



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 47 – September 15, 2015



Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Greg Brkich
Arm River-Watrous

Mr. Rob Norris
Saskatoon Greystone

Mr. Kevin Phillips
Melfort

Mr. Randy Weekes
Biggar

Ms. Colleen Young
Lloydminster

[The committee met at 09:01.]

The Chair: — Well good morning, and welcome to the Standing Committee on Crown and Central Agencies. Members of the committee include, substituting for Mr. Greg Brkich is Mr. Warren Steinley. We also have Mr. Randy Weekes and Ms. Colleen Young, and from the NDP [New Democratic Party] we have Cathy Sproule and Warren McCall. And I would also like to welcome our Provincial Auditor, Judy Ferguson, and her officials to the committee. And would you like to introduce your officials, please.

Ms. Ferguson: — Sure. This morning I've got with me Ms. Kim Lowe. Kim is our office's liaison with this committee along with the Public Accounts Committee, and she'll be assisting me in the presentation of the chapters on this agenda item.

The Chair: — Well thank you. And we have two documents to table today. They are CCA 180/27, Crown Investments Corporation of Saskatchewan, CIC, Crown Investments Corporation of Saskatchewan and Crown subsidiaries 2014 payee disclosure report. Also we have CCA 181/27, Crown Investments Corporation of Saskatchewan, CIC, report of public losses, April 1st, 2015 to June 30th, 2015 for CIC and its subsidiary Crown corporations, dated July 30th, 2015.

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

Some Hon. Members: — Agreed.

Standing Committee on Crown and Central Agencies

The Chair: — That is agreed. The first items on the agenda are chapters from 2009-2014 Provincial Auditor reports dealing with our committee, the Standing Committee on Crown and Central Agencies. Ms. Ferguson, it's my understanding that you will be presenting in two parts. Please make your first presentation on the chapters.

Ms. Ferguson: — Thank you very much, Mr. Chair, Deputy Chair, members. And I guess we don't have any officials at this point in time. So what we're going to do is . . . The very first part that we're going to look at is all the chapters other than the 2011 report volume 2, chapter 26. So it is all the rest of them there. So before we launch into this, I just want to highlight to you that these chapters do not contain any recommendations for the committee's consideration. Rather what they're designed is to provide your committee with an overview of the status of your committee's work as it relates to our audit office and the review of annual reports of CIC Crowns, CIC and its subsidiary Crowns.

In your review of our work and recommendations, your committee makes recommendations. Your committee includes its recommendations in reports to the Assembly. The committee's last report was the 10th report to the twenty-fifth legislature, was tabled on August the 23rd, 2007. This is the last report that relates to the review of chapters and recommendations related to the CIC Crowns included in our report.

At March 31st, 2015, the committee had not yet considered 30 chapters from eight different reports relating to eight Crown corporations and the committee. At the conclusion of this committee, you will have 14 chapters from four different reports relating to seven Crown corporations. So you'll . . . [inaudible] . . . quite a bit of it off during today's proceedings.

In addition, as you are aware, your committee is responsible for examining annual reports of CIC and its subsidiaries and related pension plans. At March 31st, 2015, the committee had not completed its review of the 2010, 2011, 2012, and 2013 annual reports of CIC and its subsidiary Crowns. And we note that on today's proceedings you're planning again to review a number of those annual reports.

Our office encourages the committee to review the related chapters in our reports and the annual reports on a timely basis, in that this review contributes to the overall accountability process that's important for the public and for the legislatures. You know, it helps hold the government accountable in its management of CIC and its subsidiary Crowns. So this concludes our overview of that array of chapters that are on the agenda, and we'll pause for the committee's deliberations, if any.

The Chair: — Well thank you, Ms. Ferguson. And just before we get to any questions, I would like to welcome Rob Norris to the committee. Are there any questions? Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Madam Auditor, for those comments and for highlighting perhaps the need to deal with these on a more timely basis. Certainly it's of concern to see a lot of these Crown annual reports not being reviewed on an annual basis, and I think as a committee we need to be a little more diligent in that way because it helps us be more accountable to the public. So I certainly hope that on a go-forward basis . . . And I know we're planning another meeting in January to try and get caught up with the this back load. I think it's just much more meaningful to look at an annual report the year after it's introduced rather than four or five years after it's been introduced and there are four other annual reports following it.

So in that sense certainly those reports are available to the public the minute they're released. But I think as far as our committee work, I think it would be prudent and maybe proper for us to be a little more diligent in our review of them. So I look forward to today and tomorrow and also hopefully, if we can pull it off in January, to get caught up and be more timely on these.

I noticed that the various chapters that we're considering right now, and the pages, are pretty similar. There was one question I had on chapter 26, page 220, and it's just an explanation I would like more than anything. If you could explain what that recommendation is there and sort of what the plan is. Because there was a . . . we had concurred on 25 . . . it's top of page 220, chapter 26 I believe, the "Crown Investments Corporation Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures." It says that's an outstanding recommendation. I don't understand how that fits in there with everything, so could

you explain that?

Ms. Ferguson: — Most definitely. What you'll find is the agenda item that will be discussed that is outstanding and you'll likely put it, place it on your agenda in January. We'll include a chapter that is the results of the follow-up that we have done. So this chapter here was produced in the spring of 2012, and subsequent to 2012 our office has looked at that recommendation and has reported the results of that publicly. You'll find that what we have is we've reported that those recommendations have been implemented, and you'll see that in the future annual report.

Ms. Sproule: — Okay. Thank you for that. I don't have any further comments at this time. I don't know if anyone else does.

The Chair: — Well thank you. Are there any more questions? There are no recommendations for these chapters. What's the committee's wish in regards to the Provincial Auditor's report dealing with our committee? Ms. Young.

Ms. Young: — I wish to conclude consideration of the Provincial Auditor report 2009 volume 1, chapter 17; the Provincial Auditor report volume 1, 2010, chapter 20; the Provincial Auditor report 2011 volume 1, chapter 20; Provincial Auditor's report 2012 volume 1, chapter 26; Provincial Auditor's report 2013 volume 1, chapter 31; and the Provincial Auditor report 2014 volume 1, chapter 32.

The Chair: — Ms. Young moves to conclude consideration of chapter 17 of the 2009 *Report of the Provincial Auditor* volume 1; chapter 20 of the 2010 *Report of the Provincial Auditor* volume 1; chapter 20 of the 2011 *Report of the Provincial Auditor* volume 1; chapter 26 of the 2012 *Report of the Provincial Auditor* volume 1; chapter 31 of the 2013 *Report of the Provincial Auditor* volume 1; and chapter 32 of the 2014 *Report of the Provincial Auditor* volume 1. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That is agreed so it's carried. Ms. Ferguson, please proceed with your second presentation.

Ms. Ferguson: — Thank you, Mr. Chair. I'm just going to turn it over to Ms. Lowe and she's going to be presenting. It's chapter 26 of our 2011 report volume 2.

Ms. Lowe: — Thank you. Our 2011 report volume 2, chapter 26A provides our updated assessment of the overall quality of the content of the 2010 annual reports of six CIC Crown corporations. It does not contain any recommendations for the committee's consideration.

We found the content of CIC Crowns' annual reports remains strong and consistent with best practices. CIC showed its continued commitment to providing the legislature with quality annual reports by setting minimum standards for disclosure of information and engaging an outside agency to periodically review the annual reports of CIC Crowns. That concludes my overview.

The Chair: — Thank you. Are there any questions? Ms. Sproule.

Ms. Sproule: — Once again we're looking at something from five years ago and I'm just wondering why we wouldn't be looking at all of the chapters over the last five years, now that we're here, about the quality of the annual reports. Or do you do this every year? And why are we only considering 2011 at this point?

The Chair: — Ms. Ferguson.

Ms. Ferguson: — Mr. Chair, thank you. This is work that we had undertaken in prior . . . Like we actually did a performance audit in prior years where we looked at annual reports, and not just CIC Crown and a sample of its subsidiaries but also treasury board Crowns. As you may have noticed, this chapter has two parts — a 26A and a 26B. So this is work that we've done on a periodic basis. At this point in time this was the last time that we had done this work so there is no subsequent reports in this area. So it's an area that we look at on a periodic basis.

Our idea is to make sure that it's reinforcing the importance of the quality of the information in the annual reports, that they should be primarily in our view a performance document as opposed to a promotional document, so to keep the emphasis on the performance of, reporting on the actual performance of an organization.

Ms. Sproule: — Thank you. Sometimes you have to go right to the back to find the performance part of the annual reports, that's for sure. Thank you for that.

I think what this highlights again though is that this should have been reviewed by this committee much sooner than 2015, in the fall of 2015. So again I would reiterate to Mr. Chair and all of us as committee members of our role in ensuring that these are looked at in a timely fashion. That's the extent of my comments.

The Chair: — Are there any more questions? Since there are no recommendations in chapter 26 part A, quality of annual reports of CIC Crown corporations, of the 2011 *Report of the Provincial Auditor* volume 2, what's the committee's wish in regard to this chapter?

Ms. Young: — I wish to conclude consideration of the Provincial Auditor report 2011 volume 2, chapter 26A.

The Chair: — Ms. Young moves to conclude consideration of chapter 26 part A, quality of annual reports of CIC Crown corporations, of the 2011 *Report of the Provincial Auditor* volume 2. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is agreed. Carried.

The next agenda item, we actually don't have the people in here yet. They are due at 9:30, so we will recess for 15 minutes.

[The committee recessed for a period of time.]

[09:30]

Saskatchewan Telecommunications Holding Corporation

The Chair: — Well good morning. The time now being 9:30, we are going to do Saskatchewan Telecommunications Holding Corporation. We'll now be considering the Provincial Auditor chapters from 2009 and 2014 for SaskTel as well as the annual reports and financial statements for 2012, 2013, and 2014. I would first ask Minister Reiter to introduce his officials.

Hon. Mr. Reiter: — Thank you, Mr. Chair. I have with me today my chief of staff, Angela Currie. I have Ron Styles who's president and CEO [chief executive officer] of SaskTel, Charlene Gavel who's the chief financial officer, Darcee MacFarlane who's vice-president of corporate and government relations, and John Meldrum who's vice-president corporate counsel and regulatory affairs and chief privacy officer.

The Chair: — Thank you, Minister Reiter. I will now turn it over to Ms. Ferguson to introduce her officials and make her comments on the chapters.

Ms. Ferguson: — Thank you, Mr. Chair, Deputy Chair, members, and minister and officials. I'd like to introduce who I have got with me this morning. To my right is . . . or my left, I guess here, is Mr. Jason Wandy. Jason is responsible . . . His responsibilities include working on the SaskTel portfolio here. Behind him is Ms. Diana Adams. Diana is a partner with KPMG. KPMG is the appointed auditor for SaskTel and their subsidiaries and pension plan. And beside Ms. Adams is Ms. Kim Lowe, and Kim is the liaison from our office with this committee.

So before we launch into making presentations of the seven chapters that are before you this morning, I'd like to take a moment and thank the president of SaskTel, the minister, and all of your staff of your Crown and all your subsidiaries and pension plan for the co-operation that our office has received in the course of the work here.

I'm also going to pause and outline how we plan to cover the agenda this morning. So instead of presenting the chapters sequentially as they are presented on the agenda, we're going to group them together. We're grouping them by types of audits. So I don't know if you want to just take a pencil and circle but, you know, it might help.

So we're going to do three parts. So the first part, we're going to present a portion of chapter 13 related to our follow-up of six recommendations we made in our 2007 audit of SaskTel's processes to manage intellectual property. So that'll be part one. So chapter 13 of our 2009 report volume 1.

So the second part is, Mr. Wandy's going to present the rest of chapter 13, which contains the results of our performance audit on the wireless network. You'll find it has seven new recommendations for the committee's consideration in that segment of the chapter. Along with that, he's going to talk about three related chapters. That's chapter 16 from our 2011 report volume 1, chapter 29 of our 2013 report volume 1, and chapter 48 of our 2013 volume 2. All of those relate to the topic of wireless network security.

And then the third part will really be the remaining chapters that

are left on this particular agenda item. You'll find that those chapters contain two new recommendations for the committee's consideration.

So without further ado, I'm going to present a portion of chapter 13 of our 2009 report volume 1. I'm focusing on pages 166 to 168. So we report that by March of 2009, SaskTel had implemented all of the recommendations that we made in our 2007 audit of SaskTel's processes to manage intellectual property. That concludes my presentation on that portion. So, Mr. Chair, would you like us just to continue to the next portion or would you like to pause for questions?

The Chair: — Well I'm wondering if there's . . . Do you have any problems, Minister Reiter, with doing it this way?

Hon. Mr. Reiter: — That's fine.

The Chair: — Okay. And I guess if there's any questions on this . . . Mr. McCall.

Mr. McCall: — Sure thing. We'll see if this works, or whether, you know . . . I guess for the time being we'll ask our questions when you're asking for folks to raise their hand, Mr. Chair, and we'll see if that serves us as we proceed.

So the pages 166 through 168, you're dealing with the recommendations 1 through 6. I guess they've been implemented as of March 2009. Implementing those recommendations, what impact is that having as of today or as of the years under question in 2012, '13, '14? Could the auditor or the minister and officials give us an example of how those recommendations have been implemented and the impact they're having on the day-to-day operations of SaskTel and its various subsidiaries?

The Chair: — Mr. Reiter.

Hon. Mr. Reiter: — I thank the member for the question. As he mentioned, the recommendations have been implemented. But as it refers to day-to-day operations, I would ask Mr. Styles to answer that.

Mr. Styles: — So over the last five years we've begun to rebuild or redevelop the corporation. There's been a lot of technology changes starting in about 2010. With those, we've shifted a little bit from what would be called normally a best-of-breed approach to our operating systems, to our business systems. We now use a lot of what are called generic products, products that are being used throughout the world, in essence. So the issue of intellectual property has sort of lessened itself over time for us.

Now we're very careful about those particular products or those particular services that have some type of intellectual property attached to it. And again the necessary systems have been put in place to ensure that we're able to protect that on an ongoing basis, but the magnitude of the issue and the potential impact on us from not having the systems in place has lessened quite significantly over a period of time.

And I could point to things such as 4G that we've put in for our wireless networks. Again it is something that is now available

anywhere in the world essentially. LTE [long-term evolution] is very similar to that. What we're doing on fibre, again there's nothing really proprietary about that. The services that we're putting over top, they're services that are available in many, many other locations around the world.

So on the operating systems and the business systems where, in the past, again we had best-of-breed systems, ones that were specifically developed for us, we've now shifted to two stacks of software. It's not completed yet, but one stack is based around SAP software. Again, it's used by many, many companies here in Canada and throughout North America. The other stack is really based around Oracle, and again, it's a stack of software that's available, you know, generally anyplace almost in the world in this day and age.

So you know, we have made the adjustments, and we're very attentive to making sure that we protect intellectual property that has value to us. But in addition the magnitude of the issue has really lessened over the last five years and will probably continue to lessen itself going forward as well.

Mr. McCall: — I guess one of the aspects of SaskTel's history that certainly is a point of pride was the development of fibre optic cable and sort of research and development commitments on the part of the corporation that brought that about, and again, you know, world-leading technology being brought to bear, being brought forward here in Saskatchewan. I guess to respond to what you've said in another way — and it's good to be very conscious about what you're going to be buying off the shelf, there's a savings in that certainly — but alongside of that, what sort of research and development work is ongoing? And then how does that relate back to the IP [intellectual property] framework of the corporation?

Mr. Styles: — So let me tell you, we do very little of what I would call true research. What we do essentially is commercialization of particular products now. So we're much more attentive to finding technologies that are available but maybe have not been implemented or not been implemented widely — ones that we can bring in, we can put in place here in Saskatchewan — and give us advantages both in the marketplace plus provide the kind of support, the kind of products that our customers find to be to their advantage as a business trying to operate.

And a recent example is, we were the first in Canada to put in a combined core that was operating both 4G and LTE. It was a Cisco core, so Cisco had developed the technology, but we were the first to actually put it into commercial use here in Canada. It's sort of the start of convergence. One of the visions I think that people had for a long, long time is that you'll be able to access your data, you'll be able to access your emails from any device, any place at any time. And these kind of converged cores are going to be the start of that.

So again we've stepped out, but I would call it rapid commercialization of available technologies. We've recently done something very similar in terms of upgrading our billing system, or putting in a brand new billing system, actually. We were on one that was 10 or 12 years old, was being operated actually from outside the province, and we've now moved to a wireless billing system based around Oracle products. But it is

one of the first instances to use real-time data rating. And so our customers can at this point in time contact our call centre and find a rate, up to sort of a minute prior to their contact, exactly how much data they've used, what the bill's going to look like, etc., and keep track of what's going on on a more regular basis.

So our commercialization of that particular technology again was leading edge here in Canada. So we're paying more attention to that rather than trying to do research and development. It takes huge amounts of resources to be able to get into that, where in the past it probably didn't.

As an example, one of our vendors, Huawei out of China, Huawei has some 18 R & D centres around the world and tens of thousands employees that are involved in doing that kind of basic research. There wouldn't be really an opportunity I think for us to try to keep up with the industry and the technology. So we focus more on the rapid commercialization and trying to find ways to differentiate our networks and provide new and better services for our customers here in Saskatchewan.

Mr. McCall: — In terms of, again, just to gain some clarity on where things are currently at in terms of the R & D component of SaskTel, where does that sit today as compared to, say, 2010 when the realignment commenced?

Mr. Styles: — We historically had some R & D capacity. We've essentially moved away from any real R & D capacity to one that is based more around, again, commercialization of new products. So we will bring in new products faster, run them through our labs, test them out, figure out the kind of application that we can, you know, we can apply to those particular products and try to put them into service much, much faster. So again it wouldn't be a true R & D in terms of intellectual property, but rather it's more about the commercialization of products, about bringing them in and implementing into our systems, into our networks.

A good example, another example might be on the fibre side. And so when we first started to put fibre out to the home, one of our challenges was around making sure we had a new modem that could get to the kind of speeds that we were looking to move to. And so initially we wanted to be able to provide a maximum speed of around 200 megabits per second. We had to test that modem in a particularly difficult environment. It was actually some of the college dormitories up at the University of Saskatchewan, and the company that made the modem and provided it to us thought that they had something that would work in that kind of environment.

We found out very quickly that the number of devices being hooked on to the model was sometimes getting as high as 16 or 18 devices because you have three students that are in there and they're holding study parties, for instance. And so we worked very, very closely with a company called Actiontec to modify the software and end up with a package that will work in the Saskatchewan environment and will meet our needs. That particular modem now allows us to provide services all the way up to 260 megabits per second on downloads and about 100 on uploads.

So again, you know, the hardware and stuff was developed by another company. We worked with them on the software loads

to make sure that it was going to be able to meet some of the demands that were going to be placed on it. And that was the, at the time when we introduced the 260 megabits per second in Canada, it was the fastest retail speed on fibre available. Now it's since been leap-frogged, and we're looking now to try to get involved with somebody to try to find a modem that'll provide for faster speeds, potentially up to a gigabyte per second.

Mr. McCall: — Thank you for that. And I guess one of the things that is always I think a challenge for a corporation like SaskTel is that, you know, when you're in such a highly competitive environment, rapidly changing technology, how much do you retain in terms of expertise to make sure that you're not buying any . . . that you know where you should be going in terms of oncoming technology, and having the expertise to not be held hostage to external operators and at the same time taking advantage of the people that are making these investments.

[09:45]

So in terms of the environment that SaskTel's operating in, and as that relates to IP and the framework that's been adopted and in practice since March of 2009, with the rapid commercialization being the sort of venue by which SaskTel pursues these opportunities that would arise from IP, for the years since March 2009, have there been . . . Could the officials or the minister describe for the committee sort of a year-by-year breakdown of where that IP and that expertise that's been gained by SaskTel, how that's in turn led to opportunities to sell that expertise to other actors, other provinces, other corporations? Is that what's come from this rapid commercialization focus in terms of the work of the corporation, or is that a mischaracterization? Or could the president tell us a bit more about that.

Mr. Styles: — There's really three things that we've done since 2010 that has allowed us to ensure we develop and retain the kind of expertise and understanding of the industry and its future, maybe as compared to the past. First, starting in about 2010-2011, we began to add some staff into our technology group. This is the group that's responsible to create the necessary vision of what our networks are going to look like, help us make decisions around, again, bringing fibre to the home. That was a decision that was only taken in 2010, early 2011; in addition, what we're doing with wireless, what the network will look like in the future, new technologies within the network — things like that as well.

And so, you know, again we've increased the size of that particular group. We want to have that expertise in house. We don't want to be looking outside for it except in very unique situations. We've also brought in a much younger group, if I can use that phrase, a much younger group of people that are maybe better tied to some of the new technologies, understand where it's going — things like compression technology, just as an example. And so that would be the second thing. And so we have a much younger technology group than we probably did five years ago, and we've continued to try to build that.

And then the third part of it really is making available to them the kind of training. You cannot get trained on the technologies that we have here in Saskatchewan. It's just simply not

possible. The universities, the polytechnic, you know . . . These are technologies that are being developed, very quickly developed in one, two, and three years. And so, you know, we've had a very conscious program in making sure that our staff in our technology group have the ability to attend the necessary training sessions wherever they are. At times we've had people that have gone over to China to work with our vendor there, Huawei. And again, Huawei is able to put them right into their research parks and learn a lot about the new technologies that are coming out. And it could be something as simply as a new antenna system that will come out. There is two or three new that are on the horizon right now.

You know, so those are kind of the three things that we've done to try to, you know, build and grow that. Now have we used it externally to the company? We've done a little bit of that through SaskTel International. And so as an example, we've worked a little bit with the NorthwesTel, NorthwesTel I believe they're called, in the Northwest Territories. And so we've helped them in terms of the design of their network up in the Northwest Territories.

Done a little bit as well with other companies, even a couple here in Saskatchewan, where we've built a certain level of expertise on things like an OC — an operating centre, okay — that manages and controls the system on a long-term basis. So we've done parts of that from time to time. I wouldn't say it's a large part of our business. I mean it's a very small part of our business, but we extend that, and in return it often places our staff into situations where they're able to grow and learn.

At points in time as well, our expertise in certain areas of technology, you know, you use it extensively when you put the technology in. And once the technology is in, you simply continue to operate it, and therefore the demand for the knowledge might fall off a little bit. Allowing our staff to work with other companies, assist them with their implementation, helps us retain the individuals, helps grow their knowledge base as well. So we do a little bit of that.

The only real sale of our internal intellectual property is really around a system we call Martens. It is the foundational system for the entire company. It is a system that keeps track of all of our assets that are in the field and, from an automated basis, allows for the connection of assets to provide a particular package of services. That is a software package we now sell to a variety of customers in Canada and the United States, and potentially we might sell it overseas as well, depending if companies are interested.

We're in the process of actually upgrading it right now. We've completed most of the upgrades. It will be a new product called Optius Odin, and again it's one we hope to see other companies buy. But at its foundation, it's something we developed for ourself. It's been around for a long time, and it is probably the key piece of intellectual property that we have at the present time.

Mr. McCall: — Just to gain a better understanding, when you refer to sales, what kind of volume of dollars are you talking?

Mr. Styles: — Optius Odin, you might be in the, say 20 million in a year I would think, maybe a little less than that.

Our biggest sale, our biggest customer is a company called CenturyLink out of the United States. CenturyLink is, I believe, now the third largest telecom in the United States, heavily dependent upon landlines, IPTV [Internet protocol television], Internet provision. That's really their area of business. They do a lot with fibre to the prem, systems like that as well. The new system that we've moved from, from Martens up to Optius Odin, is fibre compatible, and so it's great for anybody who's trying to do a fibre installation.

Mr. McCall: — Thanks for that. In terms of, you've referenced the partnership with Huawei, could the president or the minister or officials talk a little bit more about how the intellectual property framework interacts with that partnership?

Mr. Styles: — We're essentially buying a product or a service, how you want to define that, from Huawei. So they own all of the intellectual property that's attached to, you know, to that particular network. From them we buy equipment that is on the edge of our network, to use that phrase. It's the radio part of the network, so the equipment that would be on the towers, what's called BBUs [baseband units] that are below the towers, and then if you're talking about the old 4G network, something called a radio network controllers, RNCs, which has software in it. So they essentially own it all. We operate it. My staff obviously have to understand the software and how it all operates, but we don't own the proprietary rights to it.

Mr. McCall: — So the benefits that accrue to the different partners, for SaskTel you get access to cutting-edge technology, capital spent certainly. What are the benefits to Huawei?

Mr. Styles: — Well just, you know straight up, it's the revenue. I mean for them, they're a business. So they're a company that's not owned by the Chinese government; they're actually owned by a set of shareholders that are a little different than some of the Chinese firms I think that have come into Saskatchewan or other parts of the world in the past. They're a vendor. And they're different than Ericsson who comes out of Sweden, I believe, or Nokia which is, I think they're in Finland if I remember correctly. Again they're very similar to that. They're just a very large company so they compete in quite a variety of different areas. They're a big competitor of Cisco for instance, but we use them for only one purpose. We use them on the edge of our network for the radio portion of it.

Part of it is tied as well to our agreements with Bell and Telus. So we operate the same network and equipment configurations as both Bell and Telus does, and Bell and Telus are both Huawei customers as well. So when we entered into agreements with those two companies, it was to end up with a common platform across Canada which makes the ease of operation between our networks much simpler.

Mr. McCall: — Thank you for that, Mr. President. I guess, I don't know if the principals on the audit work have anything that they'd like to add, but I think we're ready to move on on this particular point in the agenda.

The Chair: — Well thank you, Mr. McCall. Are there any more questions? Given that this chapter will be discussed two more times and has recommendations in those sections, I think we'll move on to the second presentation and deal with all the

recommendations at the end. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Ms. Ferguson, if you would make your second presentation please, or I guess Mr. Wandy.

Mr. Wandy: — Thank you, Mr. Chair. So chapter 13 of our 2009 report volume 1 also contains the results of our audit of SaskTel's processes to secure the wireless network and the significant amounts of information stored on network servers. That starts on page 168 of our chapter.

So the chapter contains seven new recommendations for the committee's consideration. We did this audit because SaskTel makes extensive use of its information technology to carry out its business and provide its staff with wireless access through various devices and in many locations. Wireless access, if not properly managed, can increase the risk of unauthorized access into an agency's IT [information technology] systems and data.

