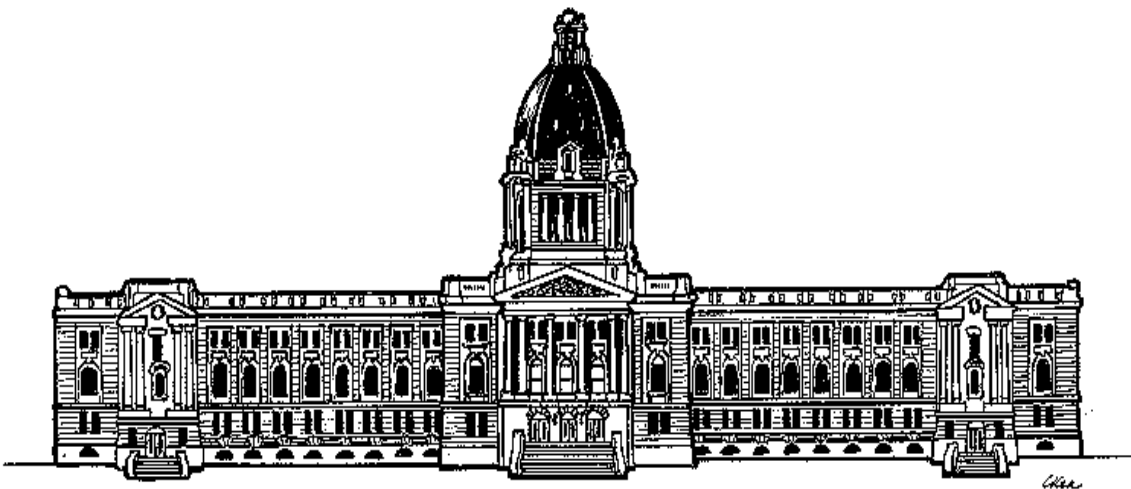




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

**Hansard Verbatim Report**

**No. 16 – February 19, 2013**



**Legislative Assembly of Saskatchewan**

**Twenty-Seventh Legislature**

## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Greg Brkich, Chair  
Arm River-Watrous

Mr. Warren McCall, Deputy Chair  
Regina Elphinstone-Centre

Mr. Bob Bjornerud  
Melville-Saltcoats

Mr. Gene Makowsky  
Regina Dewdney

Mr. Scott Moe  
Rosthern-Shellbrook

Mr. Roger Parent  
Saskatoon Meewasin

Ms. Nadine Wilson  
Saskatchewan Rivers

[The committee met at 10:01.]

**The Chair:** — Good morning. I want to welcome the committee members. I believe we have one substitution. Mr. Belanger will be substituting for Warren McCall.

Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

We have one document to table today, CCA 61/27, Crown Investments Corporation, a result of public losses, October 1st, 2012 to December 31st, 2012, for CIC [Crown Investments Corporation of Saskatchewan] and the subsidiary Crown corporations, dated February 1st, 2013. It's been distributed to the members.

On today's agenda is the consideration of 2008, '09, '10, and '11 annual reports, financial statements for Saskatchewan Telecommunications Holding Corporation and subsidiaries. I will now introduce the minister and have him introduce his officials, and if he has a brief opening statement, before we get into questioning. Mr. Minister.

#### **Saskatchewan Telecommunications Holding Corporation**

**Hon. Mr. McMorris:** — Thank you, Mr. Chair. Yes, I will introduce the officials that I have around me as well as behind me, as well as a brief opening statement. It's not a very long statement. As always it's a privilege to be here on behalf of the Government of Saskatchewan.

On my left is Ron Styles who is the president and CEO [chief executive officer]. On my right is Mike Anderson, the chief financial operating officer. And I'm not going to go in any particular order, but behind me is Darcee MacFarlane who is the vice-president of corporate and government relations, Daryl Godfrey who is chief technical officer, Scott Smith who is senior director of finance, Dale Baron who is the senior director of finance, Bob Hersche who is the senior director of regulatory affairs.

As I said, I'll make a few opening remarks. As the Minister Responsible for SaskTel, I can confirm the incredible rapid pace of change in the information and communication technology industry today. SaskTel has done an excellent job keeping up with these changes and keeping the people of Saskatchewan connected.

More and more the connectivity through technology and network access is critical for the personal and business success of Saskatchewan residents. It ensures that we as a province are competitive in the global marketplace. SaskTel has done this while remaining financially strong and well positioned in a very competitive marketplace.

The years under review today, 2008 through 2011, were each profitable and saw major capital investment in infrastructure.

SaskTel remains in a convergent industry with competitive, technological, geographic, and regulatory pressures. SaskTel's revenue streams have changed, but overall growth remains strong and consistent. For these reasons, SaskTel and its

services will continue to be a vital piece of the Saskatchewan advantage.

With that, as I said they would be brief, I would turn it over to Ron Styles, president and CEO of SaskTel, to give some introductory remarks regarding the corporations.

**Mr. Styles:** — So I'll also be very brief. I think the one thing I'd like to maybe point out to the committee is that in the present day and age, things have changed very fast when it comes to technology here in Saskatchewan, as it has in almost every jurisdiction in Canada. One of the things that we've had to readjust our operating plans to do is to essentially rebuild the company.

In the past, we were a fibre-based organization. We used a wireless system called CDMA [code division multiple access]. Those are no longer adequate in terms of providing for the kind of data needs that people are expecting throughout Saskatchewan, both from a personal or from an economic development perspective. And so we have, from top to bottom, started to rebuild the company.

It's a very exciting time for us. It is giving us new opportunities to contribute to economic growth in Saskatchewan. And we look forward to answering questions you may have this morning.

**The Chair:** — I guess we can now proceed with questioning. Mr. Belanger.

**Mr. Belanger:** — Well thank you very much, Mr. Chair. And I'm certainly pleased to be here today to look at the annual reports for four years for SaskTel. Just a question, and obviously I think, I hope for the sake of the process involved that we're able to, you know, pass all four years of the annual reports. But just from the process perspective, why are we doing four years in a row at this hearing? Because generally annual reports are given out every year, and now we're finally dealing with this. What was the delay in having us deal with four annual reports at this committee meeting?

**Hon. Mr. McMorris:** — I think it's a couple of things. First it is scheduling, making sure that we can get the committee together, and it takes both sides of the House to have that happen. The other issue would be around . . . Other Crown corporations that I know that I'm responsible for, this is not uncommon. We did four years of the Gaming Corp. We did four years of STC [Saskatchewan Transportation Company]. So that has just kind of been the tradition, I guess. Maybe ask that of the Chair as to why we aren't doing just an annual report at a time. But this is not uncommon in particularly the Crowns that I have been responsible for.

**Mr. Belanger:** — Okay. And just to get right into it, obviously there's a lot of questions that we'll have today, and a lot of them actually deal with the different components and operations of SaskTel. But just for the sake of folks that may be watching and listening to this committee hearing . . . I think a lot of people are paying very close attention to our Crowns. Certainly from our perspective as the opposition, we are as well. We think that there are plans for our Crowns that obviously the people of

Saskatchewan need to be aware of. But we also have concerns that the direction that the Crowns are going in terms of public ownership versus privatization. And that's the lines of question we'll be having all this morning. And there's a whole whack of questions we have, you know, on that front.

But quickly if you can perhaps, Mr. Minister, or maybe Mr. Styles can quickly do a snapshot of what divisions SaskTel has in terms of . . . You've got your Max. You've got your Internet, but to quickly explain to the public the divisions of SaskTel or the subsidiaries of SaskTel.

**Mr. Styles:** — So we're actually a fairly simple company to understand. We do two things. One, we have a series of networks, both wireless and land line networks, okay, that provide services. And secondly, we provide certain services over top of those two networks. So in essence again, we're a fairly simple company.

If you want to look at the types of products that we do provide, we do provide a television product called Max. We're getting close to serving almost 100,000 customers now here in Saskatchewan. Our wireless systems, we service somewhere around 600,000 wireless customers here in the province. Those are our customers. In addition we have some wholesale agreements with a couple of other companies and we allow their customers to utilize our network.

On the wire line side, we still have traditional telephoning services. And you know, within that there are a number of additional services that you can pick up on your telephone, everything from call forwarding, etc., okay, some specialty services. We are into data centres as well. SaskTel opened its first data centre back in about the year 2000, I believe it was. And we provide certain types of data centre services to customers throughout Saskatchewan.

You get a whole variety of different ones, everything from managed hosting, okay, all the way through to simply providing somebody with space to set up their racks and their servers. So again, it's quite a variety of different services that we do provide. But it's pretty basic. Again it's networks — and we want to be the very best network provider in Saskatchewan — and then services over top of the networks.

**Mr. Belanger:** — And certainly from the operational perspective, you indicated that, on your opening statements, that you're going to be, or you began the process of rebuilding the company. I'm not sure who would answer this. And certainly I think rebuilding the company and incorporating the modern-day technology, incorporating what the customers want, obviously that's an ongoing practice that we would certainly encourage and hope to see continue from SaskTel's perspective.

So when you talk about rebuilding the company, obviously you're focusing on things like Max and cellphone coverage, and so on and so forth. Which are the top two or three of your divisions that really generate a lot of profit? Is Max one of them, or is it wireless service? Like what exactly? Where's our money coming in from?

**Mr. Styles:** — You know, I would say there's roughly three areas that are the major lines of business for us. Okay? Now

there are a lot of smaller lines of business when you aggregate them. They do add up to sizable numbers.

But on the wireless side, something over \$400 million in revenue's coming out of wireless for us, and so it's a major part of our business lines. We anticipate it will continue to grow. Over the past number of years we've had weeks where wireless data growth is as much as 5 per cent in an individual week, and that obviously means that there's large demand that's out there. More and more people want to become wireless over time, and so again it's a substantial portion.

You know, telephones in a home, Internet in a home — again a large part of our business case. I think we're just under \$200 million in that particular line of business.

And then the third line is Max. And Max is again a very large component of our overall business. I don't remember the exact revenue numbers. But if you take the three together, that's the majority of our revenues.

Now again there's a lot of small revenue lines. Again we provide data services through something like fibre, okay, to a lot of major companies that are here in Saskatchewan, and those produce, you know, very reasonable revenues for us. Data centre services are going to continue to grow over time for us. More and more people don't want to keep servers in their own operations. Rather what they want to do is they want to be able to access servers in a major data centre and have business continuity needs, back-up services, things like that provided by a third party.

So our revenue mix is going to continue to change. You know, we do anticipate that some of the new areas that will come online over the next number of years will add a different set of revenues than maybe we've had in the past, much as we weren't in Max until about the year 2000. And so Max has now become a major component of it. So again our business is one that's changing on an ongoing basis.

**Mr. Belanger:** — Yes, and that's certainly where I'd like to spend a bit of time on the Max services because I want to be very clear to the people of Saskatchewan and certainly to the committee members that Max is a very profitable arm and is an essential component and source of income for SaskTel.

Now out of the three revenue streams that you've indicated here today, you've got to have all three to make SaskTel a success. If you lose any component of the top three — I'm talking about the wireless and the telephone and the Internet service for the homes plus Max — those three are very essential to the success of SaskTel. Is that correct?

**Mr. Styles:** — Yes, all three are essential to our fiscal sustainability long term.

**Mr. Belanger:** — Okay. I guess I would . . . You know, I'm not sure if it's proper but I'm going to ask that if you lost any part of those three mainstream incomes, then SaskTel is in some serious difficulties. As the CEO, you wouldn't want to see any kind of loss of revenues from any of those three main sources, is that correct, for the financial health and stability of SaskTel?

**Mr. Styles:** — As we continue to invest new money into things like fibre for instance, okay, we need to continue to sustain and grow our existing revenue bases to provide those new services to the people of Saskatchewan.

**Mr. Belanger:** — Now there's no question, I would say, that your skill and your ability and your history as a CEO is very, very good; people have very good comments. But any CEO worth his salt would not want to see any revenue streams interrupted nor threatened in any way, shape, or form. So my question goes back to my earlier comment. I guess a yes or a no would be sufficient from my perspective. Any interruption from the three main sources — because obviously you indicated you're done trying to identify new sources — but any interruption from wireless, from regular home service, and from Max would be a huge detriment to the company of which you're CEO for. Is that correct?

**Mr. Styles:** — I'm not sure it's just a yes or a no. For all lines of business, we are in a competitive market and we are constantly under attack by our competitors. And so as a good example, that our wire line service revenues have been falling for quite some period of time, as have our long-distance revenues, and I expect that that will continue in the future. These are services that are old or legacy in nature, so I'm not sure you can say as simply as, you know, any disruption. We know there's going to be disruption in our revenue lines over time, and so part of it is to continue to adjust our mix of products and make sure that we bring in new products that take advantage of our core expertise.

[10:15]

**Mr. Belanger:** — See, the challenge that I see, and I guess not being trained as well as you — and certainly it's a very positive thing, that skill set that you have, and the people of Saskatchewan benefit from that obviously — so obviously I think . . . Where I'm concerned about is not the disruptions to the revenue stream, because as you indicated that's part and parcel of what the corporate world involves. I'm concerned about the significant disruptions that as a CEO that you might see as a threat to SaskTel.

