantially. The cumulative loss of all these investments is about \$17 million, just over 17 million.

Mr. Nilson: — So I guess the good news for this committee, and for all of us, is that we'll just have one more report left when this other one is finalized and then the history of the federal immigration investment fund and related SGGF will be over. And we'll let the historians take a look at it as we proceed.

I think that it's often hard to actually get a sense from these kinds of reports what actually happened with the money, and it's quite clear that the idea was to accomplish two things. One was to assist people who were entrepreneurs or investing in Canada to come to Canada as immigrants over, obviously, a decade or so, but at the same time provided capital. And I know in Regina, one of these funds — I'm not sure which one — was the fund that was used to renovate the Hotel Saskatchewan. And we all go to events there and are happy with the fact that money was used well for that purpose. It didn't necessarily return to the investors all the money that they wanted. And I'm sure that every community will have some examples of where these immigrant investor funds were used.

So I guess another question, and it's getting close to the end of my questions, is that what we have here today then is in many ways close to a final report on this whole program. Is that true? And maybe you want to add some positive comments about this as well.

Hon. Mr. McMillan: — I don't have a lot of comments to share. This is a legacy of investments from the late '80s through the '90s. I think the record of them speaks for themselves and I agree with the member that I think when we can finally close the book on this type of investment that we'll all be served well. And it will be nice to have the finality of no. III liquidated as well, to be done with it.

Mr. Nilson: — Well I thank you for the answers on this. I wasn't totally certain whether we were going to get a big long report on this. I think what you've shown is that as a straight investment, it maybe was not the smartest way to do it, but as an investment in people and getting new people in Canada, maybe the federal government of the '80s — I guess that's Prime Minister Mulroney — should be thanked for a method of getting people to Canada who had entrepreneurial skills. And it clearly did that.

So with that, I have no further questions on these ones. And I think, however, you need to record them. You have to be kind of careful to get them all recorded accurately. I think I'm done.

The Chair: — Seeing no other questions, I would ask a

member of the committee to conclude its consideration of the Saskatchewan Government Growth Fund 2008, 2009, 2010, 2011, and also the annual reports and financial statements for 2008, 2009, 2010, 2011.

Mr. Moe: — I so move.

The Chair: — Mr. Scott Moe moves the motion. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — I believe the motion is carried. Looking at the agenda, we've completed I think what we've set out to discuss today. With that, I would ask a member, if members are . . . if I can have a member to adjourn.

Mr. Bradshaw: — That'll be me.

The Chair: — Mr. Fred Bradshaw has made a motion to adjourn this meeting. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Carried. This meeting is now adjourned until the next call of the Chair.

[The committee adjourned at 14:45.]