In our 2009 report volume 1, we concluded that SaskTel did not have adequate wireless network security controls at its head office and Regina data centre for the period August 1st of 2008 to January 31st of 2009. We made seven recommendations to improve SaskTel's processes and reduce the risk of system and data disclosure, modification, or loss. We followed up the status of these recommendations and reported the results in chapter 16 of our 2011 report volume 1, chapter 29 of our 2013 report volume 1, and chapter 48 of our 2013 report volume 2. My following comments will highlight each recommendation, explain why we made the recommendation, as well as the status of the recommendation at the time of our last follow-up, which would have been at August 31st of 2013.

So on page 171, we recommend that SaskTel train employees to use wireless devices securely and that SaskTel describe wireless roles and responsibilities in its information technology security policies and procedures. SaskTel had not clearly documented the roles and responsibilities for wireless security within the agency. Not documenting specific roles and responsibilities for wireless security decreases SaskTel's ability to carefully manage this area. SaskTel's IT security policies and procedures did not clearly set out specific roles and responsibilities relating to wireless or require regular or scheduled checking for unauthorized wireless use. The adoption of a specific security standard assists in setting up and operating network devices securely and consistently.

As reported in chapter 29 of our 2013 report volume 1 on page 310, SaskTel implemented these recommendations by March of 2013.

On page 173 we recommend that SaskTel properly configure its wireless network and the network devices to reduce information technology security risks. SaskTel did not use secure methods to configure and manage wireless devices. For example, it did not make wireless access points physically inaccessible. This increased the risk of unauthorized individuals from modifying settings to reduce security. It also did not require administrators to use encrypted communication methods to communicate with wireless devices. This can put sensitive information, such as user names and passwords, at risk. Also as reported in chapter

29 of our 2013 report volume 1, on page 311, SaskTel implemented this recommendation by March 2013.

On page 174 we made three recommendations. We recommended that SaskTel assess wireless risks and address them, that SaskTel maintain an inventory of wireless devices on its network and their users, and that SaskTel adequately monitor wireless activity logs. SaskTel had not performed a risk assessment to help it appropriately manage wireless risks. A risk assessment is used to decide what wireless devices to track and how closely. SaskTel did not have a way to track the devices that appear on its wireless network or the person assigned to the devices.

This created a risk as SaskTel was less able to remedy the problem if wireless devices were used in an inappropriate way. Although SaskTel had set up wireless devices so that logs captured both traffic and management activity, it did not adequately monitor these logs for threats or attempts to break into its system. As reported in chapter 29 of our 2013 report volume 1, on pages 311 to 312, SaskTel implemented these recommendations by March of 2013.

On page 175 we recommend that SaskTel regularly perform wireless security scans and address weaknesses found. While SaskTel carried out scans looking for inappropriate wireless activity, it did not have regularly scheduled wireless scans to detect unauthorized wireless activity. As reported in chapter 48 of our 2013 report volume 2, on pages 321 to 322, SaskTel implemented this recommendation by August of 2013.

So I'll pause now, Mr. Chair, for the committee to consider the seven new recommendations.

The Chair: — Well thank you. Minister Reiter, do you have any comments regarding this part?

Hon. Mr. Reiter: — No. I would just note that, as was mentioned, that SaskTel has implemented all the recommendations.

The Chair: — Are there any questions or comments from the committee members? Yes, please, Mr. McCall.

Mr. McCall: — Thanks very much, and thank you for that trip through the years. It was quite interesting. I guess in terms of the wireless security scans performed, I guess we'll start sort of, you know, at the back and work our way forward with the latest sort of activity relating to the recommendations under consideration. But in terms of the wireless security scans that were performed as of 2013, what was found? What did that tell the corporation?

[10:00]

Mr. Styles: — So the only issue we've run into on an occasional basis is with a large number of very, very highly technical individuals. Occasionally they become creative and set up their own Wi-Fi [wireless fidelity] systems, their own Wi-Fi networks. And so we will find those from time to time, okay, in the corporation and we will shut them down and make sure that they're on our main Wi-Fi network that has all the necessary software in place, firewalls, etc., okay, to make sure

that it can't be hacked.

Mr. McCall: — So that's about the extent of activity brought to light by the scans?

Mr. Styles: — That's the only thing we've ever found, yes.

Mr. McCall: — Okay. In terms of inventory of the various wireless devices deployed within the corporation, what does that entail?

Mr. Styles: — Well you know, again it's fairly straightforward in the sense that you can track all of your devices through SIM [subscriber identity module] cards. So with the new 4G and LTE systems, they all employ a small little card that is inserted into the actual device, so they're a lot easier to track than on the old CDMA [code division multiple access] network. You didn't have the same sort of tracking abilities. So we're able to keep track of how many SIM cards are out there and allocated to individuals within the corporation, and we know each of those has a device on it. So from time to time we have an individual in our central services group that actually goes out and makes sure the individuals have the devices still, the device is still being used for the purposes intended, and that there's been no breakdown of our security. So it was just a matter of setting up the inventory system and maturing it, would be the phrase I would use, okay. You need to do it on a regular basis where I think in the past we were doing it on a fairly irregular basis.

Mr. McCall: — Okay, but does that tell you how many Androids, how many BlackBerrys, how many iPhones, how many tablets are involved through the corporation?

Mr. Styles: — Absolutely. You know all the different type of devices, yes, that are in the system.

You know, you've hit sort of the key ones. But in a world that's becoming more machine-to-machine all the time, the devices now are branching out from not just being the ones you've mentioned. But sensors, things like that, now are starting to have those kind of technology pieces put into them as well, and so we try to track everything. We try to standardize a fair bit as well so the number of different types of devices is not as large as some people, you know, might suspect in a large company. We try to maintain a security package on devices called BES [BlackBerry Enterprise Server] put out by BlackBerry that allows us to remotely communicate with them, okay? So if somebody, for instance, something small, forgot their password, you know, couldn't remember it, we can intervene and electronically, okay, over a computer terminal, intervene and actually reset the password, for instance. So we also put security on all of the devices with this new software package called BES.

Mr. McCall: — So BlackBerry would still be the sort of standard issue instrument, or what are we talking about?

Mr. Styles: — Apple would be the standard pretty much in the corporation right now. There are those that still like the BlackBerry and they're still allowed to hold on to the BlackBerrys, but there's a few HTC in the corporation, I know.

We do provide some opportunities for our staff to use a broader

variety of devices because we sell a broader variety of devices. So especially executive levels, you know, so they get to understand them, learn how they operate. Different devices have different antenna systems. Different devices have different capabilities.

You had mentioned software systems. The Apple software system that runs the iPhone is much, much different than an Android package, for instance. And Android has probably five or six different packages all the way from, I think it's called Ice Cream, through to a bunch of others. So we provide for some non-standardization. But there are SIM cards built right into the Toughbooks, for instance, that our CSTs [customer service technician], our installers, okay, have right in their vehicles. And that's another example. It's built right in, the SIM card is. They connect into the LTE network, but there's only one type of device that they get to use, and it's called a Sanyo Toughbook, I believe.

So you know, lots of standardization but we also do provide a little bit of room to experiment and to play with different types of devices.

Mr. McCall: — And the SIM card would be the sort of common denominator for everything that's out there?

Mr. Styles: — Yes. Essentially I don't think we've got any CDMA devices left in our inventory. Maybe there's one or two but there wouldn't be many, that's for sure.

Mr. McCall: — How many SIM cards, ballpark, would be out there?

Mr. Styles: — This is really a guess. I would think you'd be in around 10,000 probably, would be my guess.

Mr. McCall: — Okay. Thanks for that. In terms of the broader sort of . . . So the security scans bring to light every now and then you have somebody putting together their own sort of operation within the corporation. Is there much in the way of external attack coming in, or external threat?

Mr. Styles: — We haven't had many issues when it comes to the wireless side of it. So we haven't seen a lot of attacks from that perspective. You know, they're very, very infrequent at this point in time although the industry would tend to indicate that that's going to step itself up a fair bit in the future, so we're going to continue to watch for it. The attacks that we receive are mainly through the land line side, through the Internet itself. Denial-of-service attacks are quite frequent and so we're built to withstand those to a large extent. But again, as people probably read in the papers, hackers out there are very creative. They keep coming up with new ways and new approaches to attack all networks, and we're no different. We've got to continue to evolve our security.

We work, you know, we have a couple of external consultants that work quite closely with us. We also work with the federal government and some of the law enforcement agencies as well on the types of systems that we need to put in place and the kind of attacks that are occurring. The one that's most problematic are the software flaws that you don't know in some of the software systems that are out there, and occasionally they

come up in the public. But those aren't known. You don't know what you don't know, in a sense, and you have to respond fairly quickly once the flaw is known by hackers globally. You need to get in and start to make the patches as quickly as possible to prevent people from getting into your networks and systems.

Mr. McCall: — Okay. Since the scan, the regime of periodic scans has been introduced, has that led to the activity it's brought to light halting or, you know, you've still got people like to do what they like to do? How's that . . .

Mr. Styles: — We still find something every once in a blue moon, yes. It's just not a big issue. It's all internal, basically, and I think sometimes people don't understand that you can expose the entire system by putting things like that in place. But it's not an ongoing, significant problem for us by any stretch.

Mr. McCall: — Okay. Thanks for that.

The Chair: — Are there any more questions? Seeing no further questions on that section, Mr. Wandy, would you like to proceed to the third part, please?

Mr. Wandy: — Yes, thank you, Mr. Chair. The last part of our presentation will contain . . . We're dealing with the chapters that contain the results of our annual integrated audits of Saskatchewan Telecommunications Holding Corporation and its subsidiaries, including Saskatchewan Telecommunications, Saskatchewan Telecommunications International Inc., DirectWest Corporation, DirectWest Canada Inc., SecurTek Monitoring Solutions Inc., Hospitality Network Canada Inc., Saskatoon 2 Properties Limited Partnership, and the Saskatchewan Telecommunications pension plan. These chapters cover the six fiscal years from December 31st, 2008 to 2013.

In each of these chapters we report that the financial statements of SaskTel and its subsidiaries and the pension plan were reliable and they complied with authorities governing its activities. In addition we report that SaskTel had effective rules and procedures to safeguard public resources, except for the following matters initially reported in 2009 and in 2014.

In chapter 13 of our 2009 report volume 1, we report two concerns regarding SaskTel, reflected in two new recommendations for your committee's consideration. On page 165 we recommend that SaskTel have adequate controls to prevent losses from the sale of its prepaid cellular service cards. In 2008 SaskTel hired a distributor to sell SaskTel's prepaid cellular service cards. The distributor arranged for the sale of the cards and was required to pay SaskTel the face value of the cards less commission. During fiscal 2008 the distributor failed to pay SaskTel for amounts it owed for the sale of SaskTel's cards. As a result, SaskTel recorded a loss of \$6.4 million on the amounts owed by the distributor. SaskTel implemented this recommendation in 2009.

Also on page 165 we recommend that SaskTel have adequate controls to ensure customer credit card information is securely transmitted and stored. We continued to make this recommendation in our 2010 report volume 1, chapter 17; 2011 report volume 1, chapter 16; and 2012 report volume 1, chapter 20. SaskTel did not have adequate controls, including those

defined by the credit card industry, to provide reasonable assurance that customer credit card information was securely transmitted and stored. As a result, unauthorized access of customer credit card information could occur without detection. SaskTel implemented this recommendation in 2012.

In chapter 3 of our 2014 report volume 1, we reported one concern related to board oversight at SaskTel International Inc. On page 20 we recommend that the board of Saskatchewan Telecommunications International Inc. more actively oversee management to better identify risk of management override and circumvention of controls. Errors were discovered during the 2013 audit regarding the recording of revenue during prior periods. After further examination, these errors appeared to be the result of collusion, including management override, to circumvent control activities and deliberately misrepresent information to the auditor during the financial statement audits for the years ended December 31st, 2011 and December 31st, 2012. Active oversight helps boards identify risk of potential failures or breakdown of controls and to take appropriate mitigating steps. SaskTel implemented this recommendation in 2014.

In summary, the following chapters contain new recommendations for the committee's consideration involving our entire presentation this morning. So chapter 13 from our 2009 report volume 1 had nine new recommendations, and chapter 3 from our 2014 report volume 1 had one new recommendation. As our presentation has noted, SaskTel has implemented all of these recommendations. Mr. Chair, that concludes our overview on the chapters before the committee.

The Chair: — Thank you, Mr. Wandy. Mr. Reiter, do you have any comments regarding this part?

Hon. Mr. Reiter: — I would. The comments about the losses incurred by the prepaid phone cards, officials assure me that through legal action, that all the funds that were lost have been recovered. And also to the recommendations, I would just point out that recommendations have been enacted. But in some instances, which I'll get Mr. Styles to elaborate on, in some cases security measures have went even further.

The Chair: — Mr. Styles.

Mr. Styles: — So with respect to the recommendations that were attached to SaskTel International, in addition to the work that the Provincial Auditor did, we also implemented some stricter oversight from the holding company itself. And so our CFO [chief financial officer] now meets on a regular basis with SaskTel International and their staff to discuss the financial statements and to review them.

In addition the board has begun to meet on a more frequent basis and has added a number of additional reports to its list of mandatory exhibits, including a complete list of out-of-province travel, the type of expenditures that are being undertaken by the president of that particular organization. So we've tried to enhance and improve the level of transparency and scrutiny that's going on. I would note in that particular instance, the issue at hand was one of collusion amongst two or three individuals, something that's usually very difficult to detect.

The Chair: — Are there any more questions?

Mr. McCall: — There sure are, Mr. Chair.

The Chair: — Mr. McCall.

Mr. McCall: — Thanks very much. I guess we'll start with the first and then move to the second round of recommendations. But in terms of the losses on prepaid cellphone cards, \$6.4 million was identified as the sum. Who's the vendor? And what steps were taken by the corporation to recoup those losses?

Mr. Styles: — So the company in question was Wireless Age when they were owned by a company out of Winnipeg. And I want to make that distinction because the present owners are not the same as the owners where we had the issues. The money was not repaid to SaskTel on time. In fact it went into arrears, and that was the reason for the writeoff in that particular year. Actions were taken by SaskTel to recover the money, and the company itself actually went into receivership. And upon the sale of the company, the redistribution of the assets, SaskTel was repaid the amount that was actually owing. And so in the end result, SaskTel took all the necessary measures to protect its interests and acted in accordance with the agreements that were there.

Mr. McCall: — Okay. And as far as the go-forward is concerned, the safeguards are in place to make sure that something like that doesn't happen again.

[10:15]

Mr. Styles: — You can never prevent it from happening. If a company decides not to make payments that it's legally obligated to pay, your ability to manage that is really to intervene quickly to minimize the amount that's outstanding and to take faster actions, and that's probably the one thing that I think SaskTel learned in that particular instance. So our accounts receivable, okay, are examined on a more regular basis and if something gets to as much as 90 days, we are taking action very, very quickly. And there are a series of actions that we would take before 90 days as well to try to work with the company and understand their particular situation. So just more diligence is basically, you know, what you have to do in those kind of situations.

Mr. McCall: — Okay. In terms of the situation with SaskTel International, there are different steps referenced by yourself in terms of the board meeting more frequently. And admittedly if you've got highly placed individuals in a corporation colluding, that poses some very distinct challenges in terms of proper oversight, but it did come to light. And could the minister or officials describe for the committee what other sort of ramifications this whole episode has had for those individuals, for starters?

Mr. Styles: — The individuals that were involved in the organization were either terminated, decided to leave on their own, make their own decisions about it. But in all cases they have left the corporation for not adhering to our ethical standards. You know, from a longer term perspective I think we're pleased that this was found. It was found as a result of really two different interventions. One was our own internal

auditor had identified some of the problems in an internal audit and secondly there was some employees, other employees in the organization, that came forward and were able to advise ourselves as well as the Provincial Auditor's office that there was potentially an issue. All those things were acted upon and the particular problems that occurred were dealt with.

Probably important to keep in mind, there was two different situations that occurred. One was some abuse of guidelines around expenses, claiming of expenses. Relatively small but again all were identified, located. All the money was essentially recovered. We went to criminal court on one and the money was repaid.

The second was not applying the right accounting principles to the financial statements that were coming out of SI [SaskTel International], but there was no loss of money. It was simply two years were misstated. The amount that should have been in the first year was put into the second year. And so again, no loss, no fraud, if I can use that phrase, involved at any point in time.

So you know, generally I think the framework, the controls that were in place did fairly well, but it was a question they needed to be strengthened and improved. And that was something that, you know, we've complied with all of the recommendations and added some of our own as well just to strengthen things.

Mr. McCall: — In terms of the misstatement of revenue for the years in question, what was the motivation on the part of the individuals for misstating revenue?

Mr. Styles: — You know, we really don't understand. Again we met with the individuals who were involved, and our security people had discussions with them about it. And to be quite frank, we really don't understand what the motivation was.

Mr. McCall: — In terms of hitting certain performance targets, did that relate in any way to the compensation of those individuals or bonusing of those individuals?

Mr. Styles: — We had a look at whether or not it had an impact on their financial payments, their . . . We call them STI, short-term incentive payments. We could not determine that it had any impact on those payments. It seemed to have an element attached to it of maybe being able to be more comfortable in terms of meeting targets.

As an example, it's a business where only about 40-some per cent of the revenue, if I remember correctly, is year over year. Forty-four per cent is year over year.

The other 56 per cent is annual assignments, so you've got to go out every year and get it. But that was the only thing, you know, we could pick up in that particular review. But there was no personal gain, which again made it hard to understand what the motivation really was.

Mr. McCall: — Okay. Just to be clear, so in those years there were no sort of bonuses or performance pay measures that's accrued to the individuals in question.

Mr. Styles: — In the first year, there would have been performance pay probably for the president. In the second year, he was gone and so obviously no performance pay in the second year. In the first year, he exceeded his targets and therefore, you know, this had no consequence for the final payment that was going to be made to the individual.

Mr. McCall: — Okay. In terms of the board, what changes have taken place in the composition of the board since then? And in terms of actions on the part of the board, more frequent meetings were referenced, but if you could tell us a bit about what changes have resulted in the composition of the board, and then in terms of the regime of actions taken to stiffen the work of the board in oversight.

Mr. Styles: — No changes in the composition of the board. That remains the same. Two sort of significant changes, if I can say that. We moved to adopt a more aggressive set of reporting requirements, okay, for SaskTel International. And so I'll pick on management expenses, for instance. Prior to that, management expenses were not reported to the board. Rather they were dealt with on an individual basis by the assigned individual that approved them.

Going forward though, those are brought forward, I believe on a quarterly basis now, on a quarterly basis, and so the board gets to examine what management's expenses look like and ask questions and inquire as to what the expenses pertain to and confirm the legitimacy of those expenses. So we've implemented those kind of changes. Same goes with issues around the accounting standards being used in their application. More of that is being brought to the board in terms of the actual approaches being used.

For some of what SaskTel International does, the projects go over two or three years, for instance, and so you'll have a contract maybe for a million, million and a half dollars over that period of time. You need to accrue at the end of each year the proper amount of revenue that would be associated with what has been completed. And so there's a more rigorous process to assess and determine exactly how much has been completed and how much is going to be accrued, and the board actually receives a report and reviews that. So again it's more detailed exhibits. It's more detailed information that the board then uses to question management to investigate various aspects of it.

The other part of this is that we've now got our CFO for the holding company, which is Charlene Gavel here, more involved with all three of the subsidiaries. And so there's a much tighter tie, okay, between the holding company and the subsidiaries. And all three of the CFOs for those subsidiaries meet with Charlene on a fairly regular basis, quarterly, I think would be fair. Quarterly? And so again the ties are just much closer and we can ensure that there's the proper application of accounting policies on a higher basis right from the holding company down into the subsidiaries.

Mr. McCall: — I guess a broader question, maybe sort of the last on this particular front I'd have for the president or the minister or officials: SaskTel and its various subsidiaries over the last number of years have had a bit of a bad run in terms of dubious activity or fraudulent activity in some cases bringing its way to the courts and to people having legal sanctions brought

against them. Does the president or the minister have any sort of broader concerns about what this is doing to the good name of SaskTel and the work that is done by the majority of employees that work for that corporation?

Hon. Mr. Reiter: — Obviously any incidents like this concern us greatly. I would think though that SaskTel is a large organization, has a lot of employees, and unfortunately in large corporations you sometimes see incidents like this.

Obviously one incident is too many but we're absolutely very conscious of that. We take that very seriously. That's a very broad answer, I realize. I'm going to ask Ron to be a little bit more specific about actions that we've taken and sort of the effects it would have had, but very broadly I think that's the case. I think when those cases have come to light, by and large SaskTel's acted quickly and appropriately, and I think that's the best course of action. But certainly any of those incidents we take very seriously. Ron.

Mr. Styles: — The number of incidents, if you have a look at them, actually are not as large as sometimes I think they appear. We usually have one or maybe two in a year, and you're talking about a company that has essentially about \$2.4 billion in transactions, revenue and expenses combined. So again it's a limited number. The vast majority are very small. You know, we had a bit of an issue around an employee and their credit card and using our credit card system to put money back on the credit card, for instance. It was reported in the loss reports that came forward to government. Again, relatively small, very localized.

The one that I think has had an impact on our reputation is the one that's been in the courts now for six years, three individuals that through collusion took the opportunity to defraud the corporation. They were criminally charged. They were tried by justice and they were found guilty. All three received I believe 18-month prison sentences. You know, the biggest impact, and the judge noted it in his decision, the biggest impact was on our reputation and how it made our other employees feel. You know, they felt very tough about it. These were three individuals who'd been around the corporation for a long time, actually predate myself. But in talking to staff in the field, staff in other places, you would think there might be a little sympathy for the three individuals, long-term employees, you know, made a mistake. I can tell you within the corporation all felt that there should have been longer sentences.

You know, I would tell you our staff adhere to a very high standard of ethics. I would say we would stand up to scrutiny against any other company that's, you know, that's probably around. So I feel very good about the company from an ethical perspective. And again, we're going to get one or two of those from time to time. The lady I mentioned about the credit card, for instance, had a gambling problem. And sometimes these things are, you know, back to some sort of, if you want to call it a health problem, a health issue, okay, some sort of an addiction, for instance.

But in general, you know, again I think our employees stand up to broad-based scrutiny and I think they do a very good job and perform to a high level of ethics. So it's the one instance that, you know, has really had I think some impact on the

corporation. And we took all the necessary measures. We do take it very serious. I would tell you somebody caught in an act that we deem to be unethical or criminal, potentially, okay, they are relieved of their job very, very quickly. Secondly, we report it to the authorities very fast. And we try to encourage pursuit of criminal charges in all of these instances. And the third is, we go civil as well, and so we go for restitution in all of these as well.

For the three individuals in the larger case that we're talking about, I believe there was a restitution order . . . Yes, there was a restitution order against all three and so we're hoping to recover some of the money that was lost in that particular situation as well. But we take it very seriously. Our employees understand that. And again, you know, generally except with the one particular situation, I think they're all, the rest of them are basically very minor in their implications.

Mr. McCall: — Yes. It's not so much the, you know, people that have a gambling problem and they go kiting around on the company credit card. It's a large human institution, as you readily point out, and those things happen. You know, the onus is on the corporation to respond as best possible. But for the second time concerning incidents that have taken place under the aegis of SaskTel, you've used the word collusion. And that I find quite alarming in terms of . . . And again, people that are doing criminally wrong things, and I appreciate the response that is made, but there is a broader damage that accrues to the good name of SaskTel. And SaskTel is, you know — we'll get into the annual reports in a bit — a well-loved, well-valued corporation here in the province of Saskatchewan.

[10:30]

So I appreciate that the corporation and the leadership takes it seriously, but in two instances you've had, both over at STI [Saskatchewan Telecommunications International] and then in terms of the middle managers that were engaging in fraud, to have people engaging in collusion or conspiracy to defraud the corporation or to, you know, misstate the count sheet of the corporation. You know, I find it alarming. And I guess I've been observing the activities in the Crowns for a while and it's been a while since they've had, you know, a run like this where you've got two instances of collusion.

Mr. Styles: — I've had the unfortunate experience. I've been around government for a long time, and have seen it unfortunately in a variety of different areas. I believe it's sort of the late-2000s, mid-2000s, there was a very serious one at the Social Services, for instance, a very serious one at Department of Environment. Both were very much the same collusion, individuals that colluded to defraud both organizations. You know, my own perspective again is, you know, those are very important. They do besmirch sort of the reputation of all of those that are involved in a Crown or a government department or an agency, okay. But one bad apple, from my perspective anyways, doesn't necessarily imply the rest are not honest employees. So I try to put it into that particular perspective.

You know, we're very aggressive around our controls. And you know, from a security perspective, there's many other things that potentially happen as well in organizations outside of fraud that you've got to pay attention to and keep an eye on. But I

agree it's a very serious situation, and you've got to deal with it as aggressively as you can.

The Chair: — Are there any more questions? There being none, what is the committee's wish in regard to the recommendations in chapter 13, Saskatchewan Telecommunications Holding Corporation, the 2009 *Report of the Provincial Auditor* volume 1? Mr. Norris.

Mr. Norris: — Thanks very much, Mr. Chair. Mr. Chair, what I would suggest is . . . wish to concur with the recommendations and note compliance on all of the recommendations.

The Chair: — Thank you, Mr. Norris. Mr. Norris has moved to concur with the recommendation and note compliance. Are the members agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. What is the committee's wish in regards to the recommendation on chapter 17 of the 2010 *Report of the Provincial Auditor* volume 1? Mr. Norris.

Mr. Norris: — Thanks again, Mr. Chair. Again I wish to move that we concur with the recommendation — in this case it would be singular — and note compliance.

The Chair: — Thank you, Mr. Norris. Mr. Norris has moved that we concur with the recommendation and note compliance. Are the members agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. There are no new recommendations in chapter 16 of the 2011 *Report of the Provincial Auditor* volume 1; chapter 20 of the 2012 *Report of the Provincial Auditor* volume 1; chapter 29 of the 2013 *Report of the Provincial Auditor* volume 1; and chapter 48 of the 2013 *Report of the Provincial Auditor* volume 2. What is the committee's wish in regards to these chapters? Mr. Norris.

Mr. Norris: — Again thanks very much, Mr. Chair. I wish to conclude, and would propose the motion . . . I wish to conclude consideration of chapter 16 of the 2011 *Report of the Provincial Auditor* volume 1; chapter 20 of the 2012 *Report of the Provincial Auditor*, again volume 1; chapter 29 of the 2013 *Report of the Provincial Auditor* volume 1; chapter 48 of the 2013 *Report of the Provincial Auditor*, in this case, volume 2. Thank you, Mr. Chair.