Now obviously I have my suspicions as to where we're going to go in the Crowns in the future, and that won't change one bit over the next number of years. We're going to continue hammering home what I think is the bottom line of this particular government — and that is to debase, to weaken, and thereby make the compelling argument to sell off our Crowns.

Now when I ask the CFOs [chief financial officer] or the CEOs of these various Crown corporations for specific information on what they perceive as a threat to our Crown, it's not done from a political perspective. It's done from an operational perspective. So that's where all these questions that I have . . . When you look at Max . . . You know, whether it's the Hospitality Network or whether it's some other revenue streams that have been sold off since this government has taken over, you know, taken over the control of the Crowns, there are some legitimate concerns and some real threats to SaskTel and many other Crown corporations that we want to bring forward.

So I guess as the CEO and the president, obviously I appreciate

the predicament you're in here today, but I would just like to know, from a yes or no perspective, any revenue streams from a purely financial perspective and chief executive officer perspective, if any threats to those revenue streams, given the debt that SaskTel has, these would be considered significant threats if any of those revenue streams were interrupted. And I'm talking about significant interruptions, not day-to-day in the normal corporate trends kind of thing, but significant disruptions.

**Mr. Styles:** — If you were to lose some portion of those revenue streams in a significant manner, it would have a financial impact on the corporation.

**Mr. Belanger:** — I'd guess I'd turn it over to the minister now, I guess, based on some of the information that I've been alluding to in terms of the challenge that we have with our Crowns. You know, we see great opportunity with the Max network. We see great opportunity with wireless.

Now in general terms, the other income with the telephone service like the homeowners that subscribe to SaskTel because I think the people of Saskatchewan in general, they really like to protect our Crowns, so they use SaskTel. They deal with SGI [Saskatchewan Government Insurance]. They deal with all these Crown corporations on a regular basis.

How is the telephone service at home? Is it increasing, staying static, or is it decreasing at an alarming rate? I'm talking about the everyday, like for example, my home phone or a business phone. Like we all work with SaskTel. Are those uses reduced? Is there a strategy to keep the numbers at they're at, or is there a reduction? I'm just trying to get the numbers here.

**Hon. Mr. McMorris:** — Well I'll just kind of answer generally and then if whoever wants to kind of fill in. As Ron has mentioned, that there is a changing in usage of telephones for people in the province. We know that land lines, the traditional land lines that we all probably grew up with, are not as popular as they were before because there are other options. We see the land line use dropping slightly, but as Ron had said it's changing revenue streams. We're seeing cellular and data use and all of that increasing significantly. So there are changing streams.

As far as SaskTel, it operates in a competitive market. You know, the people want to protect SaskTel, but you can't protect it from competitors coming in because it's an open market through the CRTC [Canadian Radio-television and Telecommunications Commission]. So there are competitors out there and we are as competitive as anybody, especially in the land line piece, but mostly in the cellular phone piece and the data piece.

Just some of the numbers of penetration that SaskTel has: so you know, we're up in the 80 to 90 per cent for local; for Internet, 71 per cent; cellphone usage, 73 per cent penetration. These are in the nine major cities, I believe. Max — you were talking lots about Max — it's about 35 per cent of what is used in the province for TV. There are other options out there. There is local providers; there are satellite providers. It's an open market, but at 35 per cent, which has been a growing market share over the last 13 years that Max has been in place.

So SaskTel is very competitive, in all the markets has a strong market share. Having said that, that isn't without competition and more and more competition coming into the province all the time. I think you'll see that you're seeing companies look at Saskatchewan like they've never looked at Saskatchewan before. They're coming in and they want to do business here for many years, many, many years. They didn't look at Saskatchewan as a place of opportunity and so we weren't facing the same competitiveness that we're facing over the last number of years. And that isn't just through telephone service. It is through insurance service or many other services that are provided here in the province. There is a greater awareness of the province, and with that becomes more competition. SaskTel is not immune to that, in any stretch of the imagination.

But having said that, we are positioned very well. SaskTel is positioned very well; it's got a name second to none in the province. People want to use SaskTel for the most part. But having said that, there are challenges moving forward and that challenge will be more and more competitiveness through other providers in the market.

**Mr. Belanger:** — Yes. There's no question that I believe and I certainly concur that Saskatchewan's ability to continue to build and the history of where the province is and the fact that Saskatchewan people are very resilient people. They're very innovative people, and they're very exciting people. So we all knew that the economy was coming, and that there was going to be a great opportunity for Saskatchewan in general. I think a lot of people out there understood that Saskatchewan's time was coming and that I think it was back in 2001 where the headlines quite frankly talked about the Saskatchewan star getting very bright, and the opportunities galore were happening and coming our way. But the premise of that, I think in general, is that the Saskatchewan people wanted the Crowns protected.

We understood, I think the vast majority of people understood, that competition was coming for SaskTel. But in order to position the company well, you have to make sure that you protect it well. And given the debt ratio of SaskTel now, given the fact that there has been ongoing talks and little hints here and there from a number of members of the Sask Party government talking about privatizing certain sections and parts of SaskTel, well I think that's contrary to the message the people of Saskatchewan are telling the Sask Party government, is you've got to do more to protect the Crowns.

Now when SaskTel is going to be remaining competitive — and that's why it's important that we ask some of these pointed questions, not only from the political perspective but from the managerial perspective as well — when you talk about SaskTel remaining competitive in the light of and especially in view of the increased competition that you've mentioned, you look at the comparisons of the average plans per week. You look at Rogers is \$59; Bell is \$55; and SaskTel is close to \$60 in terms of the average plans per week. So in fact, from the competitive perspective, both Rogers and Bell have a better deal than us. Now is that protecting the interest of SaskTel?

So I guess I would ask that question. Being much more expensive than Rogers and Bell just in terms of the average plans per month, is that protecting the interests of our Crowns, and has it had any effect on our revenue stream? I'm talking

about the householders. I'm talking about wireless, and I'm talking about Max.

**Hon. Mr. McMorris:** — That's a very interesting question, and I think I want to kind of start back about answering the issue when you're saying it's contradictory. What is contradictory, especially to the statement that you just made, is the investment that our government and SaskTel has made in the telecommunications this year alone is \$400 million. That isn't backing away from a company. That isn't backing away from trying to get into the market offering the latest technology. Last year it was \$320 million. That isn't backing away from a company. That isn't letting a company under-invest so that isn't competitive in the market. SaskTel is investing like it never has in order to be competitive with who we realize will be coming into the province.

You talked a little bit about the debt. SaskTel has the lowest debt ratio of any full-service communication company provider in Saskatchewan. You know, so we're positioned very, very well. I mean the whole premise of your question, I understand the piece around the service plan, and I'm going to let Ron talk about that because there are so many variables that go into that, not to mention the penetration around the whole province of cellular service compared to some of the other competitors which do not have that. But I'll let Ron talk about the individual packages and plans.

But what I will say is that it's contradictory to your premise that the company of SaskTel is not being invested in because two of its highest capital investments will be this year and last year because it needs to, we need to make sure that we are up-to-date. You know, fibre to the premises and fibre to the business is a huge investment as we move forward, as was just the announcement of LTE [long-term evolution] and 4G — huge investments that we need to put in because that's what people are expecting. They expect the latest and greatest with a lot of capacity, and that doesn't come on an old system. The only way that SaskTel will be competitive into the future is to build these new systems so that it can compete and, quite frankly, outperform any of the other competitors coming in.

As far as the packages, maybe I'll just turn it over to Ron to talk about. It's some pretty generalizations, I think, when you just say well, this company for this many dollars, this company for this many dollars, or SaskTel because I personally, I just know, from going in and looking and reviewing the packages, there are so many variables that go into what is offered in those packages. So you've got to be careful when you start comparing prices like that, that you're comparing apples to apples because quite often there are great variations in the packages that are being offered.

**Mr. Styles:** — So the minister is bang on. It's tough just to look at the prices of the packages. You need to look at what you're getting for the package — the number of long distance minutes you might be getting, the number of local minutes, or is there a time-of-day feature that goes with it. Maybe the largest one, when you talk about 4G and LTE, is unlimited data. We're one of the few providers in the market right now that do provide unlimited data. Some of our competitors don't provide that and that is a big bonus, so a person might pay \$5 more for that.

But I would tell you we just before Christmas put out a new plan called Ultimate 65. Ultimate 65 is the best plan in the market. I say that without a hint or maybe boasting about it. But it is by far the best plan in the market. It's the most competitive. When you have a look at it in terms of the features of it and the cost, it is the best value that is out there right now. So we make sure that we are going to be competitive in the market.

There are other issues that play into it as well. Some of it is coverage issues. One of our competitors in the Saskatchewan market does not have the same kind of coverage that we have, and they are seeking maybe a little different portion of the market in terms of the kind of customers they are looking to attract. Part of the challenge around all of this is always trying to make sure that you're trying to appeal to the broadest group possible because it's a very diverse market here in Saskatchewan but you can't appeal necessarily to all pieces of it. And so there may be pieces you're not able to pick up.

I would note, maybe, sort of some empirical evidence. Our Christmas sales this year were a record for us. We sold more phones in the Christmas period, basically between about the 20th and the end of December, than we've ever sold in the history of the company. And so we're finding great success right now on the wireless side of things. And we believe that comes from again having the best product in the market, having the fastest speeds, best coverage, and prices that are very comparable.

[10:30]

**Mr. Belanger:** — Yes, I certainly appreciate the analysis that you pointed out and, as the minister alluded to prior to your answer, comparing apples to apples. But quite frankly, what we look at in many of our discussions about SaskTel and the future of the Crowns is we do comparisons with other companies because that's obviously the best way to see where we're at. And just for the folks that may be listening, in Canada in 2010, the average rate per user, the RPU, nationwide was \$54.73, just for the package that we spoke about. And that's in US [United States] dollars. But SaskTel's rates, these rates keep going up, and it is quite a bit higher than even in 2010.

So in terms of being competitive, do you make any adjustments to the formula in the model that they use when they do the analysis for the nationwide research as to which companies are competitive? Like do you try and advise them of how when you compare our rates, compare apples to apples, like what are some of the discussions that you've had?

**Mr. Styles:** — So ARPU's [average revenue per unit] a little different measure than looking at rates. Looking at rate plans is a matter of comparing between the companies, what the company will provide you with, and at what price. When you look at ARPU, ARPU is more a measure of the kind of usage that individual customers have in different jurisdictions. So the Western Canadian ARPU, or average revenue per unit, is higher than for instance in Atlantic Canada. And it's probably a combination of different factors. Okay.

People I think in Saskatchewan and Western Canada seem to have adopted wireless technology a little bit faster, maybe, than some other parts of Canada. We obviously have an economy

that's doing very well. And so people don't mind using their phones maybe for more purposes, maybe for video for instance. Maybe it's more YouTube. Maybe it's more Netflix, etc. Okay.

But ARPU talks about the use of a particular plan by a customer. And so the fact that we do have a high ARPU in Saskatchewan is actually a very positive measure. For us it means that we're gaining more revenue. We get more usage from our customers than others do, and it's part of what makes the province very attractive to our competitors. Bell has moved into Western Canada in a major way because the ARPU in Western Canada is much higher than it is in Eastern Canada and Atlantic Canada. Therefore your profitability potentially can be higher as well. So ARPU is a little different measure. Again it's more reflective of the fact that people in Saskatchewan are much higher users of a wireless network than in other jurisdictions across Canada.

**Mr. Belanger:** — One of the things that I think is important and that's a fair perspective from, you know, from where I thought a lot of people were thinking: how does this compare to the rest of the provinces? And Canada as a whole, I think, have higher rates than I think . . . They researched 50 countries, so we're quite high as well. So where is Saskatchewan within that high-rate Canada perspective? So I think comparing apples to apples was important for a lot of folks that may be watching this.

But the important thing I would point out is that people are very proud of their Crowns. They want to protect their Crowns. And I know it's probably not a financial . . . There isn't a financial formula or training for this. But how would you characterize, just from your perspective, the goodwill that people of Saskatchewan have in subscribing to their Crown? You know, in terms of a scale of 1 to 10, would you rate that as a 1 being not interested at all to 10 being very, very interested in protecting the Crowns? How would you characterize that argument that we want to see our Crowns protected, therefore I'll subscribe to them? Is there a huge sentiment in Saskatchewan over that kind of belief?

**Hon. Mr. McMorris:** — I think if you looked at kind of my statement earlier about the market share that SaskTel has, you know, whether it's local market share for both business and household, it's anywhere from 82 to 91 per cent. Internet across the province is 71 per cent, cell at 73 per cent, Max at 35 per cent. So the market share is very, very large. But I will say that SaskTel has served Saskatchewan very, very well over the number of decades, and you can still see that with the market share.

Having said that though that doesn't mean that those can't slip or won't slip. We need to be able to offer the best service that we possibly can, service that people expect, that they can receive somewhere else, whether it's on the cellphone side and ever increasing on the data side, is a huge demand as we move forward. I think that SaskTel has done a great job in positioning itself as the major provider in the province. But having said that, I will also know that a younger generation that are . . . Not that I'm not addicted to a cellphone and data use and everything else, but I can tell you a couple of sons that we have that are on those things continually.