The Chair: — Mr. Norris has moved to conclude consideration of chapter 16 of the 2011 *Report of the Provincial Auditor* volume 1; chapter 20 of the 2012 *Report of the Provincial Auditor* volume 1; chapter 29 of the 2013 *Report of the Provincial Auditor* volume 1; chapter 48 of the 2013 *Report of the Provincial Auditor* volume 2. Are members agreed on that?

Some Hon. Members: — Agreed.

The Chair: — Carried. What is the committee's wish in regards to the recommendation in chapter 3 of the 2014 *Report of the Provincial Auditor* volume 1? Mr. Norris.

Mr. Norris: — Again thank you, Mr. Chair. I wish to move that we concur with the recommendation, again in this case singular, and note compliance.

The Chair: — Mr. Norris has moved that we concur with the recommendation, singular, and note compliance. Do the members agree?

Some Hon. Members: — Agreed.

The Chair: — Carried. We will now proceed to the consideration of the annual reports and financial statements for SaskTel for the years 2012, 2013, and 2014. Minister Reiter, do you require any changes of your officials?

Hon. Mr. Reiter: — No I don't, Mr. Chair.

The Chair: — Thank you. Are there any questions or comments? Oh excuse me, do you have any opening comments?

Hon. Mr. Reiter: — You know, I do, Mr. Chair. I didn't make any opening comments to start. I'd like to just read a few comments into the record if I could, and then make some general comments about another issue. As the Minister Responsible for SaskTel, I'm pleased to indicate that SaskTel's working hard to future-proof its networks and to make this province the most connected place to live in Canada.

The years under review today, 2012 through 2014, were each profitable and saw major capital investments in infrastructure. In 2012 SaskTel achieved strong financial results exceeding \$1 billion in revenues for the seventh consecutive year in recording a net income of \$129.6 million, all while completing the largest capital program in their history. SaskTel also began a \$670 million fibre to the premises project which will deliver a fibre optic network to both businesses and consumers in Saskatchewan's nine largest urban centres by 2022.

2013 was a challenging year for SaskTel as it faced intensifying price competition in the Saskatchewan market and regulatory changes in the wireless segment that added costs and reduced revenues to businesses. Despite these challenges, SaskTel continues to deliver on its mandate to deliver high-quality, accessible, and affordable services while investing in core business operations and services within Saskatchewan.

In 2014 the company took great strides to becoming a leading information and communications technology company. Investments in ICT [information and communications technologies] infrastructure, such as the launch of the new tier 2 data centre in Saskatoon in 2014, allow SaskTel to aggressively develop new services and markets that will keep the company successful over the long term. ICT infrastructure is now vital to consumers and businesses in a growing, modern, trade-based economy such as Saskatchewan's.

SaskTel and its people are driven by a culture that respects its customers and cares for this province. It's a culture of being SaskTel proud, proud of its customer services, its infrastructure, its community contributions, and its history of serving Saskatchewan.

Mr. Chair, I would also just like to mention, this past late June and July primarily, the province went through some difficult times in northern Saskatchewan. We had an unprecedented number of wildfires to help and a record number of people that had to be evacuated from their communities to various areas around the province, to various evacuation centres including Cold Lake, Alberta. Mr. Chair, in an effort to alleviate some of the stress on the evacuees, our Crown corporations took some steps to ease billing concerns for those evacuees. SaskTel was certainly no different.

SaskTel also took some other actions, depending on the situation, depending on the centre. For example, in order to make life a little bit easier for those people going through a very trying time, in some cases we provided television sets and access to Max TV. In some cases it was providing long-distance cards to people, prepaid long-distance cards, Internet services in some instances.

What I'm saying in essence, Mr. Chair, is that SaskTel employees, under the leadership of Mr. Styles, in many cases sort of went above and beyond in order to help people that were going through a very difficult time in their life, and I would just like to recognize SaskTel employees for the great job they did in that. And with that, Mr. Chair, we're prepared to proceed.

The Chair: — Thank you, Minister. Are there any questions? Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. Thank you, Minister, for those comments. And to the officials, and certainly we'd join in with the minister in saying, job well done in this past summer, meeting a time of crisis. SaskTel has got a lot of great employees who do a lot of great work across this province, and are generally there in the front ranks of whatever sort of cause is to be served. So it's not a surprise that SaskTel steps up yet again in terms of helping out in a time of crisis for the people of northern Saskatchewan. So I'd certainly like to concur with the minister's comments and extend appreciation for that continued example of service and good work.

In terms of the annual reports in front of us, again it's three years in information technology. It's said that a week is an eternity in politics. I can only imagine what three years equates to for a telco and a set of subsidiary holdings like SaskTel. But there's a lot of breadth and depth to the activity here under consideration, and we're going to try and do it justice, of course. But again I'm glad to see these in front of the committee, Mr. Chair, but timeliness, of course, is of the essence. And we certainly appreciate the briefing that is extended when the annual reports are tabled. But like I say, three years for an information technology telco such as SaskTel — long time and a lot of different water gone under the bridge.

So I guess in 2012, what's changed in terms of the environment as it presented in 2012 in terms of the risk assessment for the environment the corporation was operating in? And what has come to fruition in terms of those risks, how they've been met? What maybe didn't pan out? And I guess if we could just take that sort of larger view of these three years of annual reports under consideration to start.

Mr. Styles: — So maybe I could start with our networks as a

bit of an example. In August 15th of 2010 we turned on our new network. At the time it was called 3G. Changes to nomenclature, we moved it to 4G over about a year and a half, etc., and it's now called a 4G network or a GSM [global system for mobile communications] network.

You know in 2012 our biggest issue was no one in the industry, including ourselves, really foresaw the kind of growth in data requirements that were going to occur. There was a couple of very, very big changes in 2010-2011 for Saskatchewan. One was the introduction of the Apple iPhone, and the success of this particular device was something that again no one had really expected. The device had been down in the United States but it had been operating on a CDMA network in the past which just doesn't have the data capability. And then the second was Netflix. If you might remember, Netflix came to Saskatchewan in very late 2010 and Netflix exploded basically on the scene, everybody wanting to run video over their wireless devices.

And so in 2012 the biggest challenge we faced was the fact that we really hadn't built an overall network that could handle the kind of data traffic that was starting to come onto the market. And in 2012, as in 2011, we faced challenges in trying to up our game to make sure we had the number of towers, we had the number of carriers or spectrum that would be available for that. In addition I think sometimes people don't necessarily appreciate that towers have to be connected to something. They're not an endpoint in and of themselves but rather they have to be connected by fibre back to central facilities, okay, and then back out into the World Wide Web through portals. And so again the network, regional Ethernet transport network, it was something that we had built for a certain amount of data capacity. And we soon learned in 2012 that that was going to become a bit of an issue for us as well.

The advent to Netflix also created a situation on the home networks that people all of a sudden wanted to run a lot of video. That also applied to things like peer-to-peer systems such as torrent. You had YouTube taking off. And again all these started putting pressure on our wireline network as well.

[10:45]

And 2012 was really our first year to start a major build for fibre to the prem. We had done some piloting in 2011 to understand the technology in our climate, and there are a few technology challenges with our very, very cold weather during the winter. But in 2012 we actually undertook to start that particular program and we introduced it as an aerial product. And so we had to integrate a much larger contractor component to get that rolling, plus we had to bring fibre trunking out to a lot of the various areas where you're going to run the aerial in at work. So again there's what you put out into specific areas, but there is the backhaul and some places had to be upgraded or replaced.

So you know for us it was really the start of building two brand new networks in the province. The networks that we had, you know, some of them are still in existence and they will continue to operate for a period of time, but people just demanding so much more than what we were used to in the past where we were truly a telecom. I think all the way up to 2010 we were a company that was, you know, based largely around dial tone,

for instance. That was the start of our shifting from being a telephone company, a dial tone company, to being an Internet company. IP [Internet protocol] is what pays the dollars for us. You know, IP is what our two new networks are based upon and over time we hope to build them out throughout Saskatchewan, complete the build-out.

And I think you'll see some of the old networks, things like copper will start to fall off the table. And the same with CDMA. CDMA was the old wireless system, and we really don't sell anything much on CDMA. We still have about 70,000 customers, but that's going to continue to play itself out over time. So there's that transition that was occurring through 2012 and our starting to develop a much more specific version or vision maybe of what the future was going to hold for SaskTel. And that really was sort of the key aspects of 2012.

There was a lot of individual projects that we did put in place, I think that I mentioned earlier. A lot of our operating systems and business systems were very old. We needed to start to upgrade them. So as an example, our call centres were using products that you had to have six or seven screens up to actually answer a call and be able to complete a transaction for a customer. That meant that our calls were quite lengthy. You might be on with us or one of our staff for as long as 20 minutes or 25 minutes to complete a transaction, get Max installed, have a telephone installed, things like that.

In 2011 we started the process of rebuilding those systems. And 2012 was a big year for us as the year we put in Siebel which is an Oracle product. Basically it's sort of one interface for our call centre people. So when somebody phones in now, basically there is one system. Everything is on the system; you can call up multiple screens off that system, but it allows for a much smoother transaction. Our customers . . . I think the level of customer satisfaction with our call centres started to improve quite considerably in 2012 when we made the first implementation.

A number of other projects were kicked off in 2012 as well that have, sort of take us down the path towards things like self-serve that we started to implement actually this year. You know, so it was a big year to kind of kick off in a sense, restructuring the company from the inside out.

Mr. McCall: — Thank you very much for that overview. In terms of I guess the work undertaken 2012, 2013, 2014 to reset the table for SaskTel's infrastructure, any observations on the current state of affairs in that regard? How much copper is still part of this system? I guess what does it look like province wide? And certainly that's provided in the annual reports, but if you could state that for the committee's edification.

Mr. Styles: — Sure. Let me start with wireline telephone service. So the number of telephone, wireline telephone customers we have continues to fall. We lose about 26,000 customers every year. In the early years, some of that was lost to competition, but now most of it is cord cutting. It's people simply not looking to have a land line. And so again, you know, the revenue we receive from it — our interest in it in a sense, okay — telephone service is just not going to be, long term for us, a very large part of the corporation. And in fact, I believe in a couple of years we'll be under \$200 million in revenue with

our telephone, long-distance, and enhanced services.

If you look past that, the amount of data growth has continued to accelerate. Last year, our data growth was about 62 per cent on our wireless system. Our wireline will probably be in the same level. And so where other companies find it difficult at times to manage 5 or 10 per cent growth per year, we're dealing with much larger numbers. And we expect this year the level of data growth on our wireline and wireless systems will be about 50 per cent. We think that'll probably be the kind of data you're talking about going forward. So we've had to continue to enhance our wireless systems to make sure that we're adding more spectrum on a regular basis, that we're adding more towers. It's called densifying the system.

We've also moved away from macro towers. We have enough of those. We're moving down to smaller towers, sometimes we call them stealth poles. You may see them as single poles that stand, all the antenna gear is on the inside of them. We're moving to micros as well. These are small antenna systems that might service an area that might just be 100 feet in diameter, or a 100 yards in diameter, for instance, an area where you might have an outdoor restaurant, and it allows you to pick that up rather than going to a macro tower and put it back into our network.

So you know, we've really had to evolve our technologies and the use of our technologies over time. The base technologies are changing. You know about 4G. We implemented LTE in the major, nine major cities a little while ago. We're starting to push LTE outside the major cities as well.

Shortly we'll start work on something called VoLTE, voice over LTE, that will start to take the voice product and make it into a data product. And so in the long run, maybe within five to six or seven years, there really won't be a voice product — you will not buy minutes — you will buy all data. And so we're starting to work our way down that particular path. There's another product that we're starting to look at as well called advanced LTE that will actually knit together disparate pieces of spectrum.

So you know, it's been a constantly changing and evolving technology on the wireless side. We've also added a number of services on the wireless side — things like data compression that allows us to take a stream of data that is for video for instance and compress it in a way that reduces a little bit of the pressure on our networks and on our systems. So we're working through some of those technologies that are rather new.

With respect to fibre to the prem, we've now passed, as of maybe the end of August, we've now passed about 153,000, 154,000 homes, and we've connected about 52,000 homes, something in that range. So we're making good progress. Again, we're not expecting to be done in the nine major cities to about 2022, but we're moving down the path. And you know, we're finding that it's a product that is, you know, of great interest to people. It's improving our market share in those areas that we're going into with it.

Right now I would tell you that people in the past, 5 megabits per second was a speed, a service that people were pretty happy with. It seemed to meet their needs. Today 10 seems to be the

minimum. Nobody wants anything less than 10. And our copper network doesn't do a great job in providing 10, but we're going to make some enhancements there as well.

But most people now, they're talking about wanting if not 10, it will be 25, 50, or 100 megabits per second. You know, they're looking for much, much faster speeds, and we think that will continue to grow over time. It's very difficult to predict the kind of software that companies out there are going to put onto the Internet and the kind of services that are going to be there, but it's going to continue to grow. So from a land line perspective, moving the fibre project along is going to be very, very important.

In rural areas fibre is, right now anyways, is cost prohibitive. You couldn't make fibre runs out to a farm or to a rural residential set of acreages, okay, and have it pay for itself. And so we're looking at other financial models, other technologies that might be able to work with that.

We introduced in 2013, I believe, Fusion. I think 2013 we introduced something called Fusion. It is a new fixed wireless product, so it beams a signal directly from a tower to a fixed location, to a home for instance. And it's based on a technology called LTE TDD [long-term evolution time division duplex], TDD standing for time duplex . . . [inaudible interjection] . . . Yes, something like that anyways.

But it's LTE technology, just like mobile is, so it is the latest, the greatest. It's the fastest. We found it through one of our vendors. It had never been used in North America before. We brought it in and we were the first to start to pilot it. We've got a number of companies who are following us on this as well, one in Manitoba. I believe Bell is going to put it into place as well, but a great product for rural areas.

We're just scratching the surface on its potential. I saw a demonstration that actually had it operate at 200 megabits per second, which is quite remarkable. Now we've had it up to about 100 megabits per second. The issue right now is a lack of spectrum to sustain those kind of speeds, but it's providing service right now to about 4,500 people in rural Saskatchewan. It's giving them a product that is every bit comparable to what people in the urban areas right now get at 5 megabits per second from our copper network. So you know, we're starting to change our network configuration.

We're also going to rebuild our complete RET [regional ethernet transport] system we started two years ago. RET stands for regional ethernet transport, and it's like the transmission system for an electrical company. We're going to rebuild that. It'll have a redundancy built into it. For instance, in the past we kind of ran spaghetti lines down into particular areas. If you had one cut at some point in that particular line, five or six or seven communities could be off the system. By building a little additional redundancy into it — and we're going to use a new fibre transport product called Wavelink service that will allow us to really boost the amount of data that we can move out of rural Saskatchewan from towers, from land line, etc., back to central hubs and distribution points — so it'll start to increase the availability of broadband.

We've actually just this year, early this year, maybe it was late

last year, for the first time in Saskatchewan instituted a 100 gigabyte line between Regina and Saskatoon, and that's the first one in Saskatchewan. There's a few in the United States, a few in other places in Canada, but it gives you a sense. You can move 100 gigabytes of data per second on that particular line. And we've done something similar now between Prince Albert and La Ronge to try to help improve a lot of the bandwidths into the North.

We've also done some things in the North such as we're building out a fibre line that'll extend itself from La Ronge all the way up through the northern mines on the east side. It'll hook into our radio network, and it'll help provide additional bandwidth to a lot of the far northern communities. And we announced last year there'll be four new radio towers put up in Fond-du-Lac, Black Lake, Stony Rapids, and Wollaston. Two are now up and actually operating, and so they have the same access to 4G services the rest of the province has. And again, things like the fibre line are very important to be able to manage some of that. A program with the schools up there as well, we're going to start increasing their bandwidth over the next little while. You know, it's all about bandwidth and services over the bandwidth.

From the service side, we've started to grow our data centre footprint. And so we had a significant set of data centres started about late 1990s, mid-1990s, but we've added a data centre in our existing facilities up in Saskatoon. It's about 7,500 square feet. We've added one as well in Regina on Lorne Street, another 5,000 square feet. And we're hoping to announce in the very near future another large data centre up in Saskatoon as well. Data centres are becoming the base technology to operate all of your networks and to provide products such as Max, for instance.

So a bit of an overview of what we've done in the past few years and what we've got as a vision, I guess, going forward for the next few years.

Mr. McCall: — Thank you very much for that, Mr. Styles. In terms of . . . And again it's a rapidly evolving environment that the corporation's working in as regards technology, but thank you for that overview. Could you tell us a bit about the changes that have been undergone on the federal regulatory level, and of course how this relates back into things like bandwidth? And you know, there are more particular questions we can ask about the recent deal announced with Wind Mobile for spectrum. But if you could tell us a bit about the evolution that's taken place since 2012 and where we're at today as regards the regulatory environment and the actions of the federal government on the ability of the corporation to do its job.

Mr. Styles: — There's really two aspects to the regulatory framework. One is through the CRTC [Canadian Radio-television and Telecommunications Commission] and the second is through Industry Canada. So maybe I'll split them that way, if you don't mind, and talk about each one.

On the CRTC side, the CRTC has become much more interventionist when it comes to regulation of the telecom industry. They have done a number of things over time. They had a Let's Talk TV regulatory set of hearings, and those have changed somewhat the regulatory framework around providing

television products here in Canada. Some of the changes — code of conduct for instance, negotiation for channels — is now overseen by the CRTC and there's a framework in place where in the past it was a purely commercial transaction. You know, two companies sit down, you work through it. You come to conclusions on how you're going to do it. Now it's overseen again by the CRTC.

They've now dictated as well a minimum, what we call a skinny basic package. And so I believe it's nine . . . Nine channels, John?

A Member: — 15.

[11:00]

Mr. Styles: — Fifteen channels that have to be in skinny basic, where we would not have offered that in the past. You now have to offer all channels individually as well, starting on March 31st of 2016. So again, a lot of changes in terms of how you can set it up, how you can negotiate it. It's going to change the operating and financial framework for traditional television to a large extent. There was a large debate about over-the-top streaming, Netflix, all of that as well, but really wasn't any changes to that part of the environment.

In addition, they've taken firm control of the wireless industry. In the past they had not overseen the wireless industry, but now they are. There's a code of conduct in place. There's capping requirements, capping and notification requirements that were put in place. You know, they've intervened in a pretty significant way in the market and made a lot of changes to how we operate within that particular market.

They're still talking about making changes to what we call the BSO [basic service objective], the basic service requirement, and those will be hearings that will occur in 2016. It would affect the range of services that you get with your telephone product over land line. We're hoping that they might make changes that would recognize that no longer is a land line really an essential service. It's really become one of a variety of different communication tools. So we're hoping to see some positive changes there. But it's become much more intrusive than it was in the past on the industry.

On the other side, Industry Canada has promoted a policy of four wireless carriers across Canada, the big three and then they were looking for a fourth national carrier, Wind being the company that they were supporting, quite aggressive in that particular approach. The regional companies — and there's four of us across Canada — really aren't seen to be part of that national strategy from the federal government. And so there's been some interesting discussions around that over time.

They've also pushed very hard to put more spectrum out into the market to assist with wireless capacity demands that are out there, and those capacity demands are both on mobile wireless as well as on fixed wireless. So it's on sort of both parts of the industry. So there is now a lot of spectrum out there.

Spectrum policy has changed quite considerably over the last about eight years. Starting in 2009, they went to auctions that have become very, very expensive to be able to go and obtain.

And the auction methodologies have changed over time, and the policy framework within the auctions have changed over time. And you know, that has created a much broader ownership of spectrum than might have been the case in the past. And so for instance, here in Saskatchewan, SaskTel would own about 40 per cent I think of the spectrum that we would have here in the province, where Telus would probably have 30 per cent I would think, and Rogers has another 30 per cent. And yet Telus has no networks in Saskatchewan. And so we've been an advocate for something called use it or lose it over time.

And you know, that's a little bit of an overview. There's a lot of small things that have happened. The federal government instituted for the industry, you cannot charge for paper bills, for instance. We never did so it didn't have an impact on us, but in other parts of Canada that was a pretty significant financial shock to those companies. And it takes away your ability to incentivize people to move to ebills, and we're at about 20 per cent right now where customers are on ebills. It would be preferable to get them all to a much higher level, a much higher percentage in terms of being ebill customers. It saves everybody money and, you know, it's really the way of the future. So I mean they've intervened in all sorts of areas on both sides, the wireless side and the wireline side as well.

Mr. McCall: — I guess on the use it or lose it, one of the great challenges that SaskTel has always had to contend with is the ability of, you know, Ma Bell or whoever coming into the province and competing for where the population is more dense and, you know, up and down the main corridors like Highway No. 1, and then leaving the public service work of SaskTel to cost a significant investment on the people of Saskatchewan and SaskTel customers. And that SaskTel has performed as well as it has in that environment is always pretty impressive, to retain customers and to retain market share and to retain profitability in point of fact.

But in terms of the use-it-or-lose-it policy and the way that . . . It always seems to me that as regards policies that are designed out of Ottawa that don't really take into account or recognize the situation in Saskatchewan as it should be recognized and advantage large corporations against a corporation that's doing the best that they can here in the province, use it or lose it would seem to hold out some promise of better recognizing the work that SaskTel does for the people of Saskatchewan. And I guess, do you have any further insight on when that may reach a decision or be, you know, God willing, implemented?

Mr. Styles: — They have implemented certain aspects of the concept already for certain parts of the radio spectrum environment. So the AWS [advanced wireless services], one option that goes back to 2008 if I remember correctly, that spectrum has to be deployed within 10 years or you lose it. And so Telus and Rogers both, I believe, went spectrum. Yes, they both went spectrum at that point in time. They'll have to have that spectrum deployed by 2018 sometime or they will lose it back to the federal government.

Recent auctions have put a five-year time frame in place and the spectrum has to be deployed within five years — not all auctions, but some of the auctions. So there is more of it that is being put in place gradually, and I think you will see in the future some of the spectrum actually flow back to the federal

government and then potentially go back out for auction.

The federal government, we're hoping, will abide by the terms and conditions and enforce them because that will send a message to people: you don't buy it to speculate; you buy it to utilize it. We and the Government of Saskatchewan in the past has always seen this as being a public resource, radio spectrum. It's owned by the people of Canada and it should be used for the benefit of the people of Canada, not to speculate with.

So you know, we've seen some changes over time. We just hope the federal government continues down that path and continues to respect and enforce the conditions that were put in place with the spectrum.

Mr. McCall: — Okay. In terms of the basic spectrum needs of the corporation, there was the deal announced with Wind Mobile. Could you update the committee as to the state of that deal and what that means for confidence around adequacy of spectrum for SaskTel?

Mr. Styles: — So we were fortunate, as part of the arrangements between Rogers and Mobilicity, Rogers bought Mobilicity with the blessing of the federal government. As part of that arrangement, spectrum that had resided with Shaw was transferred to Wind Mobilicity. And Wind Mobilicity made us aware very quickly of a decent relationship with them, that they have no plans to put up a network here in Saskatchewan, and therefore we started to discuss the purchase of the spectrum with Wind at that point in time. We completed the purchase about a month, a little bit more than a month ago, and the spectrum is now in hand and our plans are to deploy it fairly quickly.

The spectrum that we were able to acquire is AWS-1 spectrum, and so we already have 30 megahertz. With the additional 20 megahertz, it allows us to create a much larger pipe. Now we can only get to a 40-megahertz pipe initially, but we believe the technology will be there to improve another 10. By adding the additional 10 megahertz into it, it's going to be a very low cost to add it. It's about \$388,000 to add it to our network because it's part of an existing antenna array. We don't need any new antennas. It's a bunch of software and some scripts that go in, and it'll be up and operating. It'll increase our LTE capacity by 30 per cent in one jump this fall.

And so very, very good acquisition for us, probably the best one we've made when it comes to spectrum in quite a period of time. So we're very happy with that and again the other 10 megahertz we'll eventually put up on the towers as well. It'll just be waiting until the technology to have a 50-megahertz pipe that's in place.

So we think we're in a pretty good spot. We still have some 700-megahertz spectrum available to use in the future as well, as the phones are able to use that spectrum. Phones don't automatically use all of the different spectrum that's out there. Seven hundred is being added to some of the phones at the present time, and about 30 per cent can use it, but we'll be adding it to our network probably in 2016. It's very good spectrum when it comes to micro cells, the smaller cells that are built for maybe, you know, an area such as the Scarth Street mall, for instance. So we're looking forward to that

deployment. We still have some 2.6 gigahertz that we're going to start to deploy in the major cities. In fact I think they have deployed some of it. That'll improve our capacity as well in those existing coverage locations.

So we're pretty comfortable that we're in good shape probably right through to the end of this decade. I say that with a little trepidation, okay, because you never know how fast data's going to grow, but we're feeling pretty good about things right now.

Mr. McCall: — Okay. Thank you for that. I guess back to the whole rise of Netflix, and certainly Saskatchewan consumers have taken to Netflix arguably with more enthusiasm than just about anywhere else in the country, if I'm remembering my market research correctly, and that trend would only seem to be continuing. And certainly that's at once a tribute to the great connectivity afforded to the province of Saskatchewan by SaskTel.

But of course, as you well know and well recognize, it's a challenge in terms of utilization of the system and what data is being seized upon by consumers and what that means for the network, let alone the competition aspects of what it means for Max, what it means for CraveTV, or the various offerings coming forth from SaskTel.

We've talked in past about the death of Blockbuster in committee and just how the way people are watching video has so radically changed. So I guess if you could tell us a bit more about the way Netflix, YouTube, various offerings that haven't had a lot to do with paying the freight or the cost of building infrastructure in the province, but of course provide a great challenge in terms of how that infrastructure serves the people. Could you tell us a bit about that? And then maybe we'll get into Max and Crave and all that a bit more.

Mr. Styles: — So when it comes to capacity, we don't track in a really detailed manner on our land lines what particular application is using how much bandwidth. We have done some pilot work with a piece of software called Sandvine and it allows you to actually do a measurement.

And so we did some measurements in Regina as an example, and between some of the peer-to-peer software that's out there, things like torrent, for instance. And Netflix, YouTube, somewhere in excess of 50 per cent of all the bandwidth is now going to those kind of applications. So you know, it is pretty significant. If you were to ask Cisco or some of the other companies, Ericsson, for instance, that are out there and provide some of the gear that we utilize, or Alcatel-Lucent is another company, you know, they would tell you that potentially in the future they think that video may end up comprising as much as 80 or 90 per cent of all the traffic. And so it just seems to continue to grow going forward.

You know, for us it's a matter of transition, making the investments, and continuing to find the right technologies. There are companies right now that are pushing, other telcos that are pushing quite aggressively, especially in places like Europe, to somehow have Netflix or, you know, other video companies actually pay something towards infrastructure builds. Google's taken the exact opposite approach. Google's

just going to build the infrastructure themselves — and you're hearing about it down in the United States right now — and then they'll run the products overtop of their own infrastructure.

I think you can survive without necessarily having those companies somehow paying for that. The cost per megabit, or if you want to talk about per gigabit in terms of providing services, is falling. You know, it's a matter of economies of scale and, as we get fibre in place, I think you'll find that those economies will continue to fall. It's the transition that's the challenge.

You've got to put a lot of capital out there to start to attract the customers, build a customer base and get them to use the products and to, you know, pay a little bit more for a higher end product. When you move from 5 megabits per second to 50 megabits per second or 100 megabits per second, you don't pay, for instance, 10 times the cost to get the 50. You don't pay 20 times the cost to get to 100. And so it becomes a cheaper product overall. You might be spending more in a bulk sense but per gigabyte or per megabit, it's going to be less of the cost.

[11:15]

So you know, I think it works from a financial perspective. It's just you've got to change your networks and a lot of capital investment upfront and it takes time to make your way through that particular transition. We're seeing lots of success. You know, we're quite pleased with the way things are working out for us right now and we think by the time we complete that transition into the early part of the next decade that, you know, SaskTel will be in very good shape from a long-term perspective.

The wonderful thing about fibre for us is that fibre, the product itself, is probably good for the next, we would think, 25 or 30 years minimum. What we put in 30 years ago is still in the ground and still operating. All you have to do if you want to continue to upgrade speeds is to put in new electronics. So our ability to move to a gigabyte per second for instance for a home, you know, we could do it tomorrow. Just put in the right electronics and you're off to the races basically.

So you know, we're relatively positive for the long term. Short term's got some hurdles and some bumps along the way but we're working our way through that gradually and, you know, even part of it is dependent upon your users. The education system is a good example. They're moving to more online curriculum, to videos, things that they can put over the Internet and over their bandwidth. That means over time they require more bandwidth.

We see this in some of the northern schools. We've got a project going on right now at Black Lake with Cisco. And Cisco, the Cisco charitable foundation makes available experts to the school in Black Lake over top of bandwidth, and we provide 5 megabytes per second. So they can get a paleontologist to get them on a video screen and have them talk about paleontology to the kids that are in the Black Lake First Nation's school. So as those things become more prevalent, as you see more distance education, more electronic curriculum, you know, again it requires that we continue to step to the floor.

Mr. McCall: — Thanks for that. In terms of Max, which has proven to be a fairly reliable revenue generator for the SaskTel holdings, could you talk a bit about what . . . And again from there are a lot of different ways the environment that Max operates in for the years in question, the way that environment has changed. Could tell us a bit about Max, how it continues to seem to generate a profit and provide a service, but what the future might hold for that holding of SaskTel's.

Mr. Styles: — It's probably the one area in our portfolio that we're not completely certain of what Max will look like over the next five or six or seven years. The amount of streaming over the top and the availability of a quality program on a disaggregated basis is something that, you know, I don't think anybody fully understands. There's a lot of expectations about what it might mean.

We continue to find growth in Max, and so each year we're growing maybe at about 2 per cent, maybe just a bit more than that. So we're around 104,000 customers right now, which is pretty good from our perspective. We're at about 36 per cent of the market right now in places where we do deliver Max. So again we're quite comfortable where we are today.

We're working with our provider of the underlying software, the IPTV software, which is provided by a company called Ericsson. We're working with them right now on what the future holds, and I wouldn't be surprised if something we add in the future is a much more flexible streaming service based on Max.

We do right now have a small app that goes with Max that allows you to take movies, certain channels over the top as well, very limited, and that's available for our customers. But the new over-the-top application that Ericsson is talking about for potentially 2017 would allow you to take a full complement of channels. That might open the door for us to push Max out into more rural areas. You would simply run it over the top on existing bandwidths rather than have to have a dedicated portion of the bandwidth that's supplied to it. There's some quality issues that might go with it as well.

It's going to be interesting to see in 2016 what happens to the number of channels that are available in Canada as well. With the move to single channels, some channels that were being bundled in the past may not survive. And there are those in the industry that believe as many as 10 to 20 channels may die in 2016-2017 which will slim the universe from, you know, 200 to — I don't know — 160, 170 or something. But you know, so there's a variety of these things that are coming down the pike and really difficult to say exactly what they mean and how it's going to affect the structure of the industry.

We're trying to make sure that, you know, we're staying abreast of the developments. We have now brought a number of apps in and so you can get, through us, you can get TSN [The Sports Network] over your iPad, over your phone, things like that. CTV [Canadian Television Network Ltd.] as well, we have an app right now that goes with our Max package. You can watch CKCK TV, etc., over your iPad or over your phone. Now it's on a disaggregated basis so you don't get the actual live streaming. You get access to all the programming that's available through a particular channel.

So those things are in the market. We've got Crave right now available to our customers as well. And we'll push Crave out through our set-top boxes, we would hope, starting by the end of the year. So again, lots of change occurring. But where it's going to be in the next couple of years, I think it's going to be a year-by-year examination of those trends and trying to make sure we retain a package that appeals to the people of Saskatchewan.

Mr. McCall: — Okay. Thank you very much for that. In terms of the corporation as itself and its different holdings and the people who do the work, provide the service, you know, keep that SaskTel name looking good, for the years in question can you tell us a bit about what's happened in terms of core employees and core services with the corporation, and what's been seized upon in terms of outsourcing?

Mr. Styles: — You know, maybe I'd start with that definition of core services. I would suggest to you that our core services have changed quite significantly over an extended period of time. At one point in time the corporation employed, I understand — it was long before I joined — but I understand at one point in time we employed over 800 operators here in Saskatchewan. At the present time I believe I have 17 operators. So what was core a number of years ago and what's core today is quite different, and it's going to continue to change going forward as well.

As I said, we're becoming an ICT company. We're no longer a company based upon dial tone really, so some of that has changed over time. And we've moved to new technologies to manage some of that change. If you go back I believe about six years, you would have always got an operator when you phoned for information. Today it's a computerized system. It's computerized basically I think for everybody in North America now. But it's a computerized system and, you know, instead of getting an operator, you know, you tell the system through voice recognition what number you're looking for and the system goes and looks it up.

We have, in parts of our operation where in our view was not core to us, where we did not want to be the expert or where the amount of expertise is relatively small, we wanted to make sure that we, you know, we don't necessarily stay involved with some of that. SAP support is a good example of that. We used to have a group of 20-some employees that took care of SAP for us. We moved out of that. We've allowed another company here in Saskatchewan to take over that particular part of our business.

But things like billing, for instance, that we believe to be core to us — it's essential from a revenue generation perspective — our billing was historically done by a company outside the province. That's been moved back into the province, and we're now doing our billing directly ourselves. So what's core and what's not core has shifted a little bit over time. All of our technology work, for instance, is basically done internally, okay. Again we've got a large technology group, very large IS [information services] group. We have used outside firms to do some of our contracting for us, contract work for us, okay. We did not want to increase the size of our labour force when it comes to something like fibre, for instance, because it's a limited time program. You bulk up and then you'd have to, you

know, lay people off and you'd be left with the equipment, etc. So we worked very closely with a series of contractors to get that work done, but when the work is done it will be our staff that will be managing the networks and managing the systems directly.

So a bit of an overview, again different areas of the corporation we've treated in different ways, but the bottom line to it all is that anything that is core to our operations and core to our long-term survivability is being maintained within SaskTel.

Mr. McCall: — Is there work that is conducted with vendors that are out of province or, you know, out of the country, for example? And certainly one thinks about different things that have taken place over the years with . . . Oh you think about the telephone marketing work that's been done on an international basis out of a place like Bangalore, India. Is there anything on that scale going on with SaskTel right now?

Mr. Styles: — Our call centres are all within Saskatchewan. They're not even outside the province and they're not outside the country. So lots of our competitors, okay, have moved it to places like Mumbai or, you know, other locations to have their call centres located. We have not pursued that particular avenue for a variety of reasons. We believe our own employees are our best ambassadors in dealing with our customers here in the province. They know our products and services very well and we think we can sustain a much higher level of service and customer satisfaction. And I think that's proven out by the J.D. Power awards that we've received, and we've received now on a regular basis for the past number of years. Part of it is looking at something like our call centre operation.

We don't directly outsource, for instance, our testing to places like that. You know, that's not been our practice. We work with a company — I think it's here in Canada if I remember properly — that does our testing, our systems testing for us, for instance. But you know, we try to find a balance between price and the quality of work that we can get done.

A lot of our technologies, there's no company in Saskatchewan that can manage or deal with those particular technologies, and sometimes they're not in Canada. As an example, the software, hardware systems that power our information, you call the operator for information, that's powered out of a company out of California. And again there's nobody in Canada that actually does it nor would some company try to do it for such a small basis for SaskTel. Those are volume transactions and you need very large operations to do something like that. But the vast majority is in Saskatchewan.

Some of our vendors again are from outside of Saskatchewan. Some are from outside of Canada simply because that's where the technology originates from. There is no equipment vendor that produces wireless or wireline equipment in Canada. I say that with a little trepidation. There's probably some part of it that maybe the US [United States] produced, but fibre is not produced in Canada. Fibre is produced in Asia, a lot of it is. Corning has some plants in the United States that we buy from, for instance, so it's a mixed bag.

Mr. McCall: — But in terms of maintaining and general operation of the system as it exists throughout Max or

throughout the general telco, that work is retained by SaskTel employees and if you're doing sort of larger installs that would be . . . You'd be looking to provide it through a vendor. Or tell me a bit more about that.

Mr. Styles: — The only area . . . Maybe there's three instances. We have never and we continue not to employ riggers, they're called, to work on wireless towers. It's a rather specialized process to climb those towers, okay, and to work at the very sort of high heights and so we've never employed riggers and so outside companies do our rigging work for us. They'll put up the antennas and make the connections for us, etc., and we'll take care of everything that's on the ground. But that has been the case forever as far as I know in SaskTel.

We do employ some capacity on installation from time to time and so when we get to certain periods of time where the number of installations is higher than our own internal capacity, we may have a company work with us a little bit, and we've had a company working with us as we try to retrain our own staff on fibre. And so if you're going to pull them off the line and you're going to train them how to bond fibre, how to work with fibre, for instance, you need to replace that capacity for short periods of time. And we have done that for the past three or four years, but again it's on short-term basis. It's allowed us to train our staff, get them up to speed, and then put them back out into the communities.

In a place like Moose Jaw where we've had some contractors assisting us with the fibre build, we actually just completed the home passes at the end of August. We hope to complete all the connections by the third or fourth month in 2016, and I would hope that our staff complement that's already there in Moose Jaw will be sufficient to manage everything on their own.

Mr. McCall: — Okay.

Mr. Styles: — So that's the end point we're trying to get to throughout Saskatchewan.

Mr. McCall: — In terms of installations that are done for Max in conjunction with Leducor, could you tell us a bit more about the contract there and dollars involved and when that comes to an end or . . .

Mr. Styles: — It has come to an end.

Mr. McCall: — What it looks like.

Mr. Styles: — It has come to an end. It finished up in 2014 — I have to apologize; I don't know the month — came to an end. A variety of things contributed to the change in approach — some of the changes we were able to make in our own operations, some of the enhancements. We put in a new dispatch system. You know, all of those things got us to the point where our own staff were doing a better job than Leducor, and so we made the change back to a completely internal workforce.

[11:30]

And so Leducor worked for us for about three years and did Max installations, telephone installations, I think Internet

installations, if I remember correctly. You know, did a good job while they were with us. But again, they couldn't meet the cost framework that we had in place, and so all the work is now being done internally by our own staff. The only company that does a little work for us off and on, okay, is the company we have involved in our fibre work right now.

Mr. McCall: — Okay. In terms of the three-year contract with Leducor, was that concluded early? Was it a year-to-year sort of arrangement? How did that come to an end?

Mr. Styles: — Yes, it's a year-to-year arrangement. It was, I believe, five and maybe a couple of one-year extensions, something along those lines. And you know, each year you review your cost structure and have a look at what they're charging and what they're going to charge going forward. We've built in to those kind of contracts in the past efficiency improvement targets, and so we're expecting the companies over time become better at what they do, no different than ourselves. We expect it of ourselves as well. And when companies fail to meet those kind of expectations, okay, we don't renew the contracts.

Mr. McCall: — Okay. So I'd be understanding that . . . Is it a fair statement that Leducor wasn't meeting the expectations in terms of quality of service, let alone the price structure, and as such the relationship came to an end? Is that a fair statement?

Mr. Styles: — I wouldn't say that in the historical look at things. I would look then on a progressive basis. The numbers that we were expecting going forward into 2015 were not ones that Leducor could meet, or could meet and arrive at the kind of profitability they were looking for. And so, you know, from a retrospective basis, absolutely they hit the targets and provided the level of efficiency improvement we were looking for. We measure both quality as well as the quantity of work that's being done, and we have certain quality objectives in terms of both our own staff as well as contractors that we use. We announced to our staff on January 6th of 2015 that Leducor was being phased out, and they were completely phased out by the end of March 2015.

Mr. McCall: — Okay. Shifting questions a bit here, certainly, you know, we talked about — and it's well recognized — the competitive environment that SaskTel operates in, and let alone the ever-changing technology and so on. But in terms of that competition, there's a fair amount of work that falls to the company to do around advertising. And certainly, you know, one of the things you hear about SaskTel is that the presence is fairly ubiquitous on a number of platforms out there in the media. There are different sort of opportunities that the company takes advantage of in terms of sponsorship or title sponsorship. Could you tell us a bit about that environment and the activity of the corporation? What are the dollars involved and who are the vendors providing that expertise for SaskTel? As creative as I think SaskTel people are, I'm sure you don't do all in-house, but tell us a bit about that.

Mr. Styles: — I'll start. I'll talk about 2014 if that's fine, as a bit of an example of the past five years. So in total in 2014 for advertising, what we call co-op advertising with our dealers, community relations, and corporate communications annual reports, SaskTel news, corporate position, things like that, we

spent \$19.2 million. Advertising is by far and away the largest component of that; it's \$14 million. And co-op advertising with our dealers was 1.9 roughly, \$1.9 million in 2014. And community relations, cost is \$3.05 million. So that was the distribution of it.

Our community relations budget really is a part of our marketing budget. Very little of it is what I would call corporate philanthropy. Anything that we're involved in, we sponsor, we look to get brand recognition. We usually require that the group we're sponsoring is using our products. We demand exclusivity when it comes to products, a practice that is put in place by all of our competitors as well. It's pretty normal to the industry.

Advertising, we advertise across a whole variety of different platforms, everything from we still do some newspapers; it's gradually declining pretty fast. But we do television advertising which people would be very familiar with our Little Red platform, and we have a new business platform that we're out there with as well. We're also on the Internet. We do a fair bit of Internet advertising on top.

So we use all the traditional channels that are out there, and we continue to shift a fair bit to Internet over time. It's simply becoming a much more important venue than it has been in the past. In the past years, 2014 and back, we used three firms. Our work is split amongst three different companies: MGM, Marketing Den, and Brown. And so for 2014 — I think that goes back five years, if I remember correctly — they're five-year, yes, five-year contracts and those three companies split it up. We give them certain products and they handle the overall products. Then usually one of them is our lead and they help coordinate, you know, our overall marketing strategy.

Mr. McCall: — So a five-year contract that has recently concluded or is going forward?

Mr. Styles: — Concluded in 2015. And in 2015, it went back out to the market and we awarded to three other companies: MGM, Marketing Den, and Taxi.

Mr. McCall: — I guess what was the value of the previous five years of that contract and then what is it projected to be going forward?

Mr. Styles: — Just a rough calculation, around \$94 million for the last four years. Going forward, I would suggest it would be about the same as well.

Mr. McCall: — Okay. Now in terms of the community relations work of SaskTel, you'd referenced there's a preference towards entities that are utilizing SaskTel's services or products.

Mr. Styles: — It's a requirement of whatever arrangement we make. So we have, you know, if you pick, you can pick any entity we're out there with, but it's usually a requirement that they use us exclusively. There would be some instances where that is not a requirement. Bazaart would be an example of that, okay, the organization I think it is that puts on Bazaart, it's not a requirement there. We like the brand recognition at certain events from a community perspective. It's local. It's grassroots. But for a lot of them, you know, we'll only sponsor you if

you're exclusively with us.

Mr. McCall: — Okay. In terms of the vendors that you have identified for the communications work or the creative work and the significant dollars attached to that work, are they Saskatchewan companies?

Mr. Styles: — So, you know, ownership, I don't always know ownership very well. Two of them are, you know, large entities here in Saskatchewan. The third — Taxi — has their major offices out on the West Coast and have a small office now here in Saskatchewan to service us.

Mr. McCall: — Okay. So in terms of . . . I guess what happened, there was a change in one of the vendors. You've foregone Brown for Taxi. Why did you take the Taxi?

Mr. Styles: — It's a juried competition open to all companies, okay, to bid. It's worked through an RFP process where they come in, they present their wares, show us the kind of capabilities that they have. We look at past performance to some extent as well. And between the two, in a juried competition, there was five people that were involved. They make the selection and the decision, and their recommendations were implemented.

Mr. McCall: — Okay. Who's on the jury?

Mr. Styles: — There are two representatives from SaskTel, two representatives from Executive Council, and then the fifth individual was chosen from within the Crowns.

Mr. McCall: — Okay. No chance of a third SaskTel person for the fifth position?

Mr. Styles: — The way it's set up right now is it's an independent individual, okay, from outside of SaskTel or Executive Council, from another Crown. In this case I don't know which Crown the person came from, but from another Crown.

Mr. McCall: — I'm always fairly leery about asking for names, but can you identify the individuals on the panel?

Mr. Styles: — Okay. Our two were Stacey Sandison and Flora Horvath. Stacey is our vice-president of marketing, and Flora is the director for the advertising portfolio at SaskTel. I think it was the director of communications at SGI, if I understood correctly, but I apologize; I don't know the name. And then the two from Executive Council, off the top of my head I don't know.

Mr. McCall: — Okay. So Taxi, having recently opened an office in Saskatchewan, but based primarily on the West Coast. Are we talking Vancouver or are we talking Los Angeles? Where are they based out of?

Mr. Styles: — I believe it's Vancouver. They had at one point in the past been the advertising agent for Telus, for Fido, I believe specifically. And so they have an extensive background in the telecom field. And their portfolio and resumé and their background is quite positive, you know, a very good company. Telus made a change to their advertising agents within the past

couple of years, and Taxi was available and looking to sign on with another telecom in Canada.

Mr. McCall: — So in terms of, I guess, just what is your understanding of why a Saskatchewan company was traded in for what is arguably an out-of-province company?

Mr. Styles: — I'd go back to, it's a juried competition. You want to select the very best companies that are available to you. And the very best companies that were available to us, based on the competition, were the three that I've noted. And it's basically that straightforward.

You know, we want to make sure that . . . Advertising is very important to our business; I mean, that's why we spend a lot of money on it. We want to make sure we have the very highest quality of individuals and companies that are available out in the market right now. The lead company for this is . . .

A Member: — Marketing Den out of Saskatoon.

Mr. Styles: — Yes. So the lead company in all of this is Marketing Den out of Saskatoon. So they're the ones that will sort of pull all these pieces together. The other companies are sort of junior in the relationship, if I can use that phrase.

Mr. McCall: — Okay. But again it's a decision that was primarily based on quality, that's your understanding — not on price point, not on the New West Partnership. It's primarily a matter of quality.

Mr. Styles: — It's all based on quality. It's an RFP [request for proposal], not a tender. In our business it's tough to tender that kind of work, okay. Certain things are set in the agreement, for instance they receive no commission on the placement of advertising, as an example. I just better make sure I got this right . . . [inaudible interjection] . . . But there's a certain dollar allotment that's provided to them, okay, to take care of the service, but it's not based on sort of the volume, if I can use that phrase. So it's essentially fixed for them.

So again for most of it, you know — and each campaign is different — the combination of what we're going to do at a specific point in time is largely dictated by the market. I'll give you a recent example. Bell has been pushing heavily into our business market here in Saskatchewan. They've got a number of new offers that they're taking to businesses, and so we've had to change our approach in the business market a little bit. These things happen rather quickly. Our marketing program, while we have a long-term view of our platforms and we test our platforms on every other basis, on a quarterly basis, you know, we refocus a little bit to hit areas that we may be having trouble or to find opportunities that may have been created for us.

So another company raises their prices. One of our competitors in the Internet market has recently raised their prices in Saskatchewan. We focused a lot more on the Internet with some of our advertising, and to our benefit our numbers on the Internet side, a number of customers are up about 3,000 this year for us. So it's been quite successful. So again, you can't set it from a true tender basis, so it has to be RFP and it has to be quality.

Mr. McCall: — Thank you for that, Mr. Styles. I guess a couple of grab bag questions for you and officials, and then I'll hand the floor over to my colleague for a couple of questions at the end, presuming there are no other questions out there.

But in terms of . . . You'd referenced the work that's ongoing with northern Saskatchewan, and there was an earlier projection on the bandwidth expansion. I believe that it was projected to reach Cigar Lake by the end of 2015. Could you just reference that once again, and is it on track? Has it been put off track by the events of the summer? Where is that? What's the status of that expansion?

[11:45]

Mr. Styles: — We're just a little off of our timing right now. There's been two events. One was a very short winter last year, and in the North you do most of your construction during the winter. And so when it warmed up quite suddenly in I think it was late February or early March last year, we could no longer carry out the kind of work we needed to in northern Saskatchewan, or our contractor couldn't and therefore had to leave a little early. We'll complete that work, we're hoping December-January, and so we're just a little behind right now on what's happening. But climatic conditions are the big issue. There is environmental considerations when you're doing work in the North and we have to meet those environmental guidelines.

We did have a problem this year. I think it was around 20 kilometres of fibre burned on us in the fires, but that is back up and operating now and we're actually grooming over right now a variety of communities on to the new fibre network. So we just completed Stanley Mission just a little while ago so they're now on the fibre network as well and off of copper.

We've now got two of the towers in the very Far North groomed over and on to fibre as well. Last time I heard, so I'm a little dated on this, last time I heard I think we were doing McArthur River as well. So we're gradually grooming, you know, the existing bandwidth users that are up there over on to the new network and we're quite hopeful to, like I say, be through Cigar Lake shortly.

There is a second phase as well. We got approval from the federal government and federal funding, 75 per cent, that will take us further up all the way to Collins Bay. Now we haven't quite locked that in yet but, you know, we're going to go up through the rest of the mines that are there and pick up some more of the communities. That will allow us as well to service four new communities in the Far North with Internet for the first time. And for 20 other communities, we'll be moving them from one and a half megabits per second up to five. And so the project and the additional funding that's coming in is going to do a lot to again continue to push out more bandwidth to communities and individuals throughout especially the northeast part of Saskatchewan, but we're doing a little bit of fibre work on the other side as well and it will help a few of the smaller communities over there.

Mr. McCall: — Thank you for that update. I guess a different question, and I've been copied in on some correspondence arising from St. Victor in terms of the service in that particular

region, the adequacy of that service. I guess we'd passed along concerns to the minister's office and certainly it's received through there as well.

But I guess to the folks in St. Victor that have questions about the adequacy of cell service, especially after the construction of a tower at Scout Lake which of course should be, you'd think, resulting in an improvement on the situation as a whole, I guess, do you have anything to say in reference to that? And I'm sure you do because I've seen various of your correspondence on it as well, but if you've got anything you'd like to state for the record at this time?

Hon. Mr. Reiter: — I was just going to mention the issue that you brought, the concern from the constituent that you brought to my office. We have discussed with Tel, and Ron has had some correspondence with them. I'll get him to elaborate on that.

Mr. Styles: — So we do run into these situations around the province, very small communities where the cost to service the community is significantly outside of what could be considered to be economic.

To build a tower, connect fibre to it, and supply service, a macro tower — so one of the very big ones, 300, 350 feet high — you're probably talking somewhere between a million two and a million five. And for 25 individuals in a small community, it's just not, it's not economic is the only phrase I can use for it. So you know, that's . . . At the heart of it, that's the issue. And we do have those challenges in different places around the province. We do look for ways to supply bandwidth to them in different ways. So Fusion, the product I mentioned earlier, is one and it's helped us address some of those particular issues.

The government has also approved in the past for us a couple of programs that have allowed us to push DSL [digital subscriber line], our land line high-speed Internet, into rural Saskatchewan. Approval in early 2013 allowed us to move high-speed Internet on a land line out to another 50 communities, small communities, very small communities in southern Saskatchewan. And we increased speed to another 252 . . . Am I right, Darcee, 252?

Ms. MacFarlane: — 252 with increased speeds.

Mr. Styles: — Okay, 252 communities. So we've really gone, you know, as much as we can right now. We are doing a few more where we find the opportunity.

To put in high-speed Internet into a smaller community, you need to have fibre very close, and so that's another consideration to it. And sometimes we'll do a project for a different reason to be able to serve a community. We're recently just putting it into Lebret, Saskatchewan, as an example; and Lebret, I think, has 50 people if I remember correctly.

So you know, we do everything we can. And I understand, the government and the corporation, we do understand that, you know, bandwidth is very important. I mean in this day and age, it's like a utility, a necessity in lots of ways. But there are

limitations to it.

Some of the discussion around the St. Victor situation, okay, was in regards to our location of a tower at Scout, I believe it was called. I appreciate everybody has their views and opinions on what, you know, we might do and the locations we might choose, etc. We chose the site for a very specific reason: to make sure that there was wireless access along the highway that was there plus to some surrounding people, individuals, communities. But we try to make sure that a lot of the major highways and corridors, okay, have access to wireless. It's starting to be seen as a very important component to have an emergency response. So we did it for a very specific purpose.

We understood exactly what the implications were for putting it in that place. You know, their concern that it doesn't serve them, that was not the intention. I appreciate that's probably not what the community's interested in, but that was not the intention at the time. You need line of sight. They're in a valley. Line of sight means you need to put the tower right on the edge of the valley. That's the only way you get line of sight.