When they come back to Saskatchewan or when they're in Saskatchewan, they want to be able to make sure that they can use their phone wherever they're at; they can receive the data they want at a timely basis. If SaskTel isn't able to provide that, I'm not so sure moving forward that the loyalty to SaskTel and the name SaskTel is there. That is why it is so extremely important that we invest in capital which we've invested over the last two years and will invest into the future. Because I'll guarantee you that if we didn't invest that into the capital, I think these market shares would drop because I don't believe the younger generation, the 21-, 22-year-olds, have SaskTel as the only provider in their head. They're looking for the provider that can provide the best service.

So it would be easy for us to sit back and say oh, we've got the SaskTel brand. Everybody's going to use us because we've been the provider of choice in this province for decades. That isn't realistic, and that's why SaskTel I think has done such a good job over the last number of years positioning itself to be able to offer those young purchasers what they want, in fact able to offer more — right now with LTE and 4G offer them more than any other service provider coming into this province can provide.

If we don't do that, I think we'll see those market shares drop. I think there'll be a core loyalty for sure on the home phone side, maybe a little bit on the cellphone side. But if we don't keep up to date and offer the best technology, the most up-to-date technology, I think the others can slip away. Because I don't believe again the 21- and 22-year-olds that are the biggest users — and as Ron had mentioned, our Christmas rush was like no other; huge into that market, and we need to continue into that market — I don't think the loyalty is there. Because 40 years ago that was the only phone service that we could have in our homes was SaskTel. I think there is a challenge with SaskTel moving forward, and that's why it's so important to invest like SaskTel has over the last couple years, number of years.

**Mr. Belanger:** — Well I totally disagree with you on the notion of the people of Saskatchewan being loyal to the Crowns. I think the people of Saskatchewan want to protect the Crowns as much and as on many occasions as they can.

Now it obviously pains me to hear you as a minister saying that, well if we don't bring the modern technology and the modern information stream and modern telephones, then we're in trouble. Well if you figure that out in 2013 here, then my point being is that obviously we want to keep SaskTel as competitive as possible. We don't want to see any kind of share value drop in SaskTel.

I am just saying today that the people of Saskatchewan are very loyal to the Crowns. They want to see their Crowns remain competitive. They want to see their Crowns continue to build for the future. And part of that building for the future is to attract the young users, the 21- and 22-year-olds, as you mentioned. So I think there's a huge, huge loyalty factor in the people of Saskatchewan when it comes to the ownership of their Crown corporations. They own these. Whether it's SaskPower or SaskTel, they own these entities. They're owned by you and I and the 21- and 22-year-old. And I think branding the Crown corporation ownership is pretty important to the success of each individual Crown, including SaskTel.

So when you say today that we can't just simply say we're SaskTel — 40 years ago that might have worked — we've got to make sure that we are competitive in all these services to make sure the 21- and 22-year-old people who are not loyal to the Crowns continue staying with us, I totally disagree, because SaskTel I think has a lot of loyalty. And if I could go back to my earlier point, who is minding the store on the future success of the Crowns is where I'm coming from.

I think that if you look at the notion of the investment you spoke about earlier, we obviously have to have modern technology for the young people to stay with us because there's going to be a threat to our revenue stream. But the fact is, when you see your government strip dividends from SaskTel, when you see your government increase debt to SaskTel, and when we see comments made by members of your government looking at encouraging selling off components of SaskTel . . . And we have various quotes.

My point is that we don't think you're looking after the long-term health and interests of SaskTel, despite the best intentions of the people that are supposed to protect SaskTel's bottom line, to be innovative in the technology and service they provide for the 21-, 22-year-olds, to make sure that all revenue streams are protected and maintained, to watch the alarming trend of the debt going up over the last number of years.

So my point is that despite the fact that I noticed an alarming trend, we see a lot of your colleagues and yourself announcing things like LTE on the public stage. And then all of a sudden when SaskTel does something, some problem in some area of SaskTel, you're very, very quick to pounce on them and publicly criticize them. I'll give you the example of the Premier talking about the dropped calls issue. I think it was a couple years ago. You don't publicly chastise the company that you're supposed to manage. I think the general norm is to protect that company.

So the activities of the Sask Party and your government, Mr. Minister, from stripping dividends, from increasing debt at an alarming rate, and again open discussion about encouraging sales of certain divisions of SaskTel, I don't believe for one minute you're looking after the interest of the future and the health of SaskTel, not for one minute.

So I think there's a lot of people out there are becoming more and more concerned about the activities of every Crown corporation, SaskTel included. So my question to you as the minister is that: have you or any member of the Executive Council, including the Premier, have you had any discussion, any contacts from any individual companies or any of the major players out there about purchasing components or all of SaskTel?

**Hon. Mr. McMorris:** — I'll answer that last question in a little bit. I just can't leave your opening comments go uncommented on. You're talking about the loyalty of SaskTel, and I agree completely that there is definitely a loyalty to SaskTel. But you question the fact that that loyalty would outstrip any advancement in technology. In other words, if we didn't advance the technology, if we weren't a leader in offering programs and data and service, that people would still, the 21- and 22-year-olds would still pick SaskTel just because of the



brand.

**Mr. Belanger:** — I didn't say that.

**Hon. Mr. McMorris:** — Can you clarify what you said there then? Because you're saying you didn't say that. That's exactly what I got from what you were saying, is that if we didn't move the technology forward, it doesn't really matter because SaskTel has such a brand that 21- and 22-year-olds would select SaskTel if it was a mediocre service.

**Mr. Belanger:** — What I said, just to clarify . . .

**Hon. Mr. McMorris:** — Please.

**Mr. Belanger:** — Is that the loyalty factor that the people of Saskatchewan have towards their Crown I think is a critical part of the success and moving forward strategy that SaskTel should employ. And you check the *Hansard* and what I said. Obviously SaskTel has to remain competitive in all those services. But there is a loyalty factor that we should incorporate in our corporate thinking and to our political thinking as well. That was my point.

So the point that you raise is that 21- and 22-year-old people don't have any loyalty to SaskTel, to our Crowns. I would beg to differ with you on that one. I'm just saying that there is a loyalty factor. Obviously we can't have a cellphone service that's 40 years old because people won't use it. But we have to make sure that the loyalty factor is complemented by a very, very forward-thinking telecommunications firm called SaskTel. That was my point.

[10:45]

There is a huge loyalty and a huge following of our Crown corporations in the province. Survey upon survey shows that. My point is that, just to clarify, is that there is a loyalty for our Crown corporations in the province. And in terms of encouraging that loyalty to stay with us, you obviously have to have the latest technology and services.

So we spoke earlier about the investments of last year and this year. But I sit here and wonder, well what the heck is going on with SaskTel when the moment they make a few dollars, you strip that dividend from them? And then you look at the debt load of SaskTel. It's increasing.

And then I go back to the earlier statement about some of the public comments that are made. I think this is 2003, and I quote from the . . .

**An Hon. Member:** — 2003?

**Mr. Belanger:** — Yes, of course 2003. This is on Max, when SaskTel engaged in Max. You talk about how profitable Max service was. And then I'll go back to the comment here:

But Sask Party MLA Brad Wall, a persistent critic of SaskTel's latest entry into the television business, said the service is starting to look like a white elephant. He pointed out that the company has spent more than \$2,000 per customer to get the 10,000 subscribers, with capital

cost topping \$20 million. SaskTel should stick to its core services — local calls, long distance and mobile — and stay out of risky ventures like Max, he said.

Now you look at SaskTel, at Max itself, when you talk about the incredible value that the network Max service has provided to SaskTel, so what is it? Is SaskTel correct in embarking on Max and making all those revenues, or is the Premier wrong?

**Hon. Mr. McMorris:** — Great research 10 years ago. That's very good research, but I would tell you that let's maybe bring it up to date a little bit more. In the last five years that our government has been in power, SaskTel has invested, in capital alone, \$1.4 billion. Let's compare that to the previous record of when you were in power and your government. That's a 79 per cent increase in capital spend, 79 per cent increase in capital spend so that not only do we have a better cell service, not only do we have a better Internet service, we have a better Max service. So some of the improvements in Max over the last number of years has helped to increase the market share. That is the record of the past five years of our government.

We are seeing that the market share, over the last four or five years, has gone, is in the 90 per cent . . . no, that's not, that's the dividends to . . . [inaudible interjection] . . . 35 per cent for market share. Well yes, this is on the dividend side. If you look at the dividends, you are talking about stripping or asking for more dividends. Do you understand the dividends that were brought in under the NDP government over the 16 years and especially from 2000 to 2006? Do you understand the percentage of dividend that was brought in out of SaskTel, for example, through CIC to the NDP government at that time? Because if you don't, I certainly can read it into the record. It's well into the 90 per cent range. Well into the 90 per cent range. So it's interesting that you would be using that angle that the dividend piece is an issue under our government but was never an issue under your government.

What I can say is that SaskTel is investing more into its network: 79 per cent more over the last five years, to make sure it is a robust system into the future that can try and increase its market share that will attract 21- and 22-year old users, not with outdated technology, but with state-of-the-art technology.

On the Max side, as I said, 35 per cent. We've made investments over the last number of years to bring that up to speed — not that it was behind, but to improve it so that we have more and more customers looking at it as an option. That is a very competitive piece as well because there are lots of alternatives to what Max has to offer. But at 35 per cent market share in the major cities, we think that's a pretty good market share and want to grow it.

**Mr. Belanger:** — I guess the question I'd asked as part of the preamble that I had was the fact that have you or any member of your government, have you had any discussions with any of the other major telecommunications players out there about selling all or parts of SaskTel's component, or SaskTel as a whole?

**Hon. Mr. McMorris:** — What I would say is that SaskTel, because it operates here in Saskatchewan is, when you compare it to the other telcos across Canada, is a small telco compared to

the other players but punches above its weight obviously when you look at the market share here in Saskatchewan. What I would say is that we have to talk with those other telecommunication companies on a regular basis. We work very closely with Bell and have agreements with Bell. We have lots of communications with the other telephone companies, but it's not about selling SaskTel. Not at all.

**Mr. Belanger:** — So you're saying that none of the other major players, whether it's Telus or Bell or Rogers, they have no interest in SaskTel at all? You've never had any discussions? They never have approached you? They've never ever talked to you about buying off parts of SaskTel? I just want to clarify that.

**Hon. Mr. McMorris:** — Well you've asked two different questions there. You asked if we have looked at selling SaskTel. And I've answered that. Then your second question is, did Bell or Telus, are they interested in SaskTel? Absolutely they're interested in SaskTel. Any company that's got a market share like that, a company would be looking. It would be very interested, especially when it's a national company. I mean it's pretty obvious that other companies, telecommunication companies, would be interested in SaskTel because it would fit well to their portfolio, I'm sure, with the market share that we have. But we've never entered into communications and into negotiations on that side as far as selling SaskTel, no.

**Mr. Belanger:** — Now the reason why I'm asking about certain components of SaskTel is there's rumours galore as to what your government plans for the future of the Crowns, and including in that is the future of SaskTel. So when the Premier made reference to Max being a white elephant, obviously — I think it was last year; correct me if I'm wrong — but that white elephant made \$250 million profit for SaskTel. Is that the correct amount?

**Hon. Mr. McMorris:** — That would just be the revenue. So there's expense.

**Mr. Belanger:** — But that's right. That's a \$250 million revenue stream for SaskTel. Is that correct? Yes or no.

**Hon. Mr. McMorris:** — So it's Internet and Max. I don't know that we can break out Max in particular. So that's Internet and Max.

**Mr. Belanger:** — Okay. Now the other thing I think that's really important is that if you look at the future of SaskTel, where you talk about the telephone service, the data centres, the Max network, the wireless — these are all great, great opportunities for the province. And I go back to my earlier comment, and I'm going to show the debt ratio as well, is that those are the concerns that we have when you talk about SaskTel because what better way is there to put SaskTel on the selling block than how the Sask Party is currently doing it?

First of all (a) they increased the debt to the company, (b) they stripped the dividends from the company, (c) they — again I go back to the average cost per unit based on basic packages — they're now third behind a couple of other companies. And then you've got the public comments from a number of your colleagues and your Premier that hey, these things, they

shouldn't be involved in these ventures because they're white elephants.

So the debt ratio of SaskTel from 2008, 2009, 2010, and 2011. In 2008 the debt ratio of SaskTel was 27.3 per cent; SaskTel had a net debt of \$295 million; dividends paid to government from SaskTel, \$59.7 million. 2009 net debt went to 261.7 million; dividends paid to government, \$98.8 million. 2010 debt ratio increased to 33.4 per cent; net debt, \$414.5 million; dividends paid to government, 154 million. In 2011 debt ratio increased again to 37.6 per cent; the net debt increased again to \$451.5 million. Dividends paid to government that year, \$109 million dollars.

So I guess the question I would ask either the CFO or CEO, what level in terms of the debt ratio would become alarming for the average in the corporate practice? Is it 40 per cent? Is it 50 per cent? Like when would there be some serious concerns from a shareholder of a privately held corporation when they looked at not only the debt ratio of SaskTel but the manner in which dividends are being stripped out of that company?

**Mr. Styles:** — So our debt ratio as of the end of 2012 will be 42 per cent. The average in Canada is around 50. There are companies that are higher than 50 as well. We believe the debt ratio is, you know, well within the framework that we would expect to be operating within. And from a purely management perspective, we would expect to see it grow over the period of time, the last four years, as you're continuing to reinvest in the company.

We're in a period of time that I would tell you is very similar to the 1960s, 1970s with SaskPower, SaskTel, most of the Crowns. It was a period of time when you started to take your infrastructure and push it out throughout Saskatchewan. At that point in time, each of the Crowns had to borrow a lot of money to be able to accomplish that.

Over the past 30 years, you've been able to use the basic infrastructure you put in place — those copper lines — to be able to sustain the company. You didn't need to go out and borrow additional money because the copper that you had in the ground was quite sufficient to deliver the services you had.

Today copper is an old technology. You need fibre everywhere. You need towers in a lot more locations than we've had in the past. You just need better technology. And if you're going to rebuild a company, you're going to go borrow a certain amount of dollars to be able to rebuild the company.

So the fact that our debt ratio is climbing and is growing shouldn't be a surprise really to anybody. I think if our debt ratio got into the 60s, something in that range, okay, then I think you're getting into an area that would probably cause concern to rating agencies, organizations like that. But the level it's at right now, it's below our major competitors. It is the lowest of any communication provider in Saskatchewan or in Canada right now. And we're in very good financial straits.

**Mr. Belanger:** — Now in terms of servicing that debt, there's a number of things you have to look at, I guess. And I'm just trying to be as informed as I can. But in terms of servicing that debt, has SaskTel figured out whether it's going to be a

combination of the increased use of the service such as cellphone? Or is it going to be an increased cost for those cellphones? Or is it going to be some other revenue streams that you indicated earlier, or alluded to, but weren't very specific as to what new revenue streams that you're looking at. So based on how we're going to service that debt as it climbs up, where do you see us servicing that debt as a Crown corporation?

**Mr. Styles:** — It's really a combination of all the things you've just talked about. We do anticipate that you're going to continue to see the growth of wireless continue to expand in the future, both penetration in Saskatchewan. Penetration is in the 70s somewhere. I expect, you know, within sort of five or six years, probably 100 per cent of the people in Saskatchewan will have cellphones. So you're going to get that kind of market growth.

The amount of usage of the network is continuing to grow. We're looking at a major explosion, probably coming in the next two or three years, with something called machine to machine. So it is monitoring through wireless, for instance something like vehicles, and you're seeing some of that right now through the GM [General Motors] OnStar system. People that run oil wells or gas wells in Saskatchewan, they now want to do . . . [inaudible] . . . monitoring as well through wireless. So those are becoming new opportunities for us to again add customers and add revenues to our system.

[11:00]

We also believe you're going to see new services. Exactly what those services are, are always very difficult to say specifically. But you know, we're now moving into the over the top field. And so as an example with Max, we now provide a small product, over the top for Max. And so somebody that wants to use Movie Central, Treehouse, Hollywood Suite for instance, they can get it on their computer. They can get it any place they want in Canada essentially, and in the very near future we're going to add video-on-demand to that particular product. We'll also add that you can pick that product up on your cellphone or on your iPad. And again those will all enhance our revenue streams, now not directly but it will make the Max product one that is more desirable, and we believe again it will continue to grow our customer base.

So it's a combination of all the things you've talked about. You know, Max is a good example. We believe we continue to grow our market share with Max. In 2008 we had about 70,000 Max customers. At the end of 2012 we had 95,000, and we believe again there is an ability to continue to grow that. So you're going to see it from new products. You're going to see it from existing products. You're going to see it from new additions to existing products, but it will be from all of those.

And you know, I have to comment that now is a great time to take on debt. Interest rates are as low as you possibly can find. The government is in the process of making a change to our legislation. It was introduced in the House last session, but it will actually allow us to get into more than 30-year money. And again that gives us long-term interest rates that for the corporation, if things change, it will give us the kind of stability we need to continue to be successful. So we think we have a very good financial plan that's in place and one that will allow us to continue to be successful in the future.

**Mr. Belanger:** — Yes, I think in terms of the examples I would use, when you look at the 30-year debt plan that the Sask Party is letting you go under, you can probably . . . One can argue that's exactly what happened in the States with the housing crisis, you know, allowing 30- or 35-year mortgages. That becomes a problem. And I think, if I'm not wrong, you can correct me, but I think you'd much rather see reinvestment of dividends into the company as opposed to more debt. And that's my whole point is that as brave a face as one can put on this whole argument, the fact is there is dividend stripping from the Sask Party and increasing debt to SaskTel by the Sask Party.

I go back to the earlier comment I made. When you look at some of the revenues that you're predicting to service that debt, is there a percentage that you've identified in terms of servicing that debt between increasing the rates and the new services? Have you identified that? So do people expect higher cellphone bills or higher cellphone usage costs?

**Mr. Styles:** — We're in a competitive market. So on the cellphone side, I can definitely tell you that cellphone plan costs are not going to go up. If anything, in the long run, they're going to continue to go down, okay. Technologies are getting better. LTE that we've just introduced is five times faster than 4G — essentially means that it's five times more efficient. So within a certain given period of time on a particular tower, you can move five times as much data.

Our new LTE plans that we just put in place that are now being utilized by about 26,000 people here in the province, okay, those plans are at the exact same level as the 4G plans. So there's been no increase although you get better technology and you get a much better customer experience. So you know, there may be increases in other areas. It's very difficult to say.

Something like Max, we continue to grow the number of channels that are on Max and the kind of services that are available, and part of it is how you package up those services in terms of how you set the rates. But in a truly competitive market like we're in right now, I don't think you're going to see rates themselves go up.

We'll try to deliver more services. We'll try to be more efficient. And we'll try to find less expensive ways to be able to deliver the kind of services that we need to put out there for people. And some good examples in our recent capital plan goes back to how we're servicing customers. Customers no longer really want to phone in to a call centre. Customers like to be able to do things online, much like eBay or their own bank account for instance, and so we're trying to put more self-serve functionality in, okay, that's a little cheaper for our customers to be able to access and utilize over time.

**Mr. Belanger:** — Just in terms of the . . . This is what I think is really important: anticipating the potential problems that you might incur. And I certainly want to point out that I really am a strong admirer and supporter of SaskTel. I think a lot of people in Saskatchewan are. But to clarify, I think SaskTel is doing the job despite the challenges presented to the Crown corporation itself and to all the Crowns by the Sask Party. I think they're doing a remarkable job of surviving this government. So saying that, if you look at the point I made earlier, that when you strip dividends and increase debt, you make reckless public

comments, and we know that the Sask Party is being approached on a continual basis about selling off some of these Crowns, you begin to wonder what do we do and what do we say and how do we get the people of Saskatchewan to pay more attention?

So overall I would say that there are people out there that are very, very interested in seeing how SaskTel's going to grow. And I notice ministers and sometime even the Premier will go out to make grand announcements on behalf of SaskTel. But the moment there's some significant problem with SaskTel, they're quick to jump on SaskTel and saying, well maybe we shouldn't be in that business.

So all these comments that we're hearing from the past, I don't see them changing their mind from their philosophical position. So it's important for us to ask questions about the future growth of SaskTel and how we can strengthen it and how we can not only strengthen SaskTel but to make sure people out there know what's going on with SaskTel. And that's why we talk about the debt ratio. That's why we talk about the dividend stripping. That's why we talk about the comments out there, because we think it's important people know.

Now on the LTE, I notice the minister was certainly out there in front of the cameras talking about the LTE. And whenever there's some trouble, right away they get, well you talk to those guys over there, not to me. I'm a minister. So you take all the glory of the announcements of SaskTel, but then the moment there's some problems at SaskTel they jump all over them. So I can't figure out the problem in that particular relationship between the government and SaskTel.

Now on LTE versus 4G, it's faster, quicker, better — the statements that you made. What particular problems have you had with the 4G network, and will LTE solve those problems that were identified with the 4G system from the users themselves? Could you identify some of the challenges that you've had with 4G, and will LTE fix those?

**Hon. Mr. McMorris:** — What I'll do is, your second question on 4G and LTE I'm going to turn over to Ron who knows it much better. But I do want to answer your first question. You said people have and you have a lot of questions as to the relationship between government and SaskTel, the concerns, and that's why you're asking the questions. I'd ask you to listen to the answers then. Because here you talk about dividend stripping. And I'm going to read into the record what the dividend taken by the NDP [New Democratic Party] government for seven years were. Then I'll read into the record what the dividend taken by the Sask Party government has been in the five years that we have been government.

In 2000 the dividend taken by the NDP government was 94 per cent. The dividend taken in 2001 was 90 per cent. The dividend taken in 2002, 90 per cent. The dividend taken in 2003, 92 per cent. The dividend taken in 2004, 93 per cent. The dividend taken in 2005, 90 per cent.

The dividend under our government in 2007, 36 per cent. The dividend taken in 2008, 64 per cent. The dividend taken in 2009, 80 per cent. The dividend taken this past year, in 2012, 65 per cent — nothing like the 94 per cent that was taken under the

NDP.

So we've got a government that was taking 90 per cent or better out of a company that was really probably needing to expand even though the population was decreasing that whole time — decreasing.

In the past five years, we've increased the capital investment by \$1.4 billion or 79 per cent over what the NDP was putting into capital. We've increased on the cellphone side in the last five years by 25,000 customers. That's what happens when you have growth in a province, which we have now, which we didn't see under the NDP. That's what you see when you have growth. And with growth comes investment, and that's why SaskTel has invested more in the last couple years than any year under the NDP.

So I don't know how you can continue to say there was equity stripping over the last five years when you compare those numbers to what the NDP were doing. Certainly if you look at the investment and the debt in SaskTel because of that investment, because of the growth, because of trying to keep in front of the technology, not behind in a declining province, that's why you see the investment. It is still the lowest debt ratio of any telecom in Saskatchewan. We're positioned very, very well. But unless we invest in infrastructure to service customers into the future, even the SaskTel brand probably won't bring customers over if it's an inferior service. That is why there is more investment now over the last number of years than any time in, well, proportionate perhaps back to the '60s in SaskTel because the company needs to be strong to ensure the market share that we're seeing.

On the 4G LTE, I'll turn it over to Ron.

**Mr. Styles:** — So LTE stands for long-term evolution. It's the next version of wireless network that's out there. In bringing it to Saskatchewan, it carries with it a significant number of advantages. It is backwards compatible with 4G, so if you buy a phone that is LTE, if you're off of an area that has LTE coverage, it will fall back to 4G automatically. So we're not talking about stovepipe systems anymore. When you bought a new 4G phone it would not work on a CDMA network tower for instance, so if you left an area that had 4G but had a CDMA tower you'd simply lose your coverage. So the fact that it's compatible between the two networks is a major breakthrough.

LTE is very exciting in the sense that there are additional changes coming to LTE in the future. We believe probably by 2015 there'll be something called VoLTE, voice over LTE, and all of a sudden voice will be converted to data and there will be no longer data minutes for instance, okay. You're talking about running voice just as a data application as well, which we think will be a very large improvement.

LTE is five times faster. But another way to look at it is, with a particular set of spectrum that you would've put on a 4G network in the past, you put that on to LTE, you're able to move five times as much data. And our largest challenge with the 4G network is how popular it's been. There is simply so many people that want to use it for so many different applications, and it has allowed people to do things with video, for instance, that were not possible three years ago, that we've

had some congestion problems over time. That's resulted in some dropped calls, some dropped data sessions, things like that.

So LTE was an absolute necessity for us to move to, to in sort of a quantum sense grow the amount of capacity that's available. So by turning it up in Regina and Saskatoon, all of a sudden we've added a substantial amount of capacity in those two centres, and we're going to continue to push LTE out to seven more centres in 2013. That will help us with some of our capacity constraints and capacity challenges that are out there right now. And we hope in 2014 we'll move into rural and northern areas as well. LTE is just an essential component.

But the other exciting part about LTE is — and I mentioned VoLTE — but there is an LTE-Advanced that we see out there, maybe three years or four years, and that will increase speeds again by another 50 per cent. And so again, what you're talking about is a network that's becoming more efficient, more effective, probably allows us to keep our prices and the cost of service down as well and allows people to do a lot more with the technologies that are available to them. So we're very excited about LTE.

I think you'll see LTE, as it grows over time, allow for more capabilities to be added. One of the things that we learned with the 4G launch, that between 2010, August of 2010, we launched 4G, and to the present day there has been new developments with 4G. And so things that were not possible in August of 2010 with 4G are now possible.

You know, a good example of that is we now just launched a product called Roamware. So if you have one of our phones on a 4G system and you travel to a different country, and you land in that country and you turn your phone on, you'll get a message right away that you just landed in X country, maybe it's Great Britain. And it'll tell you exactly what it's going to cost you in terms of roaming, what the costs are, so you can control your costs as you're there. We're going to add more capabilities to it going forward as well.

So again, very exciting in terms of how fast the technologies change. All of it makes for a better customer experience. All of it allows us to be able to manage that experience a little better than maybe we were able to in the past. All of it provides for better coverage, more capacity, less blockage. So again, we're very optimistic about where we're going with wireless networks in the future.