And it's a similar problem in a variety of places. A resort community up near Outlook, we have the same issue. And the tower isn't that far from the community, but the community is down in the valley. And in fact, they're on the near side wall of the valley and therefore they're not in line of sight and therefore they don't get great reception.

So you know, again we will continue to keep an eye on Victor and if there's an opportunity to do something there, okay, to provide them with better services, we're more than happy to be able to do that. But it's always got to be within an economic framework, you know. With that, again I appreciate their concerns.

Mr. McCall: — Okay. Thank you for that. With that I would turn it over to my colleague and I guess at this point say, thank you, Minister, officials, for the exchange here today. But over to you.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair, and thank you to my colleague. A couple of questions I want to ask is, first of all on page 27 of the payee disclosure statement from 2014, there was a payment made to Creative Saskatchewan for \$523,000. Can you describe what that payment was for?

Mr. Styles: — I'm sorry. It just took a little time to sort of figure out exactly what that was. A percentage of our revenues goes to the federal government, to the CRTC for a variety of different purposes. Part of it is to support Canadian content. The designated receiver of the money for Canadian content in Saskatchewan is Creative Saskatchewan, and so that's where it ends up.

Ms. Sproule: — So who made the decision that they were the designated recipient?

Mr. Styles: — The federal government.

Ms. Sproule: — The federal government chose Creative Sask?

Mr. Styles: — Yes. They're federal regulations. You've got to be careful with these things, you know. We may have said, you know, this would be a great place to put it. In the end though, the decision-making body is the CRTC. They make their own decisions on it. It's their regulations, their regulatory framework.

Ms. Sproule: — And why would you have recommended them as the recipient?

Mr. Styles: — It's better to keep it in Saskatchewan than to give it to the . . . Apologize. There's a Canadian Film Corporation, I believe. That's where some of the money would go. In fact a lot of the money from Rogers, companies like that, goes to the Canadian Film Corporation. If you watch on TV sometimes, you'll see at the end of the TV programs something that'll recognize the individual companies.

Ms. Sproule: — I'm thinking what about the Saskatchewan Motion Picture Association as opposed to Creative Saskatchewan.

Mr. Styles: — You know, if you like, we can look into it.

Ms. Sproule: — I would please, yes.

Mr. Styles: — It's not . . . Again it's the federal government. It's their decision in the end, not ours.

Ms. Sproule: — Right. But you obviously made a recommendation. And this last question I have, and you may need to take some time for this, is if you could advise how much was spent on consultants in the three annual reports in question. And in particular if you could break it down: how much were consultants for IT services and then for legal services for each year in question?

Mr. Styles: — Yes. Legal services isn't a problem. We do it on a regular basis. IT service is a bit more of a challenge only from the perspective that everything is becoming IT. So what in the past used to be sort of engineering or technology, you know, it's starting to become IT, it is. But we'll, yes, we'll do a follow-up, okay, and sort something out for you.

Ms. Sproule: — Yes, I know that would be a bit of an undertaking, so I appreciate that. And finally, for the SaskTel Max RFP for provision of SaskTel Max services, I understand that it was not an open process, like only certain people were even allowed to apply for that RFP. Is that correct?

Mr. Styles: — I'm not sure which RFP you're referring to.

Ms. Sproule: — The SaskTel Max, they go out and do filming of content generation, I guess is the right term.

Mr. Styles: — Oh, I know what you're talking about. The officials don't have the information right with them. And if it's okay with the member, we're going to be following up with you on the other issue — could we follow up with this as well?

Ms. Sproule: — That would be appreciated very much. Thank you, Mr. Chair, and Mr. Minister, and your staff for that.

The Chair: — Well thank you. What is the committee's wish in regards to the annual reports and the financial statements for SaskTel for the years of 2012, 2013, and 2014? Mr. Norris.

Mr. Norris: — Mr. Chair, thanks very much. I appreciate the opportunity to join all the committee members in exploring these reports, especially with the minister and his officials. So I wish to offer a motion. I wish to conclude consideration of the annual reports and financial statements for SaskTel for the years 2012, 2013, and 2014.

The Chair: — Mr. Norris has moved that we conclude consideration of the annual reports and financial statements for SaskTel for the years 2012, 2013, and 2014. Are the members in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, do you have any closing comments?

Hon. Mr. Reiter: — I do. Thank you, Mr. Chair. I'd like to thank you for your time today, also to all committee members, to the members for their very respectful questions. And I'd like to thank Mr. Styles and all the officials from SaskTel for being with us this morning as well. Thank you, Mr. Chair.

The Chair: — Thank you, Minister. Are there any closing comments from . . . Mr. McCall.

Mr. McCall: — At risk of repeating myself from earlier, I second that emotion. Thanks again.

The Chair: — Okay, thank you. I also want to thank the minister and his officials and all the members of the committee. I also want to thank committees branch for helping me through this, being my first kick at the cat here, with the auditor being here before, and I want to thank the auditor for being here. And that kick at the cat, I'm sorry if I offended any cat lovers, but it's just one of those things. So thank you very much, and we will now recess until 1 o'clock.

[The committee recessed from 12:00 until 12:59.]

The Chair: — Well good afternoon, everybody. Before we proceed with this afternoon's agenda, I would request a member to conclude consideration on 2012, 2013, and 2014 annual reports of SaskTel-related entities. We just kind of forgot to do it this morning. So Mr. Weekes has made that motion. Is the committee in agreement with that? Carried.

Saskatchewan Government Insurance

The Chair: — This afternoon we will be considering the Provincial Auditor reports for 2009, 2010, and 2012 for SGI [Saskatchewan Government Insurance], as well as the annual reports for SGI and its related entities. I would first ask Minister McMorris to introduce his officials, if you would please.

Hon. Mr. McMorris: — Great. So thank you. On my left is Earl Cameron who is the vice-president of the Auto Fund. Further over to my far right is Jeff Stepan who is the chief financial officer. Immediately to my right is Dwain Wells who

is the vice-president of systems and facilities, and behind me to my right is Sherry Wolf who is the vice-president of claims and salvage.

The Chair: — Ms. Ferguson, would you please introduce your officials and make your comments on the chapters.

Ms. Ferguson: — Thank you very much. Mr. Chair, Deputy Chair, and members, I've got with me Ms. Carolyn O'Quinn. Carolyn just actually recently has been appointed to a deputy within our office and is responsible for the finance portfolio which includes the SGI Crown corporation. Behind is Mr. Patrick Green, and Patrick is a partner from PwC [PricewaterhouseCoopers]. PwC is SGI and its subsidiaries' and pension plans' appointed auditor and has been so since 2013. And beside him is Ms. Kim Lowe, and Kim is our liaison to this committee.

The Chair: — Thank you, Minister. I understand you're going to be presenting in two parts. Mr. McMorris, if you could please make comments regarding the first presentation. Oops, sorry. I'm sorry.

Ms. Ferguson: — That's quite fine. Thank you very much. So this afternoon, as indicated, we're going to present the chapters before us in two parts. Before we commence into the presentation, I just want to pause and say thank you to the officials at SGI for their co-operation that we received in the course of the work that's before us. I think as an office we've got a really good working relationship with the management and team over there.

So this afternoon we're going to focus our results on our performance work that we've done and some of our integrated audit work that we've done in conjunction with the appointed auditor. And so we're going to provide an overview of the two chapters on the agenda, pausing after each. First we're going to talk about the results of our follow-up of recommendations related to SGI's processes for project management that was related to Saskatchewan Auto Fund redevelopment project. And that's the 2009 report volume 1, which is the first on the agenda. So the first report, the first chapter will be part 1, and the second part will be the two remaining chapters, and Ms. Carolyn O'Quinn is going to be presenting that. And you'll find it's a familiar topic. Again it's wireless network security, which we discussed this morning for another agency.

So without further ado I'm just going to launch into part 1 because it's very short. So starting on page 147 of chapter 11 of our 2009 report volume 1, we report that by March 31st, 2009, SGI fully implemented two recommendations we initially made in our 2007 report volume 1 regarding SGI's project management processes relating to Saskatchewan Auto Fund redevelopment project. SGI improved its processes to monitor project benefits and to document project risks and strategies to mitigate identified risks. So that concludes our presentation of chapter 11 of 2009 report volume 1. Just as you can see, there is no new recommendations in that report and the recommendations previously issued are fully implemented.

The Chair: — Mr. McMorris, would you like to make any comments on that?

Hon. Mr. McMorris: — No, not at this time.

The Chair: — Are there any questions or comments? Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. And I'm just wondering, Mr. Minister, and your staff, if you could elaborate a little bit about the redevelopment project for the Auto Fund. Now this is 2009, so you've had now six years to actually test out your implementation of these recommendations. If you could just give the committee sort of a review of how things are going in the last six years or seven years — or six years I guess — and whether or not the security for the redevelopment project has proved to be adequate.

Mr. Wells: — It's gone very well. As we had I think stated in the past, we implemented it on time and within 3 per cent of our budget. The system has run very well for the business. We've seen the equivalent of 15 positions saved as well as in 2013 with our online services. One of the key things with the implementation was we've seen ... [inaudible] ... remuneration fees reduction of approximately 500,000. So overall the system has run very well for the organization and security has been very good for it as well.

Ms. Sproule: — If you could just outline for the committee and in very generic terms what the project was. Is that the online, being able to pay for your ...

Mr. Wells: — I guess at a high level, our system was built in the '60s and '70s so we needed to replace it. So basically we replaced all of the driver's licence and vehicle functions that we provide for the government with the new system and part of that as well was positioning ourselves so that we could provide online services for the public of Saskatchewan, so that was part of that. And we have done that.

Ms. Sproule: — And tell us how many people are now using the online services to purchase licences.

Mr. Cameron: — I'm sorry, I don't have the exact number. But we have about 10 per cent of all of the transactions that are on online, are being used for online. So I think there's 120,000 accounts set up. I might be wrong on that number, but approximately 120,000 accounts set up where they're using that service to renew their plates or cancel their plates. And we also collect their emails so that we can contact them, if they wish to be, by email. And I think we're a little over on the online, MySGI, over 300,000 emails captured there now, where if they wish to, they can contact us that way and save putting a stamp or a phone call.

Ms. Sproule: — I'm certainly a happy user of that system, so so far it's worked well. In 2009 the auditor's report indicated that you had several phases left in the redevelopment project. Is it complete now? Are there other ...

Mr. Wells: — Yes. Sorry, it was complete in 2010. At that time it was a five-year implementation, so we implemented it in phases. So the last one was in 2010.

Ms. Sproule: — I don't have any more questions.

The Chair: — Are there any more questions? If there are no new recommendations . . . There are no new recommendations on chapter 11, Saskatchewan Government Insurance, for the 2009 *Report of the Provincial Auditor* volume 1. What is the committee's wish in regards to this chapter? Mr. Norris.

Mr. Norris: — Thank you, Mr. Chair. I wish to conclude consideration of chapter 11, the 2009 *Report of the Provincial Auditor*, and that there be a motion pertaining to that direction.

The Chair: — Mr. Norris has moved that we conclude consideration on chapter 11 of the 2009 *Report of the Provincial Auditor* volume 1. Are the members agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Ms. Ferguson, if you could please do your second presentation.

Ms. Ferguson: — Thank you very much, Mr. Chair. I'm just going to turn it over to Ms. O'Quinn.

Ms. O'Quinn: — Thank you. I will now move on to discuss the results of our audit of the adequacy of SGI's wireless network security processes for the period from October 1st, 2009 to March 31st, 2010. And this is contained in chapter 15 of our 2010 report volume 1, which starts on page 157.

SGI makes extensive use of its information technology. That includes computers and a large system-wide network that provides most of SGI's personnel with access to email and significant amounts of information stored on network servers. SGI uses mobile computers, i.e. laptops with wireless capability, to connect to its corporate network. Also motor licence issuers located in rural communities have wireless data transmission capabilities. This audit did not include hand-held devices such as BlackBerrys.

We found that SGI did have adequate wireless network security processes, except for specific matters related to its wireless-enabled laptop computers. We made three recommendations.

Our first new recommendation is on page 160. We recommend that SGI provide training to its employees with wireless-enabled laptop computers on how to use this technology securely. We found SGI's security awareness program did not address training to staff on how to securely use the wireless capability. Insufficient training increases the risk that a user of the wireless-enabled laptop could accidentally or intentionally expose SGI to security threats.

Our second recommendation is on page 161. We recommend that SGI promptly update its laptop computers to protect against known security weaknesses. We found SGI did not promptly patch its laptops for known security weaknesses. Not promptly patching for known security weaknesses increases the risk of inappropriate access to SGI's systems and data.

Our third and final recommendation is on page 161. We recommend SGI configure its laptop computers to reduce the risk of inappropriate access, and log such attempts. SGI did not adequately configure its laptops to log and restrict security

breach attempts. Logs provide the information necessary to investigate attempted inappropriate access to these computers or unauthorized alterations to their settings.

Chapter 16 of our 2012 report volume 1 reports the results of our follow-up work to assess SGI's progress in implementing these three recommendations. We are pleased to report that by March 21st of 2012, SGI had implemented all three of the recommendations.

That concludes our overview of chapter 15 of our 2010 report volume 1, and chapter 16 of our 2012 report volume 1.

The Chair: — Thank you. Minister McMorris, do you have any comments?

Hon. Mr. McMorris: — No.

The Chair: — Are there any questions? Ms. Sproule.

Ms. Sproule: — Mr. Chair, thank you. I'm just wondering . . . Again this is several years ago, but is there any information available from SGI regarding inappropriate attempts to access through wireless? Are you aware of any or do you track those . . .

Mr. Wells: — Not aware of any.

Ms. Sproule: — There's none that have happened?

Mr. Wells: — No.

Ms. Sproule: — So there's a new technology, I think, that's come in since 2010, and that's the ability to hotspot from a cellular telephone. Does that change anything in terms of the recommendations here?

Mr. Wells: — No. We capture . . . We look after all of that as well.

Ms. Sproule: — Do you firewall those?

Mr. Wells: — Yes.

Ms. Sproule: — So even if I went in with my phone and tried to hotspot, I wouldn't be able to.

Mr. Wells: — Uh-huh.

Ms. Sproule: — Okay. I don't have any more questions.

The Chair: — Thank you, Ms. Sproule. What is the committee's wish in regards to the recommendations on chapter 15, Saskatchewan Government Insurance, of the 2010 *Report of the Provincial Auditor* volume 1? Mr. Norris.

Mr. Norris: — Great. Thanks very much, Mr. Chair. I wish to move that the committee concur with the three recommendations and note compliance.

The Chair: — Mr. Norris has moved that we concur with the recommendation and note compliance. Are the members agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. There are no new recommendations in chapter 16, wireless network security audit follow-up, of the 2012 *Report of the Provincial Auditor* volume 1. What's the committee's wish in regard to this chapter? Mr. Norris.

Mr. Norris: — Thanks very much, Mr. Chair. I'd like the motion to reference that I wish to conclude consideration of chapter 16 of the 2012 *Report of the Provincial Auditor* volume 1.

The Chair: — Thank you. Mr. Norris has moved to conclude consideration of chapter 16 of the 2012 *Report of the Provincial Auditor* volume 1. Are the members agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We will now proceed to the consideration of the annual reports for SGI and related entities for 2012, 2013, and 2014. Mr. McMorris, do you require any changes to your officials? And if you do, would you introduce them.

Hon. Mr. McMorris: — No, I think we're the same officials, maybe just a different seating plan.

The Chair: — Okay. Are there any questions or comments from . . . Oh excuse me. Did you like to make any comments, Mr. McMorris?

Hon. Mr. McMorris: — A few comments just regarding SGI and the annual reports. SGI of course is a competitive arm currently selling property and casualty insurance in four provinces. The Sask Auto Fund is a public insurance fund for motorists. It also administers driver's licences and vehicle registration in the province.

When considering the annual reports before committee today, it is clear that SGI, both on the Auto Fund and SGI Canada, have managed to weather the storms despite some challenges. Catastrophic summer storms and long winters have resulted in substantial claim payouts in past years. Thankfully SGI has managed strong returns on investments that have been used to balance our finances. Both the Auto Fund and SGI Canada remain solid and steady.

I think with that, maybe I'll just leave it at that. There's a number of new programs. Maybe we'll get into those as we move on. But with that, I'll just turn it back to the committee for questions.

The Chair: — Thank you, Minister McMorris. Are there any questions?

[13:15]

Ms. Sproule: — Yes, thank you.

The Chair: — Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair. Thank you, Mr. Minister. As you're aware, we're looking at three years of

financial statements. And in some ways, that provides a bit of a challenge, but in others it provides a bit of more of an overview I guess over the years. And so I'm just going to ramble along and ask some questions and see where we end up.

The first thing that jumped out at me as I was looking through the statements was the minimum capital test, and I notice that it's below target. And I guess if you look at how you've determined your target, that has changed a little bit as well. So I'm trying to find from 2012 now — and this is going to be a problem, isn't it? — '13 and '14. Here it is, 2012.

So the way I read this, in 2012 you were well below target on your minimum capital test at 61 per cent. Your target was 75 to 100 per cent. In 2013 the target was again below . . . or sorry, adequately met but it's still below this 75 to 100 per cent target. It moved up to 64 per cent. Better results last year at 69 per cent, but I note it's still below the desirability place where you've stated that you'd like it to be at 75 to 150 per cent.

Just maybe first of all, your overall comments on whether or not SGI is even in a position to reach that target, if that's a feasible target, and sort of the implications of not reaching it. And maybe if you could give us a little more context. Were you ever within that target range and is this, these three years sort of an anomaly?

Mr. Stepan: — Yes. The minimum capital test is a measure of capital adequacy for the Auto Fund. And we are, when you reference 61 per cent, then for sure we are talking just about the Auto Fund at this point. We do have capital adequacy guidelines for the competitive companies as well, but for the Auto Fund, you're correct that we have been below target. We have a capital management policy that will slowly move us towards target. The target is set based on the industry measurement, which is the minimum capital test, which is a measure of the excess capital that insurance companies require. For the Auto Fund, our capital management policy allows us to have less capital than our competitive companies because we are a monopoly, and with that we can be more patient in terms of getting up to our target level of capital.

Over the last three years, we've been moving closer to that target, and in 2015 in fact we are very close to the target. In fact we may be, depending on how investments go for the rest of this year, we may in fact be at that target.

The capital that we hold is there to prevent rate shock for our customers, to allow us to weather storms, catastrophic storms, to allow us to weather volatile investment markets. And with that, we're not going to make big changes in our rates to just bump up our capital. The capital management policy allows us to do that more gradually.

So to answer your question specifically, we have been below target but we are gradually moving closer to target, and the targets that are there are most definitely attainable.

Ms. Sproule: — So when you say approaching target, you're at the low end of the target, 75 per cent?

Mr. Stepan: — The target now has changed where we have a target of 100 per cent. And the capital management policy

allows us to . . . We don't have the triggers anymore of the 75 per cent and the 125 per cent. The policy says that we will slowly either release capital if we are above 100 per cent or add rate to allow us to get to the 100 per cent if we're below.

Ms. Sproule: — Okay. When you say slowly release capital, would that be through decreases in fees or through incentives?

Mr. Stepan: — Through actual rate, lower rate increases or, potentially, rate decreases if the capital was that far away from our target.

Ms. Sproule: — Let's just look at then the rate increases in the three years that we're looking at today. I believe in 2012 it looks like you requested a 1.23 per cent surcharge on the fund to replenish your rate stabilization reserve. And I believe there was also an application for 1.03 general increase in rates, which I think combined is 2.27 per cent, if that's right.

Mr. Stepan: — Yes.

Ms. Sproule: — Yes, and then that was your outlook for 2013. Outlook for 2014, there was an additional rate increase, I believe. Is that 3.7 total?

Mr. Stepan: — Yes, it was 3.4 per cent plus a 1 per cent surcharge.

Ms. Sproule: — Okay. And then the outlook for 2015, I didn't see any rate increases. Were there any?

Mr. Stepan: — There were not.

Ms. Sproule: — At this point you're comfortable with the way things are going, and you don't need to look to rate increases for 2015.

Mr. Stepan: — For 2015.

Ms. Sproule: — For 2015. How's it looking for 2016? Is 2015 shaping up in the same way?

Mr. Stepan: — Yes. We have done an initial rate indication. We're not complete on that, but the indication is that we should be fine.

Ms. Sproule: — Yes, I know it's early and obviously mid-year.

Mr. Stepan: — It is early, yes.

Ms. Sproule: — Thanks. Just looking at the financial highlights, also in your three years, you had the quarterly financial highlights. Starting in 2011, there was actually a decrease to the RSR [rate stabilization reserve], it looks like of 142 million, \$143 million. That drop, the decrease was less in 2012, of about \$11 million. And now in '12 and '13, it's actually in the plus again. Again, is that a typical trend that you weather over the years and it tends to fluctuate or, 2014, your annual report shows that you actually had an increase of \$53 million. Would that be considered a banner year, or is it an average successful year over the last 60 years? Where does it fit in?

Mr. Stepan: — It really . . . That just defines the insurance business. There is two major factors in the insurance business that will impact results — storm losses and then investment earnings.

Investment earnings in the \$53 million year were outstanding and that, whether we call that a banner year or not, we have had other years where we've had very strong investment earnings.

In 2011, 2011 was indeed an anomaly where we had the big drop. I know we're not considering 2011. But in the context of 2012, '13, and '14, 2011, there was a significant change in our liabilities. We estimated that injury claimants were going to be injured, that the payout period was going to be longer than we had initially anticipated. So there was a significant increase in the liability, hence a drawdown in 2011. Since then, the years have been more, I would call it normal. But we have benefited from very strong investment earnings over the last few years.

Ms. Sproule: — And who manages the investment earnings for the company?

Mr. Stepan: — There is an investment committee of the board. We don't manage any investments internally. That is all subbed out to investment, professional investment managers. The investment committee of the board sets the investment policy which sets the broad guidelines for investments: how much we're going to have in bonds, how much we're going to have in equities. Then the investment managers that we hire implement that policy, and then their performance is monitored against industry benchmarks.

Ms. Sproule: — I know it's somewhere, and I may have to find it, that the investments have been very good, especially in 2014, because something to do with the bond market. But I can't remember . . .

Mr. Stepan: — Yes. Interest rates dropped, which provides capital gains on our bonds. And so there's really two things when you're considering investments. You consider what the market itself is doing, and the market has been favourable. And then you look at your investment managers and how they have been doing relative to the markets. So it's kind of those two factors that you would look at. The markets have been favourable up until very recently, but the markets have been favourable, plus our investment managers have been doing a good job in managing against those markets, which helps to add to the overall investment earnings.

Ms. Sproule: — And that's a positive thing. In your outlook for 2015 on the 2014 annual report, you had indicated that you had asked for customer feedback on the safe driver recognition program, business recognition program, and the auto injury coverage in 2014 and will implement the recommendations that are improved in 2015. I haven't found this, but is there anywhere in your annual report where you describe those recommendations, or can you share them with the committee right now which recommendations you are implementing?

Hon. Mr. McMorris: — So no, it wouldn't be reflective in the annual reports because they only go up to 2014. The work, public consultation and all the work has been done probably dating back to '14, still is ongoing, and so they're not stated anywhere. We haven't, I don't believe, made kind of the

recommendations or what we would like to see moving forward made public yet. That will come in the future.

Ms. Sproule: — Okay. Thank you. I notice there has been change to the auditor in the three years. Is there any reason why that happened, or is it just time for a change?

Mr. Stepan: — That change, it's the normal course of putting the audit out to tender. And with that, there was a change from KPMG to PricewaterhouseCoopers when that tender was assessed.

Ms. Sproule: — And that's 2013?

Mr. Stepan: — Yes.

Ms. Sproule: — Thank you. This is a more general question I guess, but I note in your opening remarks you indicated that SGI has businesses in four provinces. Is it four provinces other than Saskatchewan, or does that include Saskatchewan?

Mr. Stepan: — We have a business in Manitoba, Saskatchewan, Alberta, and now British Columbia and Ontario.

Ms. Sproule: — And ICPEI [Insurance Company of Prince Edward Island].

Mr. Stepan: — No. We sold our Maritime operations in 2014.

Ms. Sproule: — And why was that decision made to sell that operation?

Mr. Stepan: — It was actually a few things. The Insurance Company of Prince Edward Island, ICPEI, was a very small part of our overall operations. It amounted to less than 5 per cent of premium.

There was a lot of administrative effort going into that operation primarily because any time you do a rate filing to change rates in the Maritimes . . . We were dealing in three different provinces: Prince Edward Island, Nova Scotia, and New Brunswick. So the amount of administrative effort to just manage that was not really reflective of the type of return that . . . not so much the return, but the geographic diversification that we were hoping to achieve.

Plus we also had a minority partner in that, and dealing with the minority partner also added to the administrative effort. And the decision was made that we could focus our efforts on growing our business in British Columbia where there is significantly more growth potential than the Maritimes, and as a result when we did find a willing purchaser, the decision was made to exit the Maritimes.

Ms. Sproule: — And can you share with the committee how much that company was sold for?

Mr. Stepan: — It was sold for 8.7 million, and the overall return on investment from 2001 when it was purchased was an annualized 18 per cent. So 18 per cent per year when you consider what it was sold for, plus the earnings that we had accrued over those years.

Ms. Sproule: — Okay. You mentioned a desire to grow in BC [British Columbia]. Can you share with the committee what your efforts are in that aspect?

Mr. Cameron: — I can give you an overall. We've just started writing there; I think we've written a few hundred thousand dollars worth of new commercial policies. And just like when we started in Alberta and Manitoba, it's your very first policy and you go from there.

We've appointed brokers and we have a plan in place to write personal lines down the road, but we've started with commercial lines first. And the welcome that we've got from the BC brokers has been very good. They're interested in writing some business with us just like they are with a lot of other insurance companies. So we're a new entrant.

Ms. Sproule: — What's the name of the . . . Is that Coachman?

Mr. Cameron: — No, it's written under SGI Canada.

[13:30]

Ms. Sproule: — SGI Canada, okay.

Mr. Cameron: — Yes. Only in Ontario do we use the Coachman name right now.

Ms. Sproule: — So I'm curious why the name Coachman in Ontario and not SGI Canada.

Mr. Cameron: — Good question. Coachman was an existing company that we purchased, and they wrote largely taxis, taxi fleets, and what we call grey market, high-risk drivers. And that was a small company that we purchased quite a few years ago and we've kept that name. The name was well known by the brokers for that particular niche of the market.