**Mr. Belanger:** — Yes. There's no question that, you know, obviously for the layperson, which I am, I think it's important that the public awareness campaign as to how this all fits in with the future of SaskTel's operation, I think it would be very valuable in terms of trying to explain it as simply as you can to people because, you know, a lot of folks including myself have very, very basic understanding of how the spectrum we spoke about, how it works and how LTE coincides with the spectrum and so on and so forth. I think a lot of folks need to have that kind of basic information to see what SaskTel is made of. I think it would be a very, very important corporate strategy to do that.

I think one of the things that should be noted, and I just want to

comment on the minister's comment about the early years when the NDP took so much money out of the Crowns . . .

[11:15]

**The Chair:** — I'll just cut in. As Chair I've allowed a little bit of leeway, and I think you've both made your points on the past. So I would ask now that we just stick from here on in with the four years that are under consideration. Thank you, members.

**Mr. Belanger:** — Thank you very much, Mr. Chair. I'll just point out, Tory debt was part of our challenge in those early years, so I think it's important we just clarify that for the record.

Just in terms of the debt for SaskTel. At one point . . . I'm not sure who made the comment — it may have been you as the CEO — in terms of SaskTel's debt going up to \$750 million. Am I correct in assuming that it was a comment made by the CEO of SaskTel? Is that . . .

**Mr. Styles:** — I never used a specific number, no. Percentage ratio, you know, I think I made the comment that if our debt ratio got any higher than sort of high 50s, you know, we'd be very concerned about that.

**Mr. Belanger:** — Okay. Now I think . . . No, that's important to point out this. Somewhere along the line I've seen a note that SaskTel may have a debt problem of \$750 million in the near future, and I didn't want to attribute that to you unless you clarified that. But that's fair in the sense that you've clarified that.

Now in terms of the . . . Maybe again going back to my earlier comment about explaining to people, the layperson, what is meant by the spectrum and the frequencies and how that relates to LTE as simply as you can. And also the fact that if the frequencies are not available in the spectrum that you spoke of, then we're looking at a billion dollars worth of tower costs, which is an estimate.

So, you know, first of all for the layperson out there including myself, what is meant by spectrum? How does it relate to frequencies? And what is the difference between that option versus the billion dollars needed in tower construction costs to be able to carry a network to the whole province? And are those frequencies available? Is there questions as to whether we're able to access those frequencies? So if you can for me — I know it's a technical question and perhaps you have other folks that would be able to explain further — but could we get an explanation from you on that?

**Mr. Styles:** — I'm definitely not an engineer, okay? But spectrum simply refers to the radio waves that carries the signals off of our towers, so it's a means of communication from the tower to the individual phones. The phones receive the radio waves per person antenna, then there's a response to that, okay, that goes back to the tower and that's what makes the full connection.

The federal government sells radio waves. They sell it in different portions of the overall radio spectrum. Everything from 700 megahertz all the way up to, I think, 2.25 is the

highest we have — 2.25 gigahertz. So there are blocks. Usually the blocks are in 10 or 12 megahertz blocks. We own something just north, I believe, of 100 megahertz in total. You need that kind of spectrum to be able to operate wireless networks anywhere in the world, so it doesn't matter where it's Saskatchewan or some other place in Canada or whether it's over in another country.

Parts of the spectrum are better able to penetrate homes so you go to lower numbers, 700 megahertz for instance. It penetrates a home much better. It'll move through concrete for instance, things like that, and so you'll get much better coverage in your basement and places like that. If it's higher, 2.25 for instance, it does not penetrate very well and so you will not get as good coverage inside of your home or inside of a vehicle or inside of a hockey rink or a place like that.

The distance that the signals would carry, again the lower the number, you get much better coverage, okay? So a particular signal will go for a longer distance. The higher it is you get shorter distances. So that's a general sort of overview of spectrum.

It's important for us to make sure we have lots of spectrum. And we've been engaged in auctions, one in 2009 . . . [inaudible interjection] . . . I think it was 2009 was the last spectrum auction we were engaged in. We bought a considerable amount of spectrum and it's been valuable to us in terms of expanding our services. The next spectrum auction is the 700 megahertz spectrum auction that is coming up, we believe in 2013. And it'll be important for us to pick up some of that spectrum if we're to continue to grow the size of our network, grow the capacity of that network, and grow the coverage of that network, because by putting 700 on a tower versus a different type of spectrum, you will get more coverage. You'll go further with your signals. So a bit of an overview. Minister, if you . . .

**Hon. Mr. McMorris:** — Sure. I think as you're mentioning it's important to keep it simple. I need that message too, and I think maybe Little Red tries to do a pretty good job of that on . . . through the television commercials as to explaining what's available — LTE 4G right now, which is faster and more powerful.

So, you know, I don't know if people are as worried about what spectrum number we're running on as much as we're going to have hopefully fewer dropped calls for sure. We're at 1 per cent now which is good, but hopefully even lower than that, especially in our major centres, when this comes online. You know, I think that's probably what people are concerned about the most.

And I just want to answer one other question on the debt ratio which you've mentioned a couple of times, and I've said a couple of times that we have the lowest in Saskatchewan, that are operating in Saskatchewan. Bell, which is obviously a national, comes in operating in Saskatchewan at 55 per cent debt ratio. Telus is at 45 per cent debt ratio. MTS [Manitoba Telecom Services] is at 55 per cent debt ratio. This is for the third quarter of 2012. And SaskTel is at 39 per cent debt ratio. So when you compare it to the other major telcos, we're in very good shape with a network that is growing and expanding.

**Mr. Belanger:** — Just going back to the spectrum and the auctions that you have on the spectrum, obviously if I was a competitor to SaskTel and I looked at the opportunity in Saskatchewan, then you're going to obviously try and get those spectrums as well. So is there some competition for the spectrums? When you say auction, one would assume there is. And where are you getting the competition, like from which companies? And how confident are you that we're able to successfully keep the frequencies that we need to build on the LTE?

**Mr. Styles:** — So the next auction, the auction rules have not been released yet. There is a policy paper the federal government put out on what they're proposing, but they have not confirmed or finalized what the rules will be for that particular auction.

It's for, if I remember correctly, about 40 megahertz of a 700 megahertz spectrum, and so we're hopeful to be able to pick up some portion of that. We anticipate that the maximum an incumbent will be able to purchase will probably be 10 megahertz. That looks to be the rules the federal government is gravitating towards right now.

We anticipate that all of the other major companies in Canada will probably come after spectrum in Saskatchewan. We'd be surprised if they didn't. There's a potential for other companies, a couple of the new companies in Eastern Canada, Wind and Mobilicity for instance, they could come forward and come after spectrum.

In the last auction Shaw bought spectrum. Now they've since sold . . . They've got an auction agreement, I should say, with Rogers to sell the spectrum they bought in the last auction. But it's very difficult to say exactly who will come forward at a given time to buy spectrum. But it's a very valuable commodity in this day and age of where wireless is becoming one of the primary means of communications anywhere in the world. It's an asset that doesn't depreciate. So when you buy it, it's not like buying software or hardware or something where you get a depreciation every year, okay? It retains its value over time. So it tends to be, you know, a relatively good investment.

As wireless, the amount of wireless signals continues to grow, we anticipate the value of spectrum will continue to grow into the future as well. Although with technology you can never say anything, you know, absolutely for certain, but again, very valuable commodity.

**Mr. Belanger:** — So in a sense that, if I could just from a layman's perspective — and correct me if I'm wrong — basically frequencies, which are radio waves which allow us, depending on the type of frequency that we get, to provide services through LTE which is pretty critical to the future growth of SaskTel, so as we compete for these radio waves, these spectrums, then the future of SaskTel pretty much hinges on us being able to get those spectrums or get the frequencies that we're bidding for in order for us to build the company. Is that correct?

**Mr. Styles:** — I wouldn't quite go so far as to say that the future of SaskTel . . . It's very, very important for us, and we'll be in the auctions. And you know, we hope to obtain a certain

amount of spectrum. But it's tough to say the future hinges on it. The way technology changes and becomes more efficient, you know, sometimes technology solves your problems versus the quantity of a particular ingredient such as spectrum.

**Mr. Belanger:** — Do we anticipate any other foreign countries applying or bidding for those frequencies, such as the States? Can they apply? Can they bid?

**Mr. Styles:** — Right now the federal government only allows foreign entities to invest in telecom companies that are less than 10 per cent of the Canadian market. Now that can be alleviated through certain types of structuring, so for instance I believe Wind right now is owned by a Russian company. And so, you know, there are circumstances that allow for it, but it's very difficult for a company out of the United States for instance to step into the Canadian market and acquire spectrum without structuring things in a certain manner. So there really weren't any foreign purchasers of spectrum other than Wind in the last spectrum auction in 2008.

**Mr. Belanger:** — Now the other point, just getting back to the spectrum or frequencies, we had a problem with rural customers losing their wireless service. Do you remember that incident? And we were advised at the time that we would be losing the frequencies necessary to provide that service. I think it was 8,000 rural customers. What happened there? Did we not anticipate that those frequencies would be lost by SaskTel and is there a combination of other factors? Because obviously when this came to light, as an opposition we don't like seeing rural Saskatchewan losing any services. And losing the wireless service for their Internet connection was problematic for 8,000 customers of SaskTel. What happened there and how do we get the frequency back, and can we anticipate these problems in the future when we talk about the allocation of the spectrum or frequencies?

**Mr. Styles:** — So the federal government from time to time re-examines spectrum and its use here in Canada. As an example, 700 megahertz spectrum has traditionally been used by television companies: CBC [Canadian Broadcasting Corporation], CTV [Canadian Television Network Ltd.], and that's how they broadcast their signal. At some point in time, the digital technology catching up, the federal government made a decision in conjunction with the communications industry that those kind of broadcasts were no longer necessary. The 700 megahertz spectrum has been taken away from the television industry and it's now being made available to the wireless industry companies such as SaskTel or Bell or Telus or whoever else. So the federal government re-examines things and again does what's necessary to adapt to changing technologies.

The same was true with the particular spectrum we're talking about that we used for our fixed wireless system. WBBi [wireless broadband internet] is what it's been called in the past. There's a set of spectrum there, okay, that the federal government, through consultations across Canada, made a decision to realign and remove a portion of the spectrum from some of the companies across Canada and make it available, okay, for LTE and 4G usage in the future. It'll be put out for sale, we understand, in 2014 and so we're losing a portion of the spectrum that we were given. We did not purchase it in the

past, but we were given it by the federal government. We're going to lose a portion of that.

It was known a number of years ago that this was going to occur. The federal government made people aware of it. SaskTel at the time began looking for other options and alternatives to serve those customers that were tied into our fixed wireless network. It's fair to say that there are not a lot of options, okay? Technology continues to develop. But again there's not a lot of great options for long-distance telecommunications. They're very limited, satellite being one of the prime ones that's available right now.

We started working with a company by the name of Xplornet. I'm going back a number of years, I believe 2007. Xplornet provided what I would call a very low-end product — very limited speeds, data caps, etc. — much akin to dial-up services. But they were developing and expanding their technologies. And so they launched, in 2011 they launched a new satellite that moves to what they call high-throughput communication services, wireless communication services. And it provides essentially the same service that our fixed wireless service now provides. In fact it's faster. It'll go all the way up to five megabits per second.

[11:30]

So now it is a wireless service. And with all wireless services, okay, there is a fixed amount of capacity on a signal. And so depending on the number of people you put on and type of services that they're trying to draw off of that, the speeds will fluctuate. They will go up and down, no different than they will when anybody's cellphone that would be here in the room right now.

We have tried to make sure that we were not withdrawing any services from any individual in Saskatchewan without being able to provide a comparable service or a better service in return. And so we worked with Xplornet to make sure that when the satellite was launched, it would have an ability to service all of the people here in Saskatchewan that were on the fixed wireless service in the past.

No service was withdrawn from any individual when we made the announcement about doing the transitions, and no one lost any service. We were simply seeking to transition people from one network to the other network at comparable costs. And in point of fact, with the promotions that were in place, it would be at a lower cost to individuals. And so we again simply wanted to address a particular challenge and a particular issue that were there.

One of the challenges we ran into is that the satellite, when it was deployed from Russia by Xplornet, okay, it failed to cover a small portion of southern Saskatchewan, about 1,000 customers of ours. And so when we found out that 1,000 customers of ours would not be covered by the new service, okay, we immediately began looking for some alternative technologies. Now one that has cropped up that we're quite excited about is something called LTE TDD [time division duplex].

It is an LTE-type service similar to what we just talked about in

terms of mobile network, but it's fixed. So it goes point to point; it's not mobile. So you would take that service directly to someone's home and they would get Internet off of it, okay, the type of products essentially that you would get if it was a mobile product. You can even put on to it a telephone service. And so we're very interested and this as the long-term solution to providing better services throughout rural, northern, remote areas, okay, in Saskatchewan.

We'll be the first telecom in Canada, I believe probably the first in North America, to test this technology. We've now got it up on two or three of our towers. We hope to activate it about March the 4th. We'll do some of our own testing for about a month and a half and then we have a select number of customers that we'll start testing it with. And by roughly June some point, we'll know whether the technology works well in Saskatchewan. It will have range limitations, but it has some very, very nice upside to it.

So I talked a little bit about what fixed wireless has in terms of speed capacity. And the WBBi system that we just talked about would go up to 3 megabits per second, for instance. Xplornet would go up to 5 megabits per second, okay. But LTE TDD, if you equip it with enough spectrum, you're going to get speeds that might be anywhere from four to eight or ten times faster. And so we see it as being a very good product, okay, for the long term here in Saskatchewan.

But again it's a technology that, you know, looks great in the lab. It has been deployed in other countries such as Japan, Saudi Arabia, and a number of countries around the world. We want to see how it works in Saskatchewan, in our environment, in the kind of temperature extremes we have, the kind of distances we're talking about. Our population is quite spread out compared to some of the countries I just mentioned, and so it's a matter of testing the technology. But it looks very, very promising.

Unlike some of the coverage, unfortunately, that we received through the media on this, you know, I'd like to make the point that at no point in time did we ever withdraw service from any customer in Saskatchewan without working on an alternative service. No one was ever without any service, okay, during the period when this was covered quite heavily by the media. And we've worked very hard, my staff have, to try to make sure we provide suitable equal or better services to those customers. And we're quite committed to making sure rural Saskatchewan has a good set of services.

**Mr. Belanger:** — So the 8,000 people that we understood were impacted by this decision to lose your frequencies or the spectrum, that basically you're saying that Xplornet with some of their improvements made to their coverage — despite the data cap and despite their footprint in the province — that you anticipate maybe 1,000 people may have some problems because of Xplornet's coverage area?

**Mr. Styles:** — The satellite when it was sent up, it was delayed in terms of the launch. And so you may remember the Soviet, the Russian satellite program, or the Russian space program had a little problem in terms of some launches. So they were late getting the satellite up, and it's not quite positioned where it should be. To move it into an appropriate orbit that would cover

the entire province would cost a lot of money, and so for 1,000 of our customers we know we need to find an alternative service, and that's what we're working on.

**Mr. Belanger:** — Okay. And so all the 8,000 potential impacted customers which you say by 2014 would see their service disrupted if we didn't do anything, that all 8,000 people have been advised, and they're accordingly aware of what's on the horizon when it comes to their service. Is that correct?

**Mr. Styles:** — Yes, they've all received letters, and in point of fact what we've done to try to provide maybe a higher degree of customer service, we're holding local meetings. So we'll take a small area; we'll bring people out right to that small area. And we will try to bring all of our customers in to be able to explain to them what's happening and the kind of conversion that we're looking to make.

We've been relatively successful at getting some conversions done already. I think we're closing in on about 1,700 people that have been converted. And so, you know, a lot of those people are finding the service to be again comparable or even slightly better than what they've had in the past.

You know, I do want to sort of reinforce, it is a wireless service and therefore things like weather, distance, again the number of people that are on it — all have impacts in terms of speed. So it's not quite like a land line service where you can say look, you're going to get 25 megabits per second, and you know exactly what it'll be. Any time you're talking a wireless service, it's going to vary in speed. We can give you the peak potential. And that's some of the, I think, the things that people, they would like a guarantee in terms of the service level. But you can only do that on wire line; you can't do that really on wireless.

**Mr. Belanger:** — So when you made reference to comparable rates for the 8,000 people that may be impacted by this, when you say comparable, what did you mean by that? Like what are they paying now versus what the potential range might be?

**Mr. Styles:** — My staff tell me it was 59.95, okay, on the old fixed wireless service. With the new promotions that we've got out, it's around 56. And for the 56, okay, they get a faster speed and so again they don't have the same problems with the data caps either. So you know, again it's a better product offering, so you're getting better service at a slightly lower price.

**Mr. Belanger:** — Okay. I just want to shift gears a bit because we obviously have a few more questions on the spectrum, but we'll come back to those in relation to some of the potential problems that you might see on that front. But I want to shift gears a bit to the Chinese company — I think it's Chinese — the Huawei communications company or telecom service. What exactly, if you can explain to the average person out there, like who is Huawei and who owns Huawei and what are they doing for SaskTel?

**Mr. Styles:** — So Huawei is a Chinese company. In the Chinese vernacular they're privately owned. I have to apologize; I couldn't give you a recitation of exactly who the owners are, but a lot of it is employee owned. They are, I believe, now about the second largest telecom vendor in the world, so they've really grown over time. We use them to



provide network elements on the periphery of our network. So what's on the towers is Huawei equipment, and what's called BBUs or baseband units, okay, that actually take the signals, do the conversion, you know, either up or down from the antennas. And we use their radio network controllers as well. But they're on the periphery of our network. They're not in the core of the network.

**Mr. Belanger:** — Now obviously when we looked at Huawei — and I just need to clarify this because we don't want to . . . It's just all about good information, right? Now Huawei actually had some serious concerns from a number of countries in terms of security of their system. We obviously mentioned that in the media. I think it was Australia that had some major concerns, and Great Britain as well, and our biggest trading partner, the US. So the Americans were actually warning people about Huawei being the telecom service provider that they are, that there was some security problems there. What were they making reference to, if you can advise us of that?

**Mr. Styles:** — Again information and putting things into perspective I think is always important in talking about this type of a topic. Huawei actually is in the United States, and Huawei does provide equipment and technology to quite a number of tier 2 telecoms in the United States. So you know, it's not like they've been barred from doing business in the United States. The US government though, from a strategic perspective, doesn't believe that the major telecoms in the United States should be using Huawei equipment.

Their concern, I believe, and it's my interpretation, so you know strictly that as an interpretation is that they are concerned that in the event of some sort of a crisis, the major telecoms in the United States may not be able to access telecommunications equipment from Huawei in China. They are concerned that there may be some type of security problem within the actual network. And again telecommunication systems have a lot of different components on the periphery. You're just talking about the towers, etc., okay. In the core it's a little different, where the switches are; it's a little different scenario. Then there's routers and other types of technology as well.

The US federal government seems to be most concerned, okay, about the core and the routers, things like that. But again their decision was essentially a strategic decision. And they did not want to depend on a Chinese firm. Conversely, in Great Britain almost all of the major telecoms in Great Britain, as I understand it, extensively use Huawei equipment, both on the periphery and in the core. And so I would tell you I don't think it's a technology decision, but it's more a strategic policy decision.

**Mr. Belanger:** — So basically from the perspective of the concerns that Australia may have and the Americans may have in relation to Huawei's strategic challenges, if you can put it that way, that SaskTel doesn't have any particular concerns nor do they see any threats to the security of private information or any of that kind of activity. So is that fair to get that assessment from you?

**Hon. Mr. McMorris:** — I think that would be fair to say. When you look at, you know, the marketplace for Huawei, they're in 140 different countries. They service 45 of the

world's 50 largest telecommunication companies. We have people, you know, 29 people employed to make sure that any equipment that we get, whether it's from Huawei or any other supplier, is secure, is screened, and it's equipment as opposed to, as Ron had said, using, you know . . . It's simply using hardware really is what it's using. So we're quite comfortable, especially when you look at the number of countries that are using it and the number of telecom companies that are using it — their equipment I should say, not it. Their equipment.

**Mr. Belanger:** — You know, I think it's really important that we continue to monitor what kind of activity and what kind of concerns, because obviously you look at Australia and the US in general, that you would assume they'd have a lot more put into the security of their system. They'd have more intelligence around what they perceive as threats and so on and so forth. So I think it's important when somebody raises red flags about a particular company and some of the concerns related to that company, that it would serve as a good reminder for all of us to pay very close attention to what they are saying and what the concerns are, and do not diminish them in any way, shape, or form.

One of the reasons why I was talking about foreign technology and of course the frequency issue is whether foreign companies could, or countries could actually compete. I just want to clarify to the CEO, did you tell *The Globe and Mail* that you're very much in favour of foreign investment into the telecom industry here in Canada? And certainly from the perspective of being the CEO of SaskTel, how does that fit in the scheme of things when you talk about the challenges that we face in SaskTel?

**Mr. Styles:** — I think the quote, if I remember correctly, was on the lines that we have no concerns over foreign investment, okay. So I wouldn't say in favour or against, okay. It's just not a concern for us. We're obviously government owned at the present time and foreign investment isn't, you know, isn't a major issue.

When you look at telecom carriers in most countries, most countries can only sustain two or three major networks, okay. For three or four or five networks to be in place would be very difficult. You've got to find the land, you've got to have the spectrum, you've got to have all these different pieces. In Canada essentially you're coming down to almost just two basic networks, one that is set up and operated by Bell, Telus, and ourselves — we provide it here in Saskatchewan; Bell and Telus provide it in other areas in Canada — and the other one is by Rogers.

[11:45]

You know, so personally I don't foresee that, another competitor coming into Canada and setting up a complete new network, as really being feasible. United States really has only three major networks, okay. Now there's a lot of small ones, some regional stuff, okay. But you've basically got Sprint, Verizon, and AT & T down in the United States. They're a lot larger than us. They have a lot more population. If they can only sustain three, I don't think you're going to be able to see three being sustained here in Canada.

You know, is there a need for foreign capital? I think that's a

broader question. You know, it brings some advantages; it does. Relationships in terms of mobile technology now are becoming worldwide. You need roaming agreements wherever you go to make your network viable and provide the kind of offerings for your customers that they're expecting. So those kind of relationships are becoming more and more important for us, okay. We have a roaming agreement right now with AT & T as an example, and again very important, you know. We're in a partnership with Bell and Telus at the same time as we're, you know, very tough competitors with them, okay, in the Saskatchewan marketplace.

So you know, like I say, I wouldn't say it was in favour. It was, you know, we accept the idea that there's probably going to be some form of foreign competition long term. And you know, again it really comes down to you have to be competitive in a limited market.

**Mr. Belanger:** — No, I certainly sincerely appreciate your point on that issue, your clarification.

I just want to shift gears a bit with cellphone coverage because obviously some of the areas that you identified in terms of future growth is cellphone coverage. And rural parts of Saskatchewan that we've spoken about, and certainly the dropped calls issue has been also brought forward. But I wouldn't be doing justice as a northern MLA [Member of the Legislative Assembly] if I didn't talk about the northern agenda in terms of cellphone coverage as well. Is there any plans within SaskTel's long-term planning to look at expanding cellphone coverage to the northern parts of our province?

**Mr. Styles:** — So it's important for us to continue to grow and expand our cellphone network to as many areas as we can in Saskatchewan. We take that very seriously. One of the things that's going to create a bit of an advantage for us or an opportunity for us in terms of that expansion is the fact that we've partnered with the federal government to take fibre on to, I believe it's about 80 First Nations communities here in Saskatchewan. Fibre is an essential aspect to backhauling off of a tower. So you can erect a tower, but if you don't have fibre to be able to backhaul the data off of the tower, the tower is of no use to you really. So that's going to give us a very good, very solid backhaul system.

In a lot of those communities — I believe it's about 40 — we are erecting towers. And quite a few are already done, and there'll be more done in 2013 as well. So we are growing our network in rural and northern areas. Just last week, I believe, we turned out the tower in Southend, and that tower is now servicing Southend and the First Nations that's just outside of Southend as well.

We find it important to be able to build partnerships with some of the companies, the organizations that are in those areas. The business case is not quite as black and white as it might be in a major centre, but by working with the community of Southend, the First Nations that's in Southend, Cameco, the health region, and a variety of others, by partnering and us putting some money in and each of the other entities putting some money in, we were able to put the tower into operation.

We are negotiating as well with a number of First Nations just

north of Meadow Lake, and I think you'll see some things there. We are talking to two or three other communities in the North as well, so I think you'll continue to see the coverage grow over time.

One of the things I think we learned when we put out the 4G system, CDMA was very much an enabling network. Having the ability to be able to pick up your flip phone and make a couple of calls or maybe receive an email etc., was important. You know, it really facilitated your personal life and your work life as well.

With 4G it's become essential. Everything you do now revolves around your phone — your business connections, all the rest of it. It's not just about voice any more. And that means it's driving not just the capacity issue but the desire for more coverage, and more coverage whether you're in the North, in the South, wherever. And so we're working hard to try to meet that.

In the last year we completed about 190 improvement projects on our network. Some of that is capacity expansion. Some of that is coverage. And this year we'll have over 200 projects that we'll do the same. This year we know we'll be out into some of the resort communities, for instance around the Prince Albert National Park. At certain parts of the year, we know that there's problems with blockage, etc., in those particular areas and we're going to add the necessary capacity to deal with that.

We also are going to continue to grow and expand the number of towers. We've sorted some of that out, but we're still working with communities and companies and individuals to see where we might add it. So I think you're going to see over time a lot more coverage, and a lot more capacity is going to be available to all Saskatchewan residents.

**Mr. Belanger:** — Yes, I am aware that you've had some talks with the Meadow Lake Tribal Council. I know they're quite active in trying to pursue that, the notion that a lot of the First Nations in their area need cellphone coverage. And like in terms of northern Saskatchewan, they're obviously advocating for more of those services.

What other particular areas that are being challenged now by cellphone coverage and of course with the full-meal deal, in terms of all the services that people take, would need off their cellphones? Like you said, everything, you know, your cellphones are almost are your life nowadays. But how many other areas are asking for and really require that investments besides the northern part of our province?