Ms. Sproule: — And does that remain the niche for Coachman or have you expanded beyond that?

Mr. Cameron: — What happened with Coachman is shortly after we'd bought it, we actually got out of the taxi business and expanded in where we're writing home insurance and other property and casualty lines there under the Coachman name but using our SGI expertise and our SGI underwriters here.

Ms. Sproule: — I have to get into the Uber business now.

Mr. Cameron: — I was hoping you wouldn't mention that.

Ms. Sproule: — So Coachman is your Ontario company and you're offering a full suite of insurance products there.

Mr. Cameron: — For the most part. We don't write any real large commercial there because we're a very small company yet, but we do write small commercial and we write home and auto.

Ms. Sproule: — Okay. And in BC and Alberta, what is the name of the . . . Is it SGI Canada?

Mr. Cameron: — They're SGI and same with Manitoba under

SGI Canada Insurance Services Ltd. It's because they operate the same.

Ms. Sproule: — All right. Thank you. Just give me a moment. Okay. I'm looking at their 2014 report right now and just the discussion around the discount programs: "Safe Driver Recognition and Business Recognition programs continue to return dollars to Auto Fund customers each year." You said, in 2014 these programs returned \$120.7 million to customers through safe driving discounts, compared to 114 million in 2013.

My interest here is the other side of the equation because I'm one of those that is in the other side where I'm actually paying more instead of getting a discount. So how much are you actually drawing in from people like myself as income?

Mr. Cameron: — It's approximately 13 million on what we would call the malice side, the penalty side. So you're paying your base rate. It doesn't affect your base. You know, you don't go below your base rate, but you do get a malice penalty if you enter that side of the equation, and you can earn a discount up to 20 per cent on the discount side.

Ms. Sproule: — Right.

Mr. Cameron: — Off the base rate.

Ms. Sproule: — Right. So you're getting 13 million on the penalty side . . .

Mr. Cameron: — That's correct.

Ms. Sproule: — And you're getting 120 million so that's still a lot of money going back to customers. Do you have any statistics that show the effectiveness of the program?

Mr. Cameron: — We don't have specific research that would show that by adding a dollar here or taking a dollar there changes driving behaviour. We do know from overall, from all-over traffic safety behaviours, that people who we create an awareness by penalizing or we create a discount by rewarding, do change their behaviour over time. But there's all the other factors that go into it, and it's hard to measure. It's a question that's been asked right across Canada about how much does a discount really influence your driving behaviour. We believe it has an influence. It's hard to measure.

Ms. Sproule: — I just wonder because I know there were other cases in the courts years ago about double taxation and double penalization. So I pay my ticket, whatever infraction that is, but I also pay more for my plates basically or my driver's licence. But if you have no conclusive evidence that those penalties, because it is a penalty, actually changes behaviour, then it's just really increasing the fine essentially of the ticket.

Mr. Cameron: — I think it's a bit of both. What it effectively is doing though is allowing, rewarding good drivers as they continue to drive without, incident-free, and they get a larger discount just like you might find in the private market because everyone would want to insure those good drivers, and it also balances that people can't go below the base rate. So it still keeps with the Auto Fund's mandate that it's affordable

insurance. There's a base rate and that's the most you'll ever pay. However if you have high-risk behaviour, tickets, multiple accidents, you will get onto the penalty side where you've received that fee. In the private world it would happen similar except they would just raise your deductible or in the case like we are in Ontario, they would say, I don't want to insure you; go to the facility, or go to a company like Coachman.

Ms. Sproule: — But it is costing you \$107 million in 2014?

Mr. Cameron: — I wouldn't say it's costing us. That's what those customers have earned. And some of those customers . . . You have to remember customers go and up down this ladder . . .

Ms. Sproule: — I know.

Mr. Cameron: — And you know, as we sometimes get most . . . The hope is that most times we would encourage you to be a better driver, and that you . . . But it's also we know with people 18 to 25, there's much higher risk there than there is people perhaps my age or, you know, in that bracket.

Ms. Sproule: — I guess my only concern is, you say you don't know for sure. You don't have any quantifiable evidence that can prove this and so it seems to be a very generous bonus for those customers, \$107 million a year, that could be used to keep rates lower generally for everyone. I don't know. Like you say you're returning \$120 million to customers, and you're only taking in 13 million through that safe driving recognition program, so it is costing the company a fair bit of money.

Hon. Mr. McMorris: — If I can touch on it just a little bit on the demerit points or people that are costing more, and this isn't . . . It's not through the numbers probably collected through SGI, but it's anecdotal.

People that I've talked to that have a number of demerit points, they know how many points they have. They know how many years it's going to take to reduce it. And I would truly believe it's changed their driving behaviour. And I would maybe even ask yourself if knowing that you do have demerit points, do you then tend to watch your speed maybe a little bit more than you did prior when a person was maybe racking up . . . I've talked to a number of people that know exactly how many points they have. They know exactly how long it's going to take if they drive clean for a year. So it's changing their mind thought. You can imagine if they were to get those tickets and there was no demerit points, what would be the, you know . . . Other than paying the ticket, they didn't really have to worry about anything else. And so that's on the anecdote side.

Also I would say that through the review, the vast majority of drivers will always say, penalize the ones that are always getting into trouble. Penalize the ones that are speeding. Penalize the ones that are getting into collisions because I don't, and I don't want my rates to go up to help offset some of the problems that they cause. So that is by far a very, very common theme when we start talking about the safe driver recognition program or even the business recognition program.

Ms. Sproule: — I think a ticket is bad enough, personally. When I get the ticket, that's a, you know, and always has been

until the last few years . . . Anyways we can get into an anecdotal war if we want to, but I don't know that that would serve any purpose. And certainly this is social behaviour, and the determinants of that can be studied in the universities by the social scientists, I guess.

I just think a penalty is a penalty, and it should be in the ticket. Like that's what the purpose of the ticket is, the penalize. If the intent of this program is to further penalize, that's not normally where you would do that. You would do it through the ticketing. That's the purpose of getting charged and having a fine. So it just seems like it's a double penalty, and it should all be either encapsulated within the fine itself, which is the penalty or in the . . . You know, if I'm a risk, as an insurance company, then I should pay a higher premium. That would be sort of I think what you said the private sector would do.

So it just seems like it's characterized curiously, and I do feel like I'm double penalized when I pay my fine and then I have to pay another fine and go to driving classes too, I guess. I'm not there yet, but anyways.

Mr. Cameron: — I can just provide one more comment. It truly is though, really it is a cost shift. You could develop a program where you would not have the penalty zone. You would just add, you know, a 15 per cent surcharge on the insurance premium. The problem with that too, and you know . . . This has been around for a long time and there's lots of good input from when we talk to our customers. They think we've got a pretty fair balance.

The problem with that too is if we add . . . Let's say we add 10 per cent to everyone's premium who's a bad driver. If you own one car, that might be a penalty that you can afford. If you happen to be a family with three or four young children and, you know, happen to get into that, you could have this large penalty and it may be not affordable.

So it is a cost shift if you go the other way. It's still a cost shift, and we believe it's got a pretty fair balance. When we did the consultations, customers were happy with the program. They were saying, reward me a little bit more. But which customer wouldn't say that? And please penalize, even though it's a small number, penalize all the bad drivers so I don't have to pay as much.

Ms. Sproule: — Thank you. On page 17 of the 2014 annual report, there's a discussion there highlighted, impact of discounting. I'm just wondering, is that the same thing . . . Okay, can you explain what the impact of discounting is.

Mr. Stepan: — It's an actuarial exercise that . . . It doesn't relate to the discounting of premiums. It's an actuarial exercise that takes into account the time value of money with respect to our liabilities. And with changes in interest rates, the amount that we discount the liabilities to reflect on the financial statements will change. So at a very high level, that's what that's talking about.

Ms. Sproule: — I won't even pretend to say that I understood what you just said, but I just was curious if it was related to the other discounts.

Mr. Stepan: — No. No, it's not.

Ms. Sproule: — And it isn't. Okay. Thank you. Just in moving on then, in the notes . . . These are very random questions and I apologize for that but it's just whatever sort of jumps out of the page.

On page 39, in the first note to the financial statements it talks about the status of the Auto Fund. And I just wondered if you could bring us up to speed in terms of coverage for no-fault versus tort coverage. And how many individuals in Saskatchewan currently opt out of the no-fault?

Mr. Cameron: — It's approximately 6,000 and has been for quite a few years.

Ms. Sproule: — Six thousand individuals?

Mr. Cameron: — Six thousand individuals.

Ms. Sproule: — And what per cent would that be? It'd be very small.

Mr. Cameron: — It'd be less than 1 per cent of 1 million people.

Ms. Sproule: — Less than 1 per cent. Yes.

Mr. Cameron: — Because it's all residents, not driver's licence. Every resident has the right to opt out, so it would be . . .

Ms. Sproule: — Oh, of the Saskatchewan population basically?

Mr. Cameron: — Yes. So it'd be 1.2.

Ms. Sproule: — Even if they don't have a driver's licence, they can opt out.

Mr. Cameron: — Right. Opt out. And a parent can opt the child out.

Ms. Sproule: — Right. Okay. So this is a discussion I've been having with a constituent, but currently in the way the system is set up, and I think it's because of no-fault if I understand correctly. In the early '90s when no-fault was brought in, there was a victims of crime bill or law in Saskatchewan which allowed for people to apply for coverage for long-term disability as a result of being a victim of crime.

When the Auto Fund came in — and I could be wrong — or the no-fault coverage came in, I understand that that bill was repealed and that the notion is now even if you don't have a driver's licence or own a car or pay any money into the Auto Fund, if you are injured as a result of a criminal activity, say a drunk driver strikes a child and puts them in a wheelchair for the rest of their life, that the Auto Fund will pay that child's coverage even though they're not paying into the liability scheme at all. They're not purchasing interest. Is that correct?

Mr. Cameron: — That's correct. I can't comment on that other bill. I'm not aware of that. But yes, just the premise is if you're a Saskatchewan resident you get all your no-fault benefits

regardless of any circumstance. How that accident may or may not have happened, whether there was insurance or not, we're all covered. And we're all covered while we're here in Saskatchewan and in North America.

Ms. Sproule: — Yes, that's a great thing. The problem for this family is that, you know, if someone's a victim of a criminal activity with a car, say drunk driving, that individual is covered. But if they're a victim of criminal activity — in this case her son was beaten senseless in a random violent act and he is now permanently disabled — they don't get the same coverage.

Now I know it's because the Auto Fund is covered totally. There's no government money that goes in it that is not available, but the reason for no-fault — this is kind of hard — the reason for no-fault coverage or the reason that we no longer have coverage for those victims of crime is because no-fault came in and I think it was expected to cover a lot of those types of victims.

Mr. Cameron: — I don't believe that was the case, but I don't know that. That was a long time ago.

Ms. Sproule: — Twenty-five years ago.

Mr. Cameron: — Yes. I was there. I don't remember those discussion ever . . .

Ms. Sproule: — Okay.

Mr. Cameron: — So I don't remember repealing a piece of legislation to do with a different crime than a motor vehicle accident.

Ms. Sproule: — Than drunk driving. Yes, okay. I know it was repealed but it may have just been a matter of timing. There are those who say it was tied together, but that's a long time ago. Okay.

On the investments note on page 48, there's a discussion and it is, I'm sure, technical, but there's a reference to an infrastructure limited partnership and it looks like you have an investment in those up to . . . Well it jumped up substantially between 2013 and 2014 from 3 million to 19, almost \$20 million. Can you explain to the committee what in essence that type of investment is?

[13:45]

Mr. Stepan: — Infrastructure is a relatively new investment asset class in institutional investments. What it is, it's a pooled fund where we're investing in a number of infrastructure projects that are long term in nature. So these projects might be toll roads. A lot of the projects that we're invested in in this particular fund are power generation plants, wind generation plants. The idea with these is that it is a long-term hold. The pooled fund will be in existence for 10 years and you are investing in an asset class that's going to generate a fairly substantial return with limited volatility, just because of the nature of the investment that you're invested in. So when you're looking at the infrastructure investments as part of a big portfolio, it is a tremendous diversifier in terms of reducing the overall portfolio volatility and enhancing the returns.

Ms. Sproule: — So is it foreseeable then that you could, some of these funds could be directed to the bypass project here in Regina or some of the school, P3 [public-private partnership] schools and things like that?

Mr. Stepan: — It's highly unlikely. The fund that we're invested in is a global infrastructure fund so it would be largely outside of North America.

Ms. Sproule: — Okay. I'm just thinking the main company that's building the bypass is from France. So if they were seeking . . . Would they go to a company like this to seek investment or capital, or does that make sense?

Mr. Stepan: — No. This particular fund is managed by Brookfield, a Canadian company, but they would be going out and they would be purchasing these investments. So they wouldn't be involved necessarily in the construction of a bypass or P3. They would be purchasing a company like an airport authority. So they would buy an airport, they would upgrade the airport, put in new services, and then operate that airport for 10 years before selling it. So they're looking for businesses that they can buy.

I used toll roads. So an existing toll road that they would buy the toll road, they would maintain it, they would collect the revenue, and then the participants in the pooled fund would share in that revenue.

Ms. Sproule: — Maybe the minister can answer this better. Would not the new P3 schools be something like that, where the company that's building it owns and operates the school for 20 years or whatever and then the government takes it back at the end of the day? Would that be a similar kind of company that this Brookfield would look into?

Mr. Stepan: — That wouldn't be the type of investment that the Brookfield, that this fund would be looking at.

Ms. Sproule: — Okay. But other companies similar to Brookfield might be?

Mr. Stepan: — Potentially. Yes.

Ms. Sproule: — Okay. I'm getting off track. Sorry, did you have . . .

Mr. Stepan: — No, I'm agreeing.

Ms. Sproule: — In the description on page 49, it talks about pooled funds in the limited partnership and it talks about a number of those types of funds. There's a pooled equity fund, global small cap pooled equity fund, pooled mortgage fund, and pooled real estate fund, and an infrastructure limited partnership. So the pooled real estate fund would be different then, or is that similar to what you were talking about?

Mr. Stepan: — No, that is different. That pooled real estate fund owns buildings across Canada. It's a Canadian-domiciled pooled fund which owns buildings that vary from retail to commercial to office towers, and the rents that are collected off of those buildings go into the pool and are shared amongst the individuals.

Ms. Sproule: — Thank you. Why then was there such a huge jump in the . . . I don't know if it's . . . Did you invest more in the limited partner? Oh okay.

Mr. Stepan: — In the infrastructure?

Ms. Sproule: — Yes.

Mr. Stepan: — We're just starting to invest in that. That initial \$3 million was the initial investment in the limited partnership and we're still ramping up that. Just the nature of those investments, it takes time to get up to our target weights.

Ms. Sproule: — So that's not actually a profit then. That's just the amount of money that . . .

Mr. Stepan: — No. No, it's new investments. The profit has been quite good on that particular fund but that increase was because of new investments.

Ms. Sproule: — Can you tell the committee what sort of power plants or toll roads that Brookfield has acquired an interest in? Maybe what company or countries?

Mr. Stepan: — There is a . . . No, I'm . . .

Ms. Sproule: — Is it publicly available on their web page?

Mr. Stepan: — No, it's not. It's just for investments in the . . . investors. We can get that information and share it, but at this point I don't have the details.

Ms. Sproule: — No, I don't want you to have to guess, but if you could provide it, that would be appreciated. Thank you.

I'm going to turn now to the Crown disclosure reports which I have to find in this binder. Okay. Let's see how much time we have, but I guess we've got some time yet. Yes.

I'm just going to start with the payee disclosure reports for 2014. And I'm just looking right away at the remuneration for the board of directors and I just noticed that one of the board members, Jeff Sterzuk, has an out-of-province travel expense for \$4,000. Could you share with the committee where he travelled to on behalf of the company?

Mr. Stepan: — That would have been his travel from Calgary to board meetings in Regina. He's resident in Calgary.

Ms. Sproule: — Okay, thank you. And then on your executive and senior management we have Paul Macdonald's out-of-province travel expenses at 38,000. Could you just give us sort of a high-level explanation of what sort of travel he engaged in.

Mr. Stepan: — Paul was resident in Toronto and that travel was to and from Toronto for regular SGI business.

Ms. Sproule: — And is he still a resident in Toronto?

Mr. Stepan: — He is no longer with the company.

Ms. Sproule: — And Don Thompson, about \$20,000 in

out-of-province expenses.

Mr. Stepan: — Don is in charge of our reinsurance arrangements and with that there is a requirement that he travel on an annual basis overseas to the UK [United Kingdom] and to visit with the reinsurance providers and reinsurance brokers. So that's the nature of that expense.

Ms. Sproule: — Okay. And one more on that is Andrew Cartmell and it was \$30,000 in out-of-province expenses.

Mr. Stepan: — Yes. He would have been on that same reinsurance trip and then other, as CEO, his other travel expenses.

Ms. Sproule: — Okay. Thank you. Oh yes, Jeff Estabrooks. Is he legal counsel on your legal . . .

Mr. Stepan: — No. He was in our product management area.

Ms. Sproule: — I was just looking at employees with over \$150,000 salaries so I was just kind of wondering what area.

Mr. Stepan: — He is a lawyer, but he was a manager in our product management area.

Ms. Sproule: — And Giles, Gordon?

Mr. Stepan: — Gord Giles. He's in the same area.

Ms. Sproule: — Gord Giles?

Mr. Stepan: — Yes.

Ms. Sproule: — And how many legal counsel do you retain within the organization?

Mr. Cameron: — I don't have the exact number, but it would be approximately 10 lawyers and a general counsel. I'd have to get the exact number.

Ms. Sproule: — And that's . . . [inaudible interjection] . . . That's fine. A general number is good. I'm just wondering, I noticed in your payee list that there are a lot of external lawyers as well. Do you hire outside counsel for litigation purposes, or for what reason would you have out-of-house, or out-of-house — is that the word? — lawyers?

Mr. Cameron: — We have a mix. Most insurance companies do it one way or the other. They have a small legal department and farm out their work. We have always had more in-house work done, but because we also do business in Manitoba and Ontario and Alberta and soon to be BC, we use more outside counsel. And we have to in cases in Saskatchewan use outside counsel where we have a conflict or we need the expertise. But compared to other insurance companies, which we do look at, our legal fees are quite small because we do most of it, try to do most of it in-house.

Ms. Sproule: — Okay. Dorothy Josephson?

Mr. Cameron: — Yes.

Ms. Sproule: — What area does she work in?

Mr. Stepan: — She's in a broker . . . an AVP [assistant vice-president].

Ms. Sproule: — AVP?

Mr. Stepan: — Yes, assistant vice-president.

Ms. Sproule: — Okay. Paul McIntyre?

Mr. Cameron: — He's an AVP of claims.

Ms. Sproule: — I know I could find all those in your website too. But just quickly, Laurie Leibel?

Mr. Cameron: — AVP, systems.

Ms. Sproule: — Okay. Those are all over 200,000. All right. Payees, here we are. These are just random questions about the payee lists, but Google gets \$68,000 from SGI. What would that be for?

Mr. Cameron: — We use Google Analytics, which is a software they provide for customer data.

Ms. Sproule: — Could you elaborate on that just a little bit?

Mr. Cameron: — I would call for our VP [vice-president] of systems to come and elaborate.

Mr. Wells: — My understanding is we use that to . . . We're doing a lot of work with customer, and so that's analyzing and looking at customer data, how to segment customers. So . . . [inaudible] . . . on the SGI Canada site, so using the software and information to be able to do more things with our customers.

Ms. Sproule: — I think you have separate books for SGI Canada, right? Yes. Google doesn't show up under SGI Canada Insurance Services. It shows up just under SGI.

Mr. Wells: — Again some of those software things will just show up through that regular part of our budget. That's how we budget.

Ms. Sproule: — Okay. So when you're talking about customers, this is more than Auto Fund customers, right? This would be home, the whole suite of programs.

Mr. Wells: — Yes, it's our whole customer base.

Ms. Sproule: — Okay. All right, thank you. There's another company here called Homesuites by d3h. It's \$50,000 but I'm just curious what a Homesuites company . . . I have no idea. If you could get back to me on that, I would appreciate it. Homesuites by d3h is the name of the payee.

Mr. Stepan: — Yes. That's a hotel, but I'm not sure specifically what it would relate to. But d3h is a hotel conglomerate.

Ms. Sproule: — Okay. There's some interesting payees here,

like Caronport High School got \$55,000. What services would a high school provide to SGI?

Mr. Stepan: — That payment would likely be for driver education.

Ms. Sproule: — Driver ed. And I noticed it . . .

Mr. Cameron: — We'll undertake to find out what that is for sure.

Ms. Sproule: — I guess that's a private school, because there's a lot of school divisions as well and I had the same question, so . . .

Mr. Cameron: — Right. Yes. And I'm not sure which exactly, which monies are which so we'll undertake to give you an answer on that.

Ms. Sproule: — Yes, because I was going to ask the same, why are you making payments to school boards? Would that be driver ed?

Mr. Cameron: — It's driver ed. But the Caronport one, I'm not just sure so I don't want to mislead you. But normally if you would see payments that size to school divisions or to Aboriginal high schools, they would be for our driver ed program.

Ms. Sproule: — And health authorities? Like Regina Qu'Appelle Regional Health Authority got \$400,000, \$430,000. What would that be? Is that for physiotherapy treatments?

Mr. Cameron: — That would be for our tertiary payments, for treatments for patients, and you'll see that with some other health districts there also, Saskatoon.

Ms. Sproule: — Yes. I noticed most . . . Yes, all the health districts are here. That was just an example. And I assume Caronport because it's a private school, maybe it's just a separate . . . because I don't know if it's part of the school division.

Mr. Cameron: — I don't want to guess but I'm sure it's driver ed.

Ms. Sproule: — Yes, okay. And then I had Shelley's Driving School is the only actual driving school that's listed independently on your payees. Is that the only private driving school that you would engage outside of the schools?

Mr. Cameron: — We normally don't engage them directly. The school divisions do. So I don't know. I'd have to . . . We'll undertake to give you an answer on that one too.

Ms. Sproule: — For Shelley's Driving School?

Mr. Cameron: — There's likely a special circumstance there. Sometimes that's how the school divisions want the money funded rather than through theirs.

[14:00]

Ms. Sproule: — So when you pay schools for the program, do you get any revenues back? Like does anyone pay to take driver ed or is that a free program for students?

Mr. Cameron: — It's a free program in Saskatchewan for all students.

Ms. Sproule: — It's been a long time since I took it. Okay. That's why I'm negative on my balance, right? I can read your mind, Mr. Chair.

A few other things. On the grants in lieu of taxes, I noticed that a number of cities are receiving grants in lieu, but Regina is by and far the largest at 1.4 million whereas Saskatoon is next highest at 200,000. Why is it so high for Regina? Is most of your operations out of here? Is that your headquarters?

Mr. Stepan: — And the head office building is in Regina.

Ms. Sproule: — Head office. So one and a half million would be otherwise the taxes that you would pay if you weren't a Crown. Okay. In the grants and contributions portion of the payee list, a number of cities are getting payments: Prince Albert, for example, \$101,000; city of Saskatoon, \$226,000. And there's others. What sort of donations or sponsorships do you give to cities?

Mr. Cameron: — It would have been grants for traffic safety initiatives, red light cameras, licence plate readers. Intersection improvement, we'll sometimes contribute money. And there'd be a budget for each one of those and then a detailed . . .

Ms. Sproule: — Okay. I see a number of foundations and other, you know, community organizations listed here. By and large, the biggest contribution that you make is to, it's called the STARS [Shock Trauma Air Rescue Service] Foundation, for \$400,000. Is there a particular reason why . . . I think the next highest would probably maybe get close to 100,000, so that's four times larger than any other one. And is there a reason for that?

Mr. Cameron: — It was a five-year commitment to the STARS [Shock Trauma Air Rescue Society] ambulance to support it. As you know, we pay ambulance fees to regular ambulances and this is also just considered another cost of our no-fault side of the business, which was made as a donation for five years when it was initially started.

Ms. Sproule: — And so what years are those five years?

Mr. Cameron: — I'm not sure. I'd have to get you the exact years.

Ms. Sproule: — So \$2 million over five years, is that the amount?

Mr. Cameron: — 2013, we think.

Ms. Sproule: — 2013 was the first year?

Mr. Cameron: — Yes. It should show on our annual . . . or no, you don't have . . .

Ms. Sproule: — I'm not going back through the payee lists of every year.

Mr. Cameron: — No, that's fine.

Ms. Sproule: — I'm just focusing on this year. So \$2 million as a grant, but you don't provide grants to other ambulance servers, right? You just pay fees?

Mr. Cameron: — That's right. They would charge individual fees per patient.

Ms. Sproule: — Does STARS charge you individual fees per patient?

Mr. Cameron: — No.

Ms. Sproule: — No. So that's part of this donation. After the five-year period, do you . . . Well I guess you don't know, but would it be going back to regular fee for service or time will tell?

Mr. Cameron: — Time will tell.

Ms. Sproule: — Okay. Fair enough. Crown Investments Corporation got \$30 million as a payment. Now I understand that we don't provide dividends, right, SGI? So what would that . . .

Mr. Stepan: — SGI Canada provides dividends.

Ms. Sproule: — Not the Auto Fund?

Mr. Stepan: — Not the Auto Fund.

Ms. Sproule: — Okay. So that \$30 million was just the annual dividend that you paid to the good people of Saskatchewan?

Mr. Stepan: — Correct.

Ms. Sproule: — I don't know if that's a good number. Is that an average number? Do you determine how much you pay or does CIC demand?

Mr. Stepan: — It's determined by the earnings, by what SGI Canada earns and what our capital base would allow us to pay.

Ms. Sproule: — Okay. Is this a good year? Thirty million?

Mr. Stepan: — It's been as high as 50, but 30 is probably average, a little above.

Ms. Sproule: — Curious again, Janitech Inc. was \$171,000. Any ideas what that would be? You're going to provide that for me? Okay. Family Service Regina, 103,000. What kind of services do they provide for SGI?

Mr. Cameron: — I think it's our employee assistance program that we have, but I'm not sure. We'll undertake to verify that.

Ms. Sproule: — Okay. That makes sense, but thank you. Lori Marcoux. It's strange to see an individual listed on the payees like that. Who is that individual? It was \$108,000.

Mr. Stepan: — It's a company actually and she provides or she and her company provides leadership training for our senior management.

Ms. Sproule: — Where is she from?

Mr. Stepan: — Seattle.

Ms. Sproule: — Seattle. That's another question I would like to ask, and I know you may not be able to provide it instantly, is, how much money did you spend on consultants in these three years in question? So if you could just provide that, that would be appreciated. It might take some adding. InEdge, \$2.8 million. What is InEdge?

Mr. Cameron: — We'll give you a detailed answer . . . [inaudible].

Ms. Sproule: — Bring him on.

Mr. Wells: — They're a software company that we deal with that has done our, what we call business intelligence. So again one of the big things in insurance and in most companies now is using your data to understand products' customers. So they're a software company that specializes in insurance, and that's who we deal with.

Ms. Sproule: — Thank you. Again when I asked the question about consultants, it would be helpful to break it down by IT providers as well. Like by the types of consultants. Thank you. I was going to say, that's something that politicians are very interested in too these days, data mining, and I guess we can with the technology that's there.

Province of Saskatchewan got \$20 million as well. What would that be for?

Mr. Stepan: — That would potentially, and I don't know exactly, but that could have been our premium tax. I believe that was our premium tax. I'm confident that it was. I'm looking at Ms. Ferguson.

Ms. Sproule: — Is it like the PST [provincial sales tax]? Okay. Just your taxes basically then.

Mr. Stepan: — Yes.

Ms. Sproule: — Yes, that you remit. Collect and remit. All right, move on then. Is there any way we can get a breakdown of the FTE [full-time equivalent] complement for each business line for the three years in question?

Mr. Cameron: — Yes. Yes, we can provide that.

Ms. Sproule: — Do you have it already?

Mr. Cameron: — Not broken down that way.

Ms. Sproule: — Okay.

Mr. Stepan: — That will be for each line of business, so you're looking for the Auto Fund and for SGI Canada. There are a lot of roles that are dual that do that, that cover both businesses,

and so it's not just a clean, here are our Auto Fund people and here are . . . For example, I'm CFO for both, for all the organizations. So we can do an allocation that would provide a reasonable breakdown.

Ms. Sproule: — That would be excellent.

Mr. Stepan: — Okay.

Ms. Sproule: — Yes, thank you. Could you outline the major advertising contracts that have been awarded in the fiscal years in consideration? So advertising contracts.

Mr. Stepan: — We will undertake to provide that.

Ms. Sproule: — Thank you. And similarly the major communications contracts in the fiscal years under consideration.

Mr. Stepan: — We will provide that.

Ms. Sproule: — Yes, I see here I have the dividends from 2005 to 2015, and it's gone as low as it looks like around 22 million up to 52 million over the years. Okay. I know the minister announced just this month about private businesses processing now the damage estimates and there's I think 180 companies being engaged to do that. Is there a budget line where . . . Do you sort of have a sense of how much savings you're anticipating as a result of that?

Ms. Wolf: — At this point we don't have a savings, actual dollar savings. The appraisal function continues at SGI until more of these shops are actually doing these estimates with more frequency. So over time some of those appraisal functions will disappear. Right now they're moving into audit functions so we can monitor the cost of those estimates that are being done by the private sector. So it's a job evolution at this point, though we anticipate as the number of estimates done by these shops increase, there will be savings for certain. But at this point we're walking before we run because we want to ensure that we protect our cost on the repair. So we're monitoring and turning appraisers into auditors for the time being. There are only 40 of these people province-wide right now but we will be over time looking at that.

Ms. Sproule: — So how many positions within SGI do you think would be phased out as a result of that?

Ms. Wolf: — It will depend upon how far we go with these estimates. In British Columbia, 75 per cent of all estimates are done by the shops. That's taken 10 to 12 years to achieve that. Since we're just rolling this out now, I think we want to be prudent and evaluate certainly over the next year to ensure that our costs don't go up, and then make those kinds of decisions.

Ms. Sproule: — Okay. I know that you've released — I think it's on your website — data on photo radar that's been going on in the last little while, and I guess for the months of February to July. And the number of violations has more than doubled between February and July. Can you explain? Have you any theories as to why or reasons why that's more than doubled?

Mr. Cameron: — Yes, I can speak a little bit about that.

Certainly in the summer months there's more traffic and there was more violators in certain segments of the roads that we are including. No. 1 Highway with out-of-province vehicles seem to have increased. In the other areas, like the Ring Road, we were seeing that they are very stable and not changing. It's still early with this. We're still, it seems, creating awareness. You'd think by now people would all know, but there still seems to be people surprised that they're receiving a speeding ticket in those published locations.

Ms. Sproule: — I guess the biggest concern is the number of violations in the school zones, from 1,000 in February to 4,000 in July, and up to 9, or 11,000 in April. Does this mean that people are not being deterred at all and in fact they're going faster?

Mr. Cameron: — No. I think in a couple of cases, because the cameras are moved from school zone to school zone, some school zones are really high-risk areas and, depending on when the camera is there and what periods, there's more speeders there. We've just undertaken to add some signs, electronic signs, believe it or not, in front of the already large signs to say, this is your speed, watch, you're entering a photo radar area. So that deterrent will flow through into the school zone. But it seems there's a couple of areas of where it's going to need special, a little more attention. And that's why we've put some money into that, and we'll see how that works out, especially now that school's back in.

Ms. Sproule: — It's certainly early in terms of figuring out whether it works or not. Have you done any sort of . . . I guess this is sociology in a way . The presence of the cameras instead of a police presence, do you have any sort of studies that indicate that those cameras are better than a police presence or having a police car parked there? Is that a better deterrent?

Mr. Cameron: — I haven't seen any scientific studies like that. I know there's communities that believe if you have a police car parked there with a police officer in it, it's better than a camera. However, it's very costly to have a police officer 24-7 in a certain area. I think, I truly believe if we continue to create the awareness and education we are, people, other than a very small — and we're talking only a couple of per cent that are continuing to speed through there — will actually catch on and slow down at those dangerous intersections and school zones.

[14:15]

Ms. Sproule: — I know, for example, in Martensville there's an area where there's a camera. I know exactly where that camera is. And in conversations with people, you know, the minute they're past the camera, they speed up again. So how does that help if people know where the camera is?

Mr. Cameron: — I think two things with that. One, I mean you could add another camera further down the road and write more tickets. But you're putting the cameras where the most dangerous point in the road is and if someone is going to slow down, please slow down there. And if someone really needs to speed 6 miles an hour more in an open stretch, it is not near as dangerous. I mean you could . . . I mean technology, the way it is today, you could monitor the whole stretch of all the highways, right? And we'd all, you know, drive 101, you know.

But no, I do believe it's changing how people behave. I mean there will always be some people who believe, for whatever reason, that they have the right to speed through a dangerous intersection. And when things go wrong, someone will be killed.

Ms. Sproule: — Yes, exactly. I don't disagree with you on that at all. I suppose the photo zone, the posting of where the photo zone is and where the actual photo zone is, is two different things, I guess is what I'm trying to say, and people figure that out very quickly. But anyway, that's just a discussion.

Hon. Mr. McMorris: — I would just say I drive through one all the time, and that hasn't been my experience. My experience is that the speed, you know, in the one that I drive through, less than half, about a half a per cent, I think the numbers show, are speeding. So it's a very, very small number that's certainly been driven down compared to what that zone was like before the photo radar.

I also know that when I enter that zone, people slow to 90 and tend not to speed up until they leave that zone. In fact some people may still be going 90 for quite a ways after because they forgot. They've set their cruise control and they forget. So that hasn't been my experience that you just see a whole bunch of brakes around the grey box, not at all. They've been slowed from the start to the finish.

Ms. Sproule: — The one out to Indian Head, I've certainly experienced that myself for sure. It's you start at the sign. So I guess the only concern is these increases in numbers that your data is showing from February to July and seems to . . . You know, even the speeds, the high speeds seem to be increasing despite the fact that the posted area is there. Is there any theories on why the speed itself is increasing?

Hon. Mr. McMorris: — I think it's tough to draw a conclusion from a short window of data collection, as well as the variation of the data collection. The data is in various locations, not always a consistent, static location. It will move from grey box to grey box, so you're taking snapshots at a point in time from a different area and a different traffic complexity. You know, I think the school zones now, hopefully, will see more of a reduction because of people around. People tend to slow down automatically when they see people around, whereas perhaps through the summer they weren't. So I think those, all of those things are taken into consideration.

Plus you know, if we leave the camera on for long enough, you've got to wait for the cycle for the mail to get home, and a person sees that they were speeding and probably slow down the next time if it is working as a deterrent. Sometimes they have to realize that they were speeding in the first place. I think it's also important to know, just as a comment, in that photo radar does not impact your driving demerits on one's licence.

Ms. Sproule: — Actually I have noted that. And you're exactly right because the one in Martensville, I didn't see it and then when the ticket arrived in the mail . . . I have driven on it several times since and I always go to 90 at the sign and wonder why those crazy guys are speeding by me. But anyways, yes, it works for me. So if I'm average in any sense at all, then I suppose it is working. But we look forward to continued data

results and hopefully, you know, people slow down because that's the goal.

I think at this point, Mr. Chair, I have exhausted the questions that I have, and maybe other members of the committee have questions. But thank you very much to the minister and the officials for your time today. I appreciate it. And the forthright answers. Thank you. I look forward to the undertakings, the results that you can send me.

Mr. Stepan: — I do have the answers to your questions on infrastructure if you care to know what the individual investments are.

Ms. Sproule: — Sure. Let's do it.

Mr. Stepan: — There were four renewable power investments from locations in Europe, North America, and Brazil. There is a Brazilian integrated logistics business. There is a French telecom infrastructure business. It's a utility. And there is a US gas storage business and a European wind portfolio. Again, renewable power.

Ms. Sproule: — Thanks very much. It's good to see our taxpayer dollars diversified, making good investments.

Mr. Stepan: — Okay.

Ms. Sproule: — Thank you.

The Chair: — Well thank you. Are there any more questions from the committee? What is the committee's wish in regards to the annual reports for SGI and its related entities for 2012, 2013, and 2014? Mr. Norris.

Mr. Norris: — Thank you, Mr. Chair. I'd offer a motion where I wish to conclude the consideration of the annual reports for SGI and related entities for the years of 2012, 2013, and 2014.

The Chair: — Mr. Norris has moved that we conclude consideration for the annual reports for SGI and related entities for the years 2012, 2013, and 2014. Is the committee agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, do you have any closing comments?

Hon. Mr. McMorris: — Just I would like to thank the officials for answering a wide-ranging set of questions and doing very, very well, and I know they'll work hard to get what information we didn't have here back to you. So thanks to all the officials from SGI. As always, great job.

The Chair: — Thank you. Ms. Sproule.

Ms. Sproule: — Again thanks to everyone. And yes, I look forward to the further information.

The Chair: — Well thank you very much, and we will now recess to 2:30. And thank you very much also for a very entertaining session.

[The committee recessed for a period of time.]

Saskatchewan Opportunities Corporation

The Chair: — Good afternoon. Saskatchewan Opportunities Corporation. We will now be considering the 2012 *Report of the Provincial Auditor* volume 1, chapter 18 and the 2012, 2013, 2014 annual reports for the Saskatchewan Opportunities Corporation.

I will first ask Minister McMorris to introduce his officials and then turn it over to Ms. Ferguson to introduce her officials to make her comments on the chapters. Minister McMorris, could you please introduce your officials.

Hon. Mr. McMorris: — Thank you. To my left is Ken Loeppky who is the vice-president and chief operating officer, and to my right is Brent Sukenik, is the chief financial officer.

The Chair: — Thank you. Ms. Ferguson.

Ms. Ferguson: — Thank you very much, Mr. Chair. To my left is Ms. Regan Sommerfeld, and Regan has been recently promoted to deputy provincial auditor. And down the side is Mr. David Prost. David is the appointed auditor for SOCO [Saskatchewan Opportunities Corporation]. And Ms. Kim Lowe is our committee's liaison with this committee. I guess I repeated myself.

The Chair: — Okay. Could you make your presentation, please.

Ms. Ferguson: — Most definitely. First off before I get Ms. Sommerfeld to present the one chapter before us, I'd just like to take a moment to thank the officials for the co-operation that we received in the course of the work that's before us. Ms. Sommerfeld.

Ms. Sommerfeld: — Thank you, Ms. Ferguson and Mr. Chair. Chapter 18 of our 2012 report volume 1 on page 61 contains the results of our audit to assess whether Saskatchewan Opportunities Corporation had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place Saskatoon.

Saskatchewan Opportunities Corporation, or SOCO, operates technology parks that provide companies with access to sophisticated facilities that are unavailable in the general real estate market. These facilities are buildings designed for a specific purpose such as researcher offices, and contain the related critical utilities and major equipment used to operate the building.

SOCO leases space to companies working with new innovations, scientific advances, and rapidly changing technology to further Saskatchewan's economic growth. Keeping facilities well maintained is important to make them safer, extend their useful life, and reduce operating costs. Effective maintenance should reduce health, safety, and fire risks, thus protecting the people, the facility, and the owner's business investment. Also well-maintained facilities help to attract and retain tenants.

We concluded that during January 1st, 2011 to January 31st, 2012 SOCO had effective processes to maintain facilities at Innovation Place Saskatoon in a sustainable way except for the following: SOCO did not have effective processes with respect to assessing and documenting the current condition of each facility, preparing a complete corporate maintenance plan that was missing some key maintenance objectives and priority strategies, and monitoring the effectiveness of maintenance with performance measures. We made three recommendations, and I will briefly describe each recommendation, explain why we made the recommendation, and provide you with its status at January 31st, 2015.

On page 165 we recommended that SOCO document for each of its facilities the current condition, key risks, and remaining lifespan in the context of the facility's intended use. We made this recommendation because we found, as of February 2012, SOCO had not finalized a condition report for any of its facilities. We also co-documented the current use of its facilities in its computerized preventative maintenance system. It did not document the remaining service lifespan of each facility. Complete information about each facility's condition would strengthen SOCO's long-term planning and resource allocation process. Also this information would reduce the risk of unexpected costs and/or downtime from emergency maintenance.

Also on page 165 we recommended that SOCO expand its corporate maintenance plan to include all its maintenance objectives and priority strategies for the short and long term. We made this recommendation because we found SOCO does not document all of its maintenance objectives and strategies in its maintenance plan. Proper documentation of its maintenance objectives and including all short- and long-term priority strategies in its maintenance plan would give SOCO an overview of all of its priorities and objectives. It would strengthen SOCO's ability to make trade-offs when resources are not available for all required maintenance.

On page 168 we recommended that SOCO identify and use performance measures to better monitor the effectiveness of its maintenance activities. We made this recommendation because we found that SOCO needs performance measures that focus on effectiveness such as downtime, business interruption, or costs of unplanned maintenance to better monitor the results of maintenance. Tracking the effectiveness of maintenance would help management monitor progress towards its short- and long-term maintenance objectives.

I would also like to mention that a follow-up audit on the status of the above recommendations has been completed and is reported in our 2015 report volume 1, chapter 29. SOCO has made progress towards implementing the first two recommendations I explained above, and the third recommendation has been met. Mr. Chair, that concludes my overview of this chapter.

The Chair: — Minister McMorris, do you want make any comments of this?

Hon. Mr. McMorris: — Just open it up for questions, please.

The Chair: — It's open for questions. Ms. Sproule.

Ms. Sproule: — I guess my only question is at what point does SOCO think that they will be able to finalize implementation of those two recommendations?

Mr. Loeppky: — The plan right now is that we'll have them both implemented by the end of this calendar year. We're very close.

Ms. Sproule: — End of 2015?

Mr. Loeppky: — That's correct.

Ms. Sproule: — Okay. We'll follow up at that point. Mr. Chair, I have no further questions.

The Chair: — What is the committee's wish in regards to the recommendations in chapter 18, "Maintaining Facilities in a Sustainable Way," of the 2012 report of the Provincial Auditor volume 1? Mr. Norris.

Mr. Norris: — Thanks very much, Mr. Chair. What we propose to do is that for the first two recommendations we would concur with the recommendation and note progress towards compliance. And for the third recommendation, we'd like to concur with the recommendation and note compliance.

The Chair: — Just a minute. I'm just writing this down here. The first two . . . Could you repeat that motion, please.

Mr. Norris: — I'll do my best, Mr. Chair. So for the first two recommendations, what we would do is offer a motion where we concur with the recommendations and note progress towards compliance, with the understanding that that work is in hand and will be completed shortly, in a timely fashion. And then what we would do is offer within the motion that for the third recommendation, concur with the recommendation and note compliance.

The Chair: — Okay. The motion has been moved by Mr. Norris that for the first two recommendations that we concur and note towards compliance. And the third, we concur and note compliance. Do the members agree with that?

Some Hon. Members: — Agreed.

The Chair: — That motion is carried. We will now proceed to the consideration of the 2012, 2013, and 2014 annual reports for SOCO. Mr. McMorris, do you require any changes of your officials?

Hon. Mr. McMorris: — No, staying with two.

The Chair: — And would you like to make any opening comments?

Hon. Mr. McMorris: — Sure. I'll just have a brief opening comment that SOCO seeks to enable innovation, research, and technology to support the province's economic prosperity into the future. This is done through the development and operation of technical parks. There are 166 tenants located at Innovation Place's campuses made up of private, government, university, and non-profit companies. Innovation Place is focused on clustering tenants in specific areas. Tenants can either work

directly in the cluster or provide support and technical services to the cluster.

Primary clusters of focus in Saskatoon are agriculture, life sciences, mining, and information technology. Primary clusters of focus in Regina are energy, and environment, and information technology. With that, I'll open it up to questions on the '12, '13, and '14 annual reports.

The Chair: — Are there any questions? Ms. Sproule.

Ms. Sproule: — Thank you. Thank you, Mr. Minister, for that. And I will focus most of my comments on the 2014 annual report, having said earlier that, you know, it would be helpful to be able to do this on a more frequent basis. But '12 and '13 are just leading into '14 really. So there may be some based over the three years but, at this point, mostly I'm going to look at 2014.

First question I have is the change in leadership. I think since the committee last met, we had Mr. Tastad in March 2013, and now we have Mr. Isman, I believe is at the helm. Did Mr. Tastad leave to retire? Was that why he left? Or was there just a change required in leadership?

Hon. Mr. McMorris: — I think I would coin it in the latter, a change required in the leadership.

Ms. Sproule: — Okay. And just in terms of the pay disclosure reports, I'll jump into that right now. For 2014, I think Mr. Tastad's salary was \$264,585. Was any of that severance?

Mr. Sukenik: — That would have been all severance in 2014.

[14:45]

Ms. Sproule: — All severance in 2014. And did he receive any severance in 2013?

Mr. Sukenik: — I don't know that answer. I can get that for you.

Ms. Sproule: — Okay. So Mr. Isman received \$165,000 in 2014. That would be a full year's salary for him then? He was . . .

Mr. Sukenik: — In 2013?

Ms. Sproule: — Well this is 2014. Mr. Isman, 165,000. Year end 2014 under the . . .

Mr. Sukenik: — Yes, for 2014 that would have been a full year's salary.

Ms. Sproule: — And then what was his interest . . .

Mr. Sukenik: — Oh I'm sorry, that would be a partial year. For part of the year he was acting or interim, and he was employed by CIC, so that would be for part of a year.

Ms. Sproule: — Oh I see. So that's not the full year. We'll see his full year in 2015 when those numbers are available.

Mr. Sukenik: — That's correct.

Ms. Sproule: — Okay. Right, he doesn't show up at all in the 2013 . . . So CIC covered his wages for 2013 as interim? Is that usual? No? He worked for SOCO in 2013.

Mr. Sukenik: — Correct. We reimbursed CIC for his salary.

Ms. Sproule: — Oh so it's somewhere else in the books?

Mr. Sukenik: — Yes, it doesn't show up in the reported payments . . .

Ms. Sproule: — Under his name.

Mr. Sukenik: — Because it didn't hit the threshold.

Ms. Sproule: — Oh right, under \$50,000.

Mr. Sukenik: — Yes.

Ms. Sproule: — Thank you. Okay. All right. So what sort of changes were you looking for in leadership at that point?

Hon. Mr. McMorris: — Well I guess what I would say is a growth in the park and, you know, looking at the tenant mix that we had and the locations that they were in. I guess I would say just general leadership for SOCO moving forward.

Ms. Sproule: — So what was the total severance that he was paid in '13 and '14?

Mr. Sukenik: — I'll have to get you that.

Ms. Sproule: — Oh right. You already told me you were going to do that. Sorry. Thank you. When you talk about growth in the park, are you talking about actual geographical space growth, like are you planning to grow the footprint of the research parks at all?

Mr. Loepky: — At this time we have about 7 per cent of the parks vacant, so we've been meeting our growth needs through the existing space. There's no new development planned at this time.

Ms. Sproule: — Okay. So growth, when you're talking about growth, it's more about growth in tenants . . .

Mr. Loepky: — That's correct.

Ms. Sproule: — Not in terms of occupation, but just . . . What do you mean by growth?

Mr. Loepky: — Typically it's what we've . . . When we talk about growth, it's the number of employees that are working in the parks.

Ms. Sproule: — Okay. Can you give the committee the number of employees, in the three years in question, that have been employed?

Mr. Loepky: — Each of the . . . I have round numbers.

Ms. Sproule: — Yes, that's great.

Mr. Loepky: — So 2012 we had about 5,470. In 2013 we had about 5,100. And in 2014 we had 4,300. We had negative growth through those three years. Currently we have about 4,150, so still a little bit of a decline.

Ms. Sproule: — And how many of those are located in the Prince Albert building? Are you still counting that?

Mr. Loepky: — Yes, that's counted in there. I would estimate that at around the 200, 220.

Ms. Sproule: — Is that fairly stable over the four-year period?

Mr. Loepky: — Yes. Actually it's been stable over the last couple of years. We've more or less filled that building up over the last four years.

Ms. Sproule: — With non-technological positions?

Mr. Loepky: — That's correct.

Ms. Sproule: — Okay. In the breakdown between Regina and Saskatoon, is it 50/50, 60/40?

Mr. Loepky: — I would say the 60/40 is close.

Ms. Sproule: — Sixty being Saskatoon?

Mr. Loepky: — Yes, that's round numbers.

Ms. Sproule: — Okay, thank you. On page 6 of the 2014 annual report, you talk about the Bio Processing Centre, and I think the word you used there was you transitioned . . . Or no, it was in your introductory comments, in the black pages: “. . . the transition of the Bio Processing Centre from being an Innovation Place operated business to a subsidiary of POS Bio Sciences.” When you say transition, does that mean sale?

Mr. Loepky: — I guess in one respect, yes. What we did was we leased the building to the POS BPC, the company that was set up, and entered into an agreement to sell the equipment in the building. So the equipment was sold but the building was just leased.

Ms. Sproule: — How much did you sell the equipment for?

Mr. Loepky: — It was in the neighbourhood of . . .

Mr. Sukenik: — \$250,000.

Mr. Loepky: — Yes, I was going to say 225.

Ms. Sproule: — That was obviously the market value because that's what you sold it for. What was the appraised value of that equipment?

Mr. Sukenik: — For the equipment that was in the facility, the actual cost when we were looking at it, the cost to dispose of the equipment was less. So the market value was less than the cost it would have taken us to get it out of the facility. So essentially what it was sold for was its book value.

Ms. Sproule: — Its book value. And what did it originally cost? What was the purchase price for that equipment?

Mr. Sukenik: — Originally all the equipment was purchased and installed into the plant by a company called Canamino. They went bankrupt in 1999 and we bought everything for 10 cents on the dollar. So the building and all of the equipment.

Ms. Sproule: — Which building is that? Can you describe its general location in Innovation Park? I'm trying to picture it.

Mr. Loepky: — Are you familiar where the greenhouse, the LFK complex is?

Ms. Sproule: — On the right?

Mr. Loepky: — Yes, if you're driving on Research Drive on the right, it's directly east across the road from the LFK centre on Research Drive.

Ms. Sproule: — And when did the government purchase that building? Was it '99?

Mr. Sukenik: — Yes.

Ms. Sproule: — It was in '99. Now I understand from the comments — I think this now is on page 4 — that you were operating this bioprocessing centre I assume for basically 15 years then. What exactly did you contract, like what kind of contracts did you get in that centre? What kind of work did SOCO do?

Mr. Sukenik: — So that facility was an alcohol-based, what they called an alcohol fractionation system. And essentially we would contract with companies that wanted to extract a component out of a plant material and they would provide us with an intellectual property process they contracted with us to follow. They would guide us and teach us how to assemble the plant to do that process, and then they would provide us with the raw material. And we essentially used our staff, the facility, to put the raw material in one end, get the product they wanted out, and then we sent it. A lot of times we didn't even know what they wanted it for.

Ms. Sproule: — Right.

Mr. Sukenik: — It was just research based.

Ms. Sproule: — And I guess two questions. Why did you get into that business and why did you get out of it?

Mr. Loepky: — Yes. It was just shortly before I started with the company, but as I understand it, they thought that that business would be a key to growing sort of the plant biotech industry. And as it turned out, we were able to operate the plant with a reasonable amount of interaction with Saskatchewan companies, but when the, I guess when the financial crisis hit the US, we started to see some of that dry up. And so really it was in the last probably four years of operation that we were starting to incur some losses, fairly significant losses. And there just wasn't . . . We didn't see the business line turning around and we also didn't see the clients in Saskatchewan. It was just, you know, I guess the business just didn't develop.

Ms. Sproule: — So when you talk about growing the tenant base, if you're getting out of this kind of service, I guess, what types of areas are you hoping to grow the number of people working?

Mr. Loepky: — I think what we want to do is try and focus on the sectors that we've identified and try to, you know, increase the number of people working in those sectors, the number of companies. Within that, I think our primary focus is in trying to identify start-up companies in the communities and give them an opportunity to come into the park and use the environment of the park and the infrastructure in the park to establish their businesses. We see the exponential growth happens with small companies. One goes to two, two to four . . .

Ms. Sproule: — Right. And so in the last, say, in 2014 fiscal year, how many new start-ups did you attract?

Mr. Loepky: — We have averaged about six a year. Do you have the numbers, Brent, exact numbers?

Mr. Sukenik: — I do. It's 2014 there were six start-up companies that located in Innovation Place and I think the average for the 10 years is around seven or eight, in that neighbourhood.

Ms. Sproule: — And what about '13 and '12, if you have that handy?