**Mr. Styles:** — Well I mean there is a variety of areas — again, different networks, different technologies. We've learned some things over time. And so I maybe can relate some things anecdotally, but when CDMA was developed, we put a lot of the towers just outside of a community and then you beamed back into the community and it worked well. There was no problems in terms of coverage or capacity, things like that.

What we came to understand is with 4G, as you start to load the tower up in terms of the amount of data that it's communicating, its coverage pattern shrinks, and so having towers outside of communities has created some challenges. So

I'll pick on Humboldt, where the tower was outside the community. We were beaming into the community. It beamed okay into a portion of the community, but the far side of the community, we weren't catching it quite as much as we would've liked. And so you need to come back in with a tower of some sort, maybe a stealth pole, which is quite a bit smaller tower, only 15 metres, to cover off that particular area. So you know, there are lots of those circumstances and situations throughout the province.

Some of the major corridors, we still need to improve our coverage in those major corridors. The old CDMA network covered everything perfectly, but just because of different technologies, we'll need to adapt a little bit. We're putting in what we call an underlay network in a lot of the major cities. These are smaller towers, again 15-metre stealth poles, microcells, things like that. And again they take care of certain areas.

So you put one in front of a school, for instance, it'll suck up a lot of the data being transmitted from the school and the young people that are in the school and won't affect your macro tower that covers a much larger area.

So you know, I think over time you're going to see growth. Economic development is really creating a demand as well. We have a tower up near Lloydminster right now, I don't think there's a town or a city — no towns, no villages, no hamlets, I think — in the entire area around the tower. It's all heavy-oil producers, and they're using the tower to full capacity right now. So you know, you're going to continue to see lots of demand, and I think you'll see coverage continue to grow over a period of time.

We do look for opportunities. Red Earth First Nation had a tower that had nothing on it. I'm not sure where it came from. It wasn't a SaskTel tower. They offered the tower up for us if we'd put the antennas up and put the backhaul in place. And for the amount of money it cost us, we were able to get another tower operating around the Red Earth First Nation. It covers the highway that goes by. It covers the Red Earth First Nation as well. So again, you know, we keep looking for those opportunities, and it's always about cost and return.

**Mr. Belanger:** — All right. Now Southend, when you say the federal government worked with you on providing the coverage to Southend, what kind of help? Was it a financial contribution? Did Cameco put some money in as well?

**Mr. Styles:** — All those partners that I mentioned all contributed money. The band contributed money. Cameco contributed money. I believe the health district up there contributed money, the lodge, and Areva. So again lots of different partners; all of them saw certain benefits that were coming out of it. We contributed as much capital as would make it essentially a break-even project; we wouldn't lose money, but we wouldn't make money on it. And we're quite happy in those locations. You know, if we can just break even, we're quite happy to put up the equipment and run the service.

**Mr. Belanger:** — Now one would assume, when you're talking about the lodge putting in money, and I'm not sure of the lodge, but it must be a pretty rich lodge because obviously putting the

necessary equipment for cellphone use, you would assume that this is a \$100,000 or \$200,000 cost. Like what was the actual cost to provide that service, and what did they contribute? What did each partner contribute to it?

**Mr. Styles:** — The project was about \$1.2 million. The partners put in 209,000. And we could get you the breakdown, if you'd like, after the . . .

**Mr. Belanger:** — Sure.

**Mr. Styles:** — After the meeting is done.

**Mr. Belanger:** — Now obviously if the federal government could do more of that particular investment into some of the First Nations communities, in particular the northern parts of our province, because you're right, when it comes to use of the cellphone there's probably not a better business tool out there to use than a cellphone with all the available services there. And a lot of people are not just advocating that for the business perspective but for the safety issue, with the distance travelling or distance being travelled by school bus children and business people and everyday traffic. A lot of these things are really important to the people. So I guess that's why the point I would raise is that in terms of some of these discussions, whether it's with MLTC [Meadow Lake Tribal Council] or the federal government, what do you see happening within the next year to three years in terms of expanded service to the North?

**Mr. Styles:** — It's always very difficult to forecast exactly what other entities are going to do in terms of putting money in. I can tell you the federal government has been very good about allocating additional money for us to run fibre into First Nations around Saskatchewan, in addition to building some towers in those First Nations. And I think the correct number is 70 million, but we'll check that. You know, so they've really come to the table and they've done very well in terms of putting those kind of dollars forward.

We continue to look for program, government funding options both within the province and with the federal government and with local governments to be able to address particular needs in specific areas. Exactly what that might look like year by year, it'd be very difficult to forecast that.

You know, we've been relatively successful in the last three years, especially in northern, remote areas on First Nations. There seems to have been more money available to deal with a lot of that than there has in other parts of the province. I think, on the economic development side, we believe there'll be lots of opportunities there long term. We're in the process of putting up a tower right now for instance for BHP up near Prince Albert, Melfort area. And so you know, that will have the benefit of taking care of not only the mine site but, you know, all the major infrastructure — the roads, for instance, in the surrounding area. So sometimes there's lots of ways to lever multiple partners to find a partnership that will work for three or four different entities in a particular area.

**Mr. Belanger:** — Now I just want to clarify this in terms of the actual usage because somewhere along the line when you talked about expanding cellphone coverage to certain communities, I paid particular attention to some of the communities in my area.

There's two questions I have.

The first question is, is SaskTel's revenue stream from this expansion of cellphone coverage, even to the northern communities, has it been enhanced? Is it a good, profitable thing to do?

And the second thing is that at one point somebody had mentioned — I'm not sure which briefing — that when they'd done the revenue projections for the expansion of cellphone coverage in some of these northern communities, they actually had four times the use than they anticipated so therefore it was a very profitable venture. So those are my two questions. I know it was in two parts, but could you clarify that for me?

**Mr. Styles:** — So my staff tell me that the comment you're referring to goes back to a former vice-president at SaskTel. And I think it was in reference to maybe prior periods in terms of the kind of penetration rate that was probably being experienced in those communities who were getting a much higher penetration rate, more phones on it than we'd expected.

But those kind of improvements or increases, however you want to phrase that, are taken into account in our present set of business cases. ARPU [average revenue per user] I'm told is slightly higher. So average revenue per user is slightly higher in northern communities, but just very marginal. It wouldn't really change the business case analysis very much.

[12:00]

Those towers tend not to be profitable for us. Now there's probably a tower some place that would break that particular comment, but generally they're not profitable for us. The number of users isn't large enough, and so that's what, you know, tends to create the challenge for us. And like I say, that hasn't deterred us at all from trying to make sure that we are providing or improving coverage in those communities in those areas. We simply look for alternative ways to try to deliver those kinds of services.

You know, we understand that it's important for people from a personal perspective, and we understand it's important for them from a business perspective. And there's a certain sort of public safety aspect as well that, you know, tends to go with it. So we take it very seriously, and we do try to find ways to make those work. We're working on a couple right now in the very Far North, up around Stony Rapids. And there's some existing towers in place, and so again the cost is a little less.

Part of it, you know, I want to continue to reinforce is always the backhaul. We need to have the backhaul capacity in place. Putting the tower up is only one part of it. And we're now getting maxed out in the North in terms of our backhaul capacity, and so we are looking at new projects that will increase backhaul capacity in northern Saskatchewan as well.

**The Chair:** — Being 12 we will, this committee will recess till 1 p.m. this afternoon. Thank you.

[The committee recessed from 12:01 until 13:01.]

**The Chair:** — Time being 1 o'clock again, this committee will

resume. Mr. Belanger, I believe, had the floor.

**Mr. Belanger:** — Thank you very much, Mr. Chair. I just want to go a bit back into the debt and the challenges that SaskTel faces financially. If SaskTel's debt reached 7 or \$800 million, what would that be to the corporate debt ratio? What would that make it to be?

**Hon. Mr. McMorris:** — I don't know if I would use the same terms. Financial . . . what did you . . . difficulty or problems?

**Mr. Belanger:** — Challenge.

**Hon. Mr. McMorris:** — Financial challenges. I don't think I would use that term, personally, when you look at this telecom compared to again the other telecoms running at . . . this telecom at 39 percent roughly, compared to others that are at 55 per cent debt ratio.

The other thing that again I could maybe use the term financial challenges if revenues were dropping significantly, but revenues aren't dropping. We've had a very good year this year. SaskTel, I should say, has had a very good year this year along with being able to expand to make sure that it's positioned to have good years into the future. So I don't think I would coin it as financial challenges. I mean the question as to, you know, what is the debt ratio, you know, Ron can answer, but I would perhaps not use the word challenge.

**Mr. Styles:** — So 7 to 750 million would get you to about 50 per cent, assuming no more growth in equity. But you're going to continue to grow equity at the same time, so it's not a . . . You can't do a static analysis. It becomes dynamic over a period of time. But you're getting pretty close to 50 million.

You know, again part of what's important is your ability to service the debt, and the kind of volatility that may be there in terms of the term of the debt as well. And that's why we're hopeful, to make sure that we're taking on longer term debt at lower interest rates. You obviously are able to manage that much more effectively on a long-term basis than if you have short-term debt that has very high interest rates that, you know, would be maybe 10, 12, or 14 per cent. So again you've got to look at quite a variety of factors, but we're quite capable to go to that level, still sustain it, and still operate in a very profitable manner.

**Mr. Belanger:** — Okay. I want to shift gears here in terms of the whole notion of the employees. I guess the question I would ask today is, how many full-time employees did SaskTel have in 2007 compared to today? And of those employees that may have been lost, have they been fired or simply lost to attrition?

**Mr. Styles:** — Okay. So I'm going to read right from the 2011 annual report and it's on page 37 of the report. And it talks about total employees, and these are reported as full-time equivalents. And so in 2007 we had 5,209 employees and in 2011, 4,053 employees. Now a substantial portion of those would have come as the result of the sale of subsidiaries or gone as a result of the sale of subsidiaries. Hospitality Net for instance, and I think the number 350, about 350 employees with Hospitality Net.

About 400 have come out of the corporation in the past four years as a result of changes in the ways that we run our business operations. And so for instance we used to have a very large operator services group. We no longer have that. We have a relatively small operator services group. Everything has gone automated. And so as an example, if you want to dial 411 and you want to get a telephone number for somebody, okay, it's all automated. Same with our call centres. We're moving more to automation on the call centre side. So you know, I mentioned earlier, if you look at something like your bank account, you can now go on the Internet and you can do all the transactions you want with your bank account, pay a mortgage, whatever you'd like to do, on your own. A lot of our transactions are going in that direction as well and you're going to see new capabilities come on to our website in 2013 and 2014 that'll allow you to do things, for instance, such as change the package of TV stations you may have on Max. And again you will not require somebody who's in a call centre.

It's important to go to new models of service because our clients are expecting those kind of channels to be there. They also want to be serviced on a 24-7-365 day a year basis, whereas with call centres you're into much more restricted time periods. So some of it is just a result of the kind of change that's going on in the corporation and the organization. To some extent again, we do things more efficiently, and it allows us to reduce our costs, improves our profitability, or allows us to be more competitive with those that we're in competition with.

**Mr. Belanger:** — So since 2007 we've lost approximately 1,200 employees. Is that a fair assessment to make?

**Mr. Styles:** — Yes, that's correct.

**Mr. Belanger:** — Okay. And how many of those employees have been replaced with people that have been contracted to do some of the services, like the connections for example? I understand that has been contracted out. Could you give us an analysis versus the 1,200 you lose for SaskTel versus how many you're employing in the contracting-out services?

**Mr. Styles:** — I don't have a direct breakdown in front me, and I think it would be very difficult to try to assemble that kind of a breakdown. SaskTel has always contracted out, you know, a certain portion of its services. We tend to contract out services where we need the capacity in very short periods of time.

As an example, the fibre build that we're doing right now, fibre to the prem, we do use a contractor for that. We're going to build a fibre system. It'll be built within five or six years. The contractor will be gone. Okay, if we did it with our own staff resources we would have to staff up. We would have to buy the equipment, and then we would have to get out of that particular activity. It's much more cost-effective to be able to do it, okay, with a contractor in those particular areas.

There are on occasion some parts of our regular operations where we have made decisions not to be involved in a particular activity, where we believe we can get it done more effectively in the private sector, and where we can use those individuals to perhaps do a different activity for us.

We have as well added a contractor on to do some connection

work for us. Ledcor is the name of the contractor. Ledcor is only doing a small number of connections for us, and basically it's to try to address periods where we have a certain peak volume, and our customers don't want to wait 20 days to get a connection, but we do not have enough staff at that peak only to be able to do it. So Ledcor is there. They take care of the peak for us, okay. We're able to keep our customers satisfied and provide them with the services in a relatively short order of time. But they're doing a very small percentage of the overall connections for us.

**Mr. Belanger:** — Just in terms of if you don't have the exact kind of . . . And I appreciate you don't have the number of employees. But what kind of dollar value are you looking at? Are you seeing the contracting-out dollar cost increasing year to year or is it staying pretty much the same?

**Mr. Styles:** — Again having not sort of put the numbers together, I can give you an opinion. I would suggest on the operations side of the business, okay, it's probably about the same as what it would have been in the past. So that's on the operations side. On the capital side, we're doing a lot more capital activity than we've ever done in the past. And our capital activity has grown, almost doubled, in about the past eight or nine years. You know, therefore the volume of contracted activity has probably increased quite substantially. And again it's a case of where you're building a brand new network, you want to be able to use somebody who's got experience to come in and be able to do that for you rather than to try to staff it up and then staff it down. Hiring staff, you know, hiring 100 staff to build the network and then releasing 100 staff in four or five years is not good for us, and it's not good for our staff either.

The other part, my staff just reminded me, would be on the systems side. We're rebuilding a lot of our back end systems, OSS [operations support system] and DSS [decision support systems] systems, the IT [information technology] systems. So we acquire those from a company such as Oracle, for instance. We just put in something called a CRM system, customer relationship management system, based on Siebel. Again it was acquired from Oracle and we brought in a system integrator to put it in place. But it took us a one-year period of time. Again to be able to bring your own staff in and try to train them, have them do the work, and then release them after, it makes no sense. It's not good for your staff and it's not good for the company. So we bring contractors in for those kind of things.

For our base networks and operation of those networks, we use our own staff, you know. That's who we want to have in place. They understand our business. They're going to be with us long term. They have long-term job opportunities with us.

**Mr. Belanger:** — When you sell a service that, to use the analogy of the Hospitality Network, losing something like 400 jobs attached to that particular operation of SaskTel, do you look back and see where the current operation is now? Like who purchased the Hospitality Network off SaskTel and what are their profit margins today. Do you do any of that?

**Mr. Styles:** — It was purchased by a private entity and so there's no ability to go back and have a look at the financial statements, okay. They're held privately. It's not a public entity.

So there is no ability to do it, nor would we do it. You know, it has no bearing to our moving forward in essence.

**Mr. Belanger:** — Okay. Now the other thing that I think is important is that you look at the 411 service. When somebody dials that number and actually talks to an operator, where's that operator at? Like are they located . . .

**Mr. Styles:** — In Saskatoon.

**Mr. Belanger:** — In Saskatoon? And who does that service for . . .

**Mr. Styles:** — That's our own employees. We still have an operator services group. They're in Saskatoon. So where the automated system, you know, can't supply the right information, the operator takes over, and it's one of our staff that answers it morning, noon, and night, 365 days a year.

**Mr. Belanger:** — And how many employees there?

**Mr. Styles:** — We think about 70 are still in that particular group.

**Mr. Belanger:** — From a peak of what?

**Mr. Styles:** — It depends when. You know, you go back, okay. I understand if you went back 20 years, it would have been over 1,000 people in operator services. Ten years ago . . . I mean it's just an area where you no longer have switchboards where you're plugging things in. Switches have taken it all over. Everything is becoming automated so the number of employees has fallen quite dramatically over a long period of time.

**Mr. Belanger:** — Yes. That 411 system, I don't like that at all. That automated system. My God, I get so angry when I'm parked on the side of the road trying to get information. That 411 answering system has an attitude, you know, and I think we need to fix that.

But anyway I want to go back into Max service in terms of the availability of Max service. You know, when you hear you shouldn't be competing with the private sector, you hear that continually from the Tory side of the Assembly. So on the Max front itself, do you think that it is competing with the private sector? And if it is competing with the private sector — I guess I can ask the minister this — do you foresee SaskTel getting out of the Max system or Max service?

**Hon. Mr. McMorris:** — Well it is certainly competing with . . . There is other suppliers of TV services in the province. Obviously there are. If we're at 35 per cent market exposure, that means there's 65 per cent of the general public that are getting their TV services somewhere else, and there isn't another government provider in Saskatchewan, so it's probably from the private sector. That private sector could be satellite. It could be Shaw, or I don't even know . . . I shouldn't even say what the other providers are — Freudian slip. But some other providers out there or even local community providers which are . . . You know, there are co-operatives and there are private business that provide. So it's a combination. And yes, so Max would compete in a competitive market.

I think it's pretty evident, as Ron had said before, the investment into Max to have it as again modern as possible, so when we are a customer's choice of provider that we can offer as up to date . . . Ron was talking about the over the top. That's new for Max. I think if a company or a government was not wanting to see the Max succeed, you wouldn't have made those improvements as we have been, moving forward over the last number of years.

[13:15]

**Mr. Belanger:** — Now the other thing I think is really important is that you look at some of the issues of what we perceive as contracting out. That's problematic for, you know, the marketing of SaskTel because obviously as you have more employees, these employees become ambassadors of the corporation and, you know, they extol the virtues of how Crown ownership is valuable for Saskatchewan in their homes and in their communities, in their restaurants and in the shopping marts and so on and so forth. You always see a lot of the employees that will defend and support their employer. So when you see a lot of the employees that work for SaskTel or SaskPower, you know, they really are committed to the Crown corporations, and they're also committed to keeping them.

So when you talk about what we have done in terms of taking out some of the revenues from SaskTel, the profits from SaskTel, we noticed another alarming trend of not only letting employees go but also selling assets. You talk about the Hospitality Network. And for the record, the 2009 report for Hospitality Network under the new owners show that revenues have been good, have been increasing. But another thing that was done by SaskTel was selling the office building that was owned by SaskTel. I think we owned 70 per cent of it.

Now I thought I was the only guy that didn't know what he was doing when we talked about selling a house in Saskatoon in 2004 I think. I had a house there in Saskatoon. I look back at it and I thought, I should've kept it because it was just increasing in value. Now what, that SaskTel building that we sold, what would the value be? What did you sell it for, and what would the value be today?

**Hon. Mr. McMorris:** — What I can say is that the sale's proceeds were \$28.7 million. As far as the value of what that building would be today, we'd have to go and get a market evaluation, which really I'm not sure what that would prove to us. It's not an issue that we would be moving forward on. It was a decision at that time to sell the building.

There was, again, a profit of about 27 or a gain of \$27 million, and it was a decision at the time. I mean the corporation makes these decisions as we move forward, just like when we sold Retx and a number of entities that were purchased many years ago. Some of them made money, like the Hospitality Network. Many of them lost money, and it was a decision of SaskTel to make a move on those and to sell those at the time, as it was with the Saskatoon Square at that time.

**Mr. Belanger:** — But generally, like if I . . . I'm sure there may have been discussions in the documents that looked at the notion of selling SaskTel where it indicated that this building would be worth a substantial amount more money given the

current trends of the real estate market in Saskatchewan or Saskatoon to be specific. I'm sure the documentation and the analysis must have been there as part of the process to sell this.

My only point is, what are we paying now to replace the needs that we had for that facility, and what would that facility be worth today? And it has everything to do with the whole notion of protecting the Crowns because I'm understanding that the Sask Party had this Saskatchewan first policy. And it's not mentioned too much today by the Sask Party MLAs because (a) I don't think they understood what it was but more importantly is that it's just a phrase that they used to justify selling investments from other provinces that were actually profitable for the Crown corporations. And today we don't hear any of that.

So even if we had a Sask first policy, wouldn't that policy encompass SaskTel's assets such as the Saskatoon Square building? Shouldn't somewhere along the line of your communication you would indicate to the people, as part of the Sask first policy that we're trying to employ, it wasn't just a political game — which we think it was — but we were serious about it? If the minister would have said that and said, this building 10 years from now is probably going to be worth twice as much to replace it, so we think under the Sask first policy we should actually keep that building. It's a good strategic investment. It's wise to keep that facility for our future needs, and therefore we should not sell it.

But I don't believe any of the analysis was done. I think what happened was the Sask Party, in their haste to try and make some quick bucks, decided to sell assets of SaskTel and turn around and blame some other factor for their reason for them to do that without taking into account the impact, the long-term impact on SaskTel itself.

And the question I'll have, there was nothing in the preparation of the sale of that building that would indicate to this government that it would not be a wise thing to do, based on the fact that this building was increasing in its value and to replace it would be much more and to contract out services for the office needs we have now would be much more over the long run. Are you saying that none of that was taken into account?

**Hon. Mr. McMorris:** — I'll start and then I'll let Ron kind of finish up, is that the building was bought when the market was low, probably around \$10 million roughly. It was sold for a \$27 million profit when the market was high. Having said all that, we are utilizing about 20 per cent of the floor space of the building, which really puts you in . . . from a corporation owning a building for its own use, really had become a property management company.

I don't know if that's what you think that SaskTel should be, is investing in buildings to manage property for, you know, utilization of 20 per cent. That I don't think is core business for SaskTel. And I mean it does very, very well in Internet and cellular service and Max, and we can name many of them. And it may have done a fairly good job of property management, but I don't think that's core business for SaskTel.

So it made perfect sense. Unless you want to expand that and have SaskTel get into the property management, and looking

for good buildings that they could purchase and hopefully see appreciate, that is just not core business. So this particular situation, although it bought in, was not utilizing all the floor space obviously, only a 20 per cent footprint, and decided to move out of that at a strong profit which is very, very positive for the corporation. It was no doubt reinvested back into the corporation. So you know, it was a good business decision I believe.

**Mr. Belanger:** — I guess the next question I would have is, obviously, I need to know was there assessment done in the preparation of the sale of the building to indicate that the cons of selling this building is that to replace this building would cost X-amount of million . . .

**Hon. Mr. McMorris:** — To replace it?

**Mr. Belanger:** — No, but if SaskTel needed it. And the other point is that what I can't understand is you talk about it's not part of the core business of owning a building, is what you indicated to me not more than a couple seconds ago. But letting a bunch of employees go is part of the core activity of the business? My argument is that employees and buildings and assets are all part of the core activity of any business. They're all part of it. And you can't differentiate one area because you're philosophically against owning Crown corporations for your own political purposes. Today I can almost guarantee you that building is worth a lot more than what you sold it for.

And \$28.7 million, I think you said for the building, where did that money go? Did it go to the GRF [General Revenue Fund]? Did it go back into the corporation? I can almost guarantee you it didn't go back and reinvest in SaskTel. If it did go, it went back into their bottom line, which was called a dividend, and the dividend was taken by your government.

So you're selling assets. You're privatizing services. You're letting go of employees. All the while you're taking out your dividends. So it confuses me as to, do you guys really know what you're doing with the Crown corporations at all?

**Mr. Styles:** — Just on an issue of the technical use of the funds. So the cash did stay in the corporation. The percentage of the gain went back to the government as part of their regular dividend, but the cash did stay in the corporation, so it was used for capital expenditures.

**Mr. Belanger:** — I guess the other question I would ask is in relation to the building itself. Who purchased the building?

**Mr. Styles:** — Dundee real estate holdings, and the sale was done through an open and competitive tender.

**Mr. Belanger:** — And was the price of \$50 million, was it resold to them for 50 million?

**Mr. Styles:** — Yes, \$50 million.

**Mr. Belanger:** — So how much did we lose on that transaction?

**Mr. Styles:** — We gained on the transaction. During the period of time that we owned the building, including with the sale

proceeds themselves, we made a profit of \$27 million on the ownership and sale of the building over that period of time. So it was a very profitable holding.

The building was bought though at a very depressed point in time for Saskatoon real estate, and it was sold at one of the high points in terms of value in the Saskatoon market. So again it was a very good transaction for us. But to reinforce, as the minister pointed out, we're not a property management corporation. And with only 20 per cent of the space in the building actually being SaskTel, we were being a landlord for law firms, venture capital firms, Saskatoon health authority, etc., okay. My preference, my strong preference would be to make sure my staff were servicing my customers rather than, you know, other entities that might be up in Saskatoon.

**Mr. Belanger:** — Well, Mr. Chair, I've got a lot more issues I want to speak about, but we'll do that in due time. At this point it's all the questions I have.

**The Chair:** — Thank you. Are there any other questions on the said years that are before this committee? Seeing none, I would ask that a member move that we conclude consideration for the 2008, 2009, 2010, 2011 annual reports, financial statements for Saskatchewan Telecommunications Holding companies and subsidiaries.

**Ms. Wilson:** — I so move, Mr. Chair.

**The Chair:** — Ms. Wilson has moved that motion. All those in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — I believe the motion is carried. I will ask the minister or Mr. Belanger if they want to make a closing remark before I conclude the meeting.

**Hon. Mr. McMorris:** — Sure. I'd just like to thank all the committee members for being here on a Tuesday, I guess it is, and the opposition critic for asking questions. But most importantly I thank all the officials from SaskTel for all their advice and information that they were able to provide me on a regular basis but the committee today. So thank them very much.

**The Chair:** — Thank you. Mr. Belanger.

**Mr. Belanger:** — Yes. Just to point out that I am as well thankful for some of the information and for the staff being here today and thank the committee members as well.

And to also point out that I think it's going to be certainly a preference of mine to request that the annual meetings for SaskTel be done on an annual basis. I think that this improves oversight and it certainly improves scrutiny. And I think the people of the province of Saskatchewan would appreciate to see what's happening with SaskTel on an annual basis as opposed to dealing with four annual reports in one committee meeting. I think it's really important that we do that just to improve accountability and transparency. So certainly from my committee perspective, I would recommend that we undertake that initiative immediately. Thank you very much.

**The Chair:** — Thank you, Mr. Belanger. I would ask a member, now that the business being concluded, I would ask a member that we call for adjournment. Mr. Moe has called that we adjourn this meeting. All those in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. The committee's now stands adjourned until further call of the Chair. Thank you.

[The committee adjourned at 13:29.]