Mr. Sukenik: — '12 was nine and 2013 was 10 start-ups.

Ms. Sproule: — Any idea of why there's a decline at this point?

Mr. Loepky: — Of overall employees working in the parks?

Ms. Sproule: — Yes.

Mr. Loepky: — I think it's, you know, business. There's been a retraction of business. People also have relocated to find, you know . . . It's just natural organic movement within the parks. There's also been a few tenants that we have not renewed their leases on, as the minister pointed out, in trying to make sure that our tenants are focused on the right sectors. I think it's just a combination of things.

Ms. Sproule: — It just seems it's going against where you want to be, so how can you change that? How can you turn that around?

Mr. Loepky: — I think that, you know, we always are working with companies in the technology sectors to try to identify opportunities for them. You know, in our business if we have 5 per cent vacancy, that's probably healthy because then we can respond to things that come our way. Actually when we get into a situation where we're in, you know, like 1 per cent vacancy kind of thing, we can't react typically to any opportunities the universities might bring us or the community might bring us. So we're in that 6 to 7 per cent range right now, so we're not looking to grow tremendously.

The other thing that we saw with those really high numbers was, as the economy was really booming is people were

compressing in their spaces. They were taking out things like boardrooms and meeting rooms and stuff like that to put offices or put workstations in. So the employees per square foot was very concentrated. We've seen some of that relax as we've got space back. I think last year we did 35 expansion transactions with tenants where they were able to get some breathing room because we had some vacancy. So I think we're going to be in a period where we're going to have a lower total number, but that's okay. It's, you know, as this business cycles, we'll probably see it concentrate up again the future.

Ms. Sproule: — In terms of the . . . I know you identified in Regina the energy sector, and oil and gas, petroleum research is certain a big factor there. With the decline in the price of oil, do you think there'll be fewer tenants? Like is that going to affect the number of tenants and the research money?

Mr. Loepky: — You know, I think that yes, there will be less money directed. What I've been told is the same money's there. It's probably just going to be doled out less aggressively.

So yes, you know, people, companies that are working in the oil sector doing the research work and with the universities, that kind of stuff, they may see less money flowing, the same amount of money flowing over a number of years rather than . . . Let's say four or five years rather than two years.

So the companies have got less aggressive, but they haven't really changed their plans on the research and development side.

Ms. Sproule: — I know that Information Services Corporation was located in the Regina park. Has it moved or is it still taking space there?

Mr. Loepky: — It's still there.

Ms. Sproule: — It's still there?

Mr. Loepky: — Yes.

Ms. Sproule: — I worked there in 2003. I was a Crown land expert. Anyways, a long time ago and that's when there was a lot of people still doing the conversion from a paper-based system. And I know they had almost the whole building at that point, but I believe that's now been retracted, right?

Mr. Loepky: — From what I understand, they have a fairly big presence on 1st Avenue North in Regina, and then there is still the technical support group is there, like the people that provide support to their customers. And they have quite a big group that still works on their software. They have to continue to develop versions and keep up with the security.

Ms. Sproule: — So the IT side of things?

Mr. Loepky: — Yes.

Ms. Sproule: — IT development?

Mr. Loepky: — Yes.

Ms. Sproule: — And I know in Saskatoon, I think, well the

mining, IMII [International Minerals Innovation Institute] I believe is there now. I think I was at meetings in Research Park there. Yes, the Minerals Institute.

I know I mentioned oil and gas, because of the price of oil, that the research may slow down there, but what about in mining and agriculture? It seems to me that the biotech side is pretty busy.

Mr. Loepky: — Biotech seems to be stable, I would say. The mining side, I think it's the same as the oil. I think the money is there to be invested. It's just a little more cautious approach. So rather than trying to jam as much work through as possible, they're going to dole it out a little more cautiously over a number of years.

Ms. Sproule: — Okay. And then I guess let's move now to forestry. We know that the forestry centre in P.A. [Prince Albert] was intended to be a cluster for forestry research. Is there any significance or impact when the softwood industry basically collapsed, that the amount of research put into forestry would have collapsed as well, and is that maybe why this cluster hasn't taken on a life that, say, the mining cluster has? Or is there any hope for the forestry technology sector?

[15:00]

Mr. Loepky: — I think that you're right, that there was a change in the industry and that had an impact. What we see in Prince Albert is a lot of really small players in the forestry sector. So I think if you counted the number of tenants in the building, you'd probably see close to half of them might have something to do with resources or forestry. But they take up a very small percentage of the building, like less than 15 per cent of the building. So you know, it's that small group is fairly active and vibrant, and I would imagine that given the right circumstances and time, that that will develop. But we've, you know, been involved there for a long time and it's got to the point where I think we feel that we're kind of just managing that building.

Ms. Sproule: — When was it built? 2002, '01, somewhere in there?

Mr. Sukenik: — The project was approved in 2003 and it was finished 2004, 2005.

Ms. Sproule: — And then the softwood industry kind of . . . Okay. Is there any thought in that building of, I mean, given its proximity to a lot of the mining operations, to maybe foster and focus on mining technology to take some of that space to create a research park? You know, there's a lot of technical institutes in Prince Albert and certainly the proximity. I guess it's a little bit closer to the mines anyways.

Mr. Loepky: — When the building was originally opened, it was really the Saskatchewan Forest Centre. We tried to expand the tenant base by including the resource sector.

Ms. Sproule: — Okay.

Mr. Loepky: — So when I talked about the numbers of tenants being resource-sector-based, that was one of the first

things we tried to do is expand that. And it helped but, you know, again there just wasn't the interest that we could find in the community.

Ms. Sproule: — Okay. Sorry, I'm just going through the report here to see what I flagged. I'm just taking a little bit, a look now at the scorecard, and on page 16 is the beginning of the balanced scorecard results, and of course of interest to me are the ones that are red, the off target by greater than 20 per cent.

So the first one, and I think one that's of concern of course, is the job creation where there's an actual negative even from your target which was targeted to be negative in 2014. It was actually several hundred more, obviously a concern. I think you say in your report, you've lost 797 employees at Innovation Place. So who were these people, and why did they leave?

Mr. Loepky: — I think I have some of the details with me. We saw a few . . . There was a certain point in time there where our vacancy was down to almost zero, and we were working with tenants to try to . . . We had tenants in the park that fit less, did not fit as well as others. So we were working with the ones that did not fit as well to try to encourage them to find a place that, you know, they didn't need to be using our infrastructure for their activities.

In some cases they'd moved in under one pretense and their business had changed. And when we come to the end of their lease, we look at whether they still fit within what we believe is the correct parameters of the park. If they don't, then we need to encourage them. Typically what we do is we tell them we won't renew their lease and we give them, you know, a year or 18 months' notice sort of thing.

They don't always want to leave. They can't always, especially in the vacancy situation we had in our communities a while back, they couldn't find a place to leave to. So we end up working with a number of tenants to give them the time to find a place to relocate. Some of the biggest ones that moved were SNC-Lavalin moved down to downtown Saskatoon. We had eHealth move from the Regina park to downtown Regina. We had Farmers of North America who left the park in Saskatoon to their own . . . well I'm not sure, they were going to develop their own facility and move into it. I'm not sure if they actually did. I think they found an attractive lease, and they came to us and we said okay, you know, if you want to go, you go. We'd entered into a couple of renewal agreements with them to help them try find a place to go.

We had a little bit of transition. We had the University of Saskatchewan had some space and they moved back to their campus. There was two pieces there. There was one, an engineering firm, that we didn't renew their lease on and they left the park. Other than that it was probably a . . . that made up a majority I would say.

Ms. Sproule: — So as a result of that, you're getting a red dot on your card.

Mr. Loepky: — Yes.

Ms. Sproule: — So it's almost converse to the Prince Albert building where you're actively seeking, you know, you were

seeking tenants that weren't even related to fill the building. So it's the opposite and now you've got a red dot.

Mr. Loepky: — We tried in P.A. to, you know, to find the tenants. And we believe they just weren't there.

Ms. Sproule: — Right.

Mr. Loepky: — So rather than suffer the financial consequences of having a building sitting 30 to 40 per cent vacant, we felt it was our obligation to make that business decision and fill it with rent-paying tenants. And it was needed, that space was needed in the community. It was absorbed fairly quickly once we started offering it.

In Saskatoon and Regina we have a different type of infrastructure, a huge infrastructure in specialized facilities and utilities and services. And really it's our belief that even in a situation like this, even where it ends up being contrary to our target, that we need to make sure that the tenants in those parks are the right tenants. And you know, we made business decisions that really contradicted our goals, but they were the right decisions in our mind.

Ms. Sproule: — Okay. So your target for this year is negative 145. Is that looking to be about right, or is it too early to say?

Mr. Sukenik: — Yes. At this point we are forecasting to be close to our target for the year.

Ms. Sproule: — And it looks like you're hopeful in 2016-17 that you will actually see that positive growth again just because you now have the space to attract those smaller start-ups. Is that the theory?

Mr. Loepky: — That's part of it. I think also we're seeing less retractions and downsizing in tenant employees. So I think as the tenants, you know, get their feet underneath them, they'll . . . You know, the tenants we have are interested in growth, so they'll be hiring people, and that's what we're hoping.

Ms. Sproule: — Okay. Now the synchrotron, is that technically within the park, or is that university?

Mr. Loepky: — No, it's within the university's land.

Ms. Sproule: — Oh it is? Okay. The next report card discussion is on page 17, and that's the independent analysis of the economic impact of the Innovation Place tenants. Again I believe the target was not met, and is that basically attributable to the vacancy?

Mr. Loepky: — Yes, I would say directly it is. What we do is we survey our tenants and ask them to provide us with financial data. A big piece of that is salaries and wages. And so when they've, you know, when there's less people working in the park, or a company, you know, when companies are employing less people, they spend less on employees.

The other one is capital expenditures. I think in that we've seen some dipping in capital, that same thing there. They're spreading the money out, not spending as heavily. Those two things would probably be the key impacts that have driven

down the . . . And they are more or less directly related to vacancy — more vacancy, less people, less salaries — and then you throw the capital spending in on top.

Ms. Sproule: — It slows it down. Next one is the number of tenants locating from outside the province. Now just to understand, that is seen as a good thing to have people coming from outside of province?

Mr. Loepky: — Yes, we would see that as net new growth, bringing new companies here and new intellectual property, new ideas. Certainly that's how we see it.

Ms. Sproule: — I may have misunderstood, but I thought one of you made a comment earlier about, you know, seeing too many people come from outside of province. Did I make that up? No. Okay, thank you.

There's a quote on page 19, and just if you could explain it to me. It says, "The tenants in Saskatoon and Regina benefit from a redundant path to the Internet."

Mr. Loepky: — So what we have in the park in Saskatoon — it's still under development in the park in Regina — is we have two completely separate physical connections to the Internet through two separate providers. So in our tenant's business, a lot of it is data and staying connected. And so if we have one route goes across the 42nd Street bridge and the other ones goes across the University bridge, either one, you know, the chances of both those bridges collapsing or an earthquake or something happening and losing that connection is slim, but at least we have two different ways to get across and get out of the province.

Ms. Sproule: — And that basically means two.

Mr. Loepky: — Yes. Some organizations have redundancy. We used to have redundancy within the park so we could, if traffic couldn't go left, it could go right, on the data. Now we have redundancy throughout the park and outside the park.

Ms. Sproule: — Outside as well.

Mr. Loepky: — And actually outside of the . . . I believe it's actually right outside of the province.

Ms. Sproule: — Yes, it's just a layperson's view of the word redundant is often a negative word, and this is being used in a positive sense on, like what does that mean? Okay.

Mr. Loepky: — The IT tenants, they have I think that the term is five 9's. They expect you to be operating 99.999 per cent of the time.

Ms. Sproule: — Redundant.

Mr. Loepky: — And our uptime is basically 100 per cent.

Ms. Sproule: — On page 20, inventory available to meet demand, of course that's in the blue because people have been vacating it. It's a converse thing. But you indicated there you would've liked to have retained these tenants in the park, a significant tenant who vacated during 2014. Who are the ones

you would've like to have kept but didn't have enough room for them?

Mr. Loepky: — I would say we had two. SNC-Lavalin had approached us about consolidating. They were in four or five different locations within the park and they wanted to consolidate into one location in the park for just ease of working.

Ms. Sproule: — Obvious reasons, yes.

Mr. Loepky: — And although we could accommodate them in the park, we couldn't accommodate them in a consolidated fashion. So they made a decision, it was actually MDH engineering, a professor out of the university, Moir Haug, and his partner that started that company at Innovation Place 20 some years ago. They wanted to stay, but when SNC bought the company, they wanted them to consolidate it in one location. And then, as I understand it, when that didn't happen, they then directed them to relocate the company outside, I think actually to a space that SNC had in downtown Saskatoon.

And the other one was eHealth here in Regina, and we worked with them. Their needs were just significant for the situation that we had, and we didn't see a way that we were going to be able to meet their needs. And so I guess we resigned with them that we weren't going to be able to meet their needs, and they started working on another solution and consolidated downtown. Again it was a consolidation.

Ms. Sproule: — Yes. Was any thought given to actually meeting their needs and constructing new buildings to accommodate?

Mr. Loepky: — We did look at that and didn't end up going forward with it.

Ms. Sproule: — So I got a sense when you spoke earlier about these two that it was sort of a good thing that they left? But this is saying it's a bad thing that they left.

Mr. Loepky: — Yes. eHealth and SNC were two that I had on the list that left that, you know, if we could have kept them, we would have happily.

Ms. Sproule: — You would have.

Mr. Loepky: — Yes.

Ms. Sproule: — Oh okay.

Mr. Loepky: — A significant investment, SNC would have been easy if we would have had a 15 or 20,000 square foot block of space. What was needed for eHealth was something in the neighbourhood of 60 to 70,000 square feet. It would have required, you know, quite a significant investment to accommodate them.

Ms. Sproule: — So you would have the land, but it's the building space.

Mr. Loepky: — Right. And then when investing in today's dollars in building a new building, you also then have to, the

tenant has to pay the rent to accommodate that investment. And you know, no different than downtown towers, the rents are extremely high. I don't think that was the right solution for them on their expense side. And us, you know, we probably could have done the investment but, you know, to find tenants to pay 30, \$40 a square foot in rent.

Ms. Sproule: — So the spaces they would have secured would have been for less than, as far as you know?

Mr. Loepky: — Yes. Yes. I don't know, I have no idea what they pay, but definitely less than new construction.

[15:15]

Ms. Sproule: — Okay. Okay. On the financials, page 30 on the financials, there's a reference to a legal issue with the city of Saskatoon. Can you talk just in general or whatever, can you share with the committee what that's about?

Mr. Loepky: — Sure. When we installed a service in the Galleria building — and I don't remember the exact dates, but it was back in the early '90s, '92 I think — the building, the city of Saskatoon provides electrical service to the building. So the building was hooked up and we ran the building until we were doing some engineering work — I don't know, Brenda, if you know the year — but some years later, 15 years later, we were doing some engineering work and realized that the way the building had been hooked up it was bypassing the meter. So we were actually getting electricity from the city of Saskatoon without paying for it.

So we alerted them immediately and said, hey, we just found this. And it took a few years kind of going back and forth, coming to an agreement on what was a reasonable settlement because we had no meter readings so nobody had any idea what had actually been used. So I think it was in 2014, we finally reached a settlement with them, and it was within the provisions that we had allowed in our financial provisions.

Mr. Sukenik: — Yes, we had allowed for it several years before.

Ms. Sproule: — You mean the liability?

Mr. Sukenik: — Yes, and it was settled at that point.

Mr. Loepky: — And we immediately hooked the meter up correctly and started paying.

Ms. Sproule: — Okay. Oh you did. Good.

Mr. Loepky: — Yes we did.

Ms. Sproule: — I mean, there is a lot of greenhouses there but I don't know what their . . . Okay, I won't go there. Now there's a comment there about the impact of increased vacancy and net income was offset by the transfer of bioprocessing operations to a third party. I mean, it's a sale essentially, and so I would consider that a small form of privatization where you're selling off some of your assets. Was the sale of bioprocessing decided upon because of the increased vacancy? Was that one of the factors, just to help the balance sheet?

Mr. Loeppky: — I don't recall it being that way.

Ms. Sproule: — One of my colleagues has an opinion on this too, I think.

Mr. Loeppky: — It was a drain. We couldn't make a financial go of it, and we had a decision to make: could we find a partner to partner with to do that business in a different way? We explored or tried to imagine a number of different options. And I think we felt quite fortunate when POS thought that, hey, this might work; we might be able to do something with it.

Mr. Sukenik: — It was more the continued operating losses for the facility that drove the decision. That comment, in 2013 the net loss for that facility was just over \$1 million. So that's where that comes from.

Ms. Sproule: — So it is a happy circumstance that you were able to find a purchaser, and it also happened in a year where there was increased vacancy. So it helped the financial statement.

There's a comment on page 31 of the financials there. It says:

To offset the impact of increased vacancies on net income, management undertook a review of discretionary expenditures during the year which resulted in lower administration and other expenditures.

So I would ask, which discretionary expenditures were identified and how did that result in lower administration and other expenditures, and how much?

Mr. Loeppky: — We'll have to get you the detail. Unless you have that with you, Brent.

Mr. Sukenik: — Well the total, I mean . . . Most of the costs were within the overhead department or that category. The total, we were under budget by about \$380,000 in 2014, and that was travel expenses, training expenses. Pretty much anything that wasn't committed to, we scaled back.

Ms. Sproule: — I think training is one of your targets.

Mr. Sukenik: — Yes.

Ms. Sproule: — And in actual . . . And 2014 was seven. But then you're targeting three and four, so is that some of the savings you're identifying?

Mr. Sukenik: — Yes. So we reduced and that was because the . . . We anticipated vacancy to be higher also in 2015. So we knew we were going to have less corporate training so we adjusted our targets accordingly.

Ms. Sproule: — What would your target be for . . . Well I guess three for 2015 and it was five for 2014. So vacancy plus efficiencies. Is that basically what drives that drop in the target?

Mr. Sukenik: — Yes.

Ms. Sproule: — Okay.

Mr. Sukenik: — Our ideal is about five, the average of five days.

Ms. Sproule: — Yes. I see that you're targeting that for 2017, to go back up to five. Okay. So if you could provide any more detail on that, that would be appreciated in terms of all the review of the discretionary expenditures and where lower costs were identified. And there's a comment here that says, "The \$2.0 million equity repayment made during the year was not budgeted." I believe that was an equity repayment that CIC requested? Is that correct?

Mr. Sukenik: — That is correct, yes.

Ms. Sproule: — And why was that not, why were you not given more warning? Or is that something CIC does on a regular basis.

Mr. Sukenik: — No. It's kind of evolving. Our dividend policy wasn't implemented until 2012 and it changed a few times over the years. It was based on a percentage of net income for '12, '13, and '14. Just based on our cash situation, it was determined that we had some excess cash and an equity repayment would be in order.

Ms. Sproule: — So CIC determined that.

Mr. Sukenik: — Yes.

Ms. Sproule: — Yes.

Mr. Sukenik: — In consultation with management.

Ms. Sproule: — Right. No, well certainly you'd have to be able to afford it. So what are you looking at for an equity repayment for this year?

Mr. Sukenik: — It's the same at \$2 million.

Ms. Sproule: — Two million . . . [inaudible] . . . I'm just looking on page 32, the outlook. And it looks here that the outlook for 2015 is a \$13.5 million equity repayment?

Mr. Sukenik: — Yes. So in addition to the \$2 million normal one, the full proceeds from the sale of the forest centre would be funnelled through to CIC in the form of an equity repayment.

Ms. Sproule: — So you're anticipating this sale to be 11.5 million?

Mr. Sukenik: — Yes. The building is currently listed at about 12 and that amount is net of the sales commission.

Ms. Sproule: — Say that again, please.

Mr. Sukenik: — The building is listed at \$12 million and the eleven and a half is net of the sales commission.

Ms. Sproule: — Of the sales. And have you identified a purchaser yet or is that still ongoing?

Mr. Sukenik: — It is ongoing. We've had some interested parties but we have not received any offers yet.

Ms. Sproule: — One of the things you said about the sale — it's on the same page for the outlook: "Reflected in the \$7.1 million total budgeted net income for 2015 is an expected gain on disposal of the Forest Centre . . . of \$5.5 million." So what's the difference there when you're selling it for 11.5 but it's only a gain of 5.5?

Mr. Sukenik: — The book value of the property is \$6.1 million, so the gain is the difference between the net proceeds and our book value.

Ms. Sproule: — Book value is 6.1 million?

Mr. Sukenik: — Correct, yes.

Ms. Sproule: — So I guess on your balance sheet it would only show up as a 5.1 million gain?

Mr. Sukenik: — Well the gain will be on our operating statement.

Ms. Sproule: — On your operating side?

Mr. Sukenik: — Correct, yes. So right now . . .

Ms. Sproule: — And then your assets would be taken down by 6 million.

Mr. Sukenik: — Yes, that's right.

Ms. Sproule: — Oh, and that's what you meant. I had a question mark there. The 8.2 million decrease in total assets would be due to the expected sale because it would no longer be an asset, right? Okay.

Mr. Sukenik: — Correct.

Ms. Sproule: — I think that's it for that. On page 34 there is an identification for the key risk factors that are affecting your performance and it states there that your primary risk is ". . . the risk of being unable, with a finite amount of space, to support the growth of existing tenants and the establishment of new tenants." Is there any discussion within the corporation of doing some sort of space enhancements like building new buildings? It seems to me that will continue to be a problem once you get your vacancy rate up again with the small start-ups. If you want to keep them there, like why aren't you building more buildings? I mean we see buildings going up everywhere in Saskatchewan right now, so why not at the research parks?

Mr. Loepky: — The first challenge we have is to make sure that we have the right tenants in the park, and that's key. I think there's still a little bit of work to do on that although we've made, as I mentioned, we've made quite a bit of progress on identifying . . . Essentially the way we look at tenants is that tenants are like a target, fit like in a target. So there's the perfect tenant that hits a bull's eye, and then there's some that are concentric rings around that. And when we have . . . There are tenants that, as their businesses evolve, they will change where they fit on that. And once we're in a lease with them, the only opportunity we have to sever our relationship with them is when that lease is coming to an end. So I think we still have some gain to deal with that.

So I think we can create some vacancy to accommodate growth. And we have, you know, we have 155,000, I think it is, or that's the numbers in my head, 150,000 square feet of vacancy. No, it's not that much. Sorry. I shouldn't have said that. It was a number that popped into my head. But we have a fairly significant, with one . . . You know, one and a half million square feet, you take 6, 7 per cent, we have quite a bit of vacancy to deal with. And you know, I mean if the time comes that we feel there's a need to add buildings to the park, then you know, we would try to pursue that, I guess.

Mr. Sukenik: — 116,000 square feet.

Mr. Loepky: — 116,000 square feet.

Ms. Sproule: — It's interesting. I just wrote this down because you said you need to create vacancy to accommodate growth. But to me, the net is zero.

Mr. Loepky: — Yes. But we believe the growth is targeted. It's targeted growth. It's targeting the right tenants to grow and, you know, if we can get the right tenants in the park and grow them, then we're really growing the technology sector.

What we have to watch with our tenants is Innovation Place is a very nice place to come. People love a campus environment and they could come in . . . We have a whole process to ensure that we get the right tenants in the park. But we've got to keep an eye on their businesses, that their businesses stay focused on technology in the right areas. And if they're not, then we have to create vacancy by working with them to find them or help them find a new home.

Ms. Sproule: — It's a delicate process.

Mr. Loepky: — Very delicate, and rightfully so. I mean they're trying to run a business. They love where they are. They have all of their personal life set up to come to work there every day. And so we have to be very respectful of that. And typically . . .

Ms. Sproule: — There's a big field right across the road. You could build there. No, I'm just kidding. Thank you.

I'm running out of time here, but I just wanted to ask one last question on the governance structure. I just did a quick look based roughly on the payee disclosure reports for 2014 for all the major Crowns or the CIC Crowns. And what I did is I looked at the amount of money the board costs vis-à-vis the amount of money that is spent on employees. And SOCO has the lowest ratio, shall we say, because for example SaskPower spends about \$400 million on their board of directors but they have \$371 million spent on employees. So it's a very rough sort of comparison but when you look at SOCO, you spend \$145,000 on your governance and only 8 million on your employees. So that would suggest to me it's a bit top heavy on the governance side. You have a very large board of directors. They get paid, I think, \$20,000 a year for four meetings.

So is that standard? Just in terms of ratio, it's much of a smaller ratio than that of SaskPower or SaskEnergy or even Transportation Company or Gaming Corp. Gaming Corp. is similar in terms of how much is spent on the board, which is

112,000, but Gaming Corp. actually has \$34 million in employees. So maybe using employees as a comparison is not a good comparison, but it seems like it's kind of top heavy. Any thoughts on that?

Hon. Mr. McMorris: — I think what I would just say is that the board size is typical for this organization. I don't think you can compare it to the number of employees employed by SOCO as opposed to the number of employees employed by SaskPower. I think that is the wrong kind of matrix to try and determine whether a board is or the governance is top heavy or not.

Ms. Sproule: — What matrix would you use then?

Hon. Mr. McMorris: — Well I mean you've got a footprint and a footprint of managing all this space that you have, you know, oversight through a board. You have to have, you know, I think Ken has answered the questions very, very well as far as what is the intent of a research park. And he's answered very well. It's not just to fill space. But you need a board that can manage that and keep the leadership, not necessarily the leadership team with that focus, but to oversee it from a board's perspective. So I think it's more the undertaking and job description, not necessarily job description but the responsibilities a board oversees as opposed to the number of employees are employed to oversee that activity.

Ms. Sproule: — Thank you. At this point, Mr. Chair, I have no further questions. Thank you very much. I'll just make my comments now in closing. Thank you very much, Mr. Minister, and the officials, for a good discussion. I've certainly learned a lot about SOCO in the last little while. So I appreciate the information and look forward to the further undertakings that you've promised to deliver. Thank you.

The Chair: — Mr. Norris.

[15:30]

Mr. Norris: — Thanks very much, Mr. Chair. Just to follow up on my colleague from across the aisle but also from Saskatoon, first I want to applaud the minister in SOCO for the really remarkable work, in fact bold leadership work, when it comes to areas of innovation. One of the areas that, although my colleague from across the aisle spoke with some concern of privatization, I would argue that in areas of innovation it's seen the commercialization in the private sector, entrepreneurial sector actually thrive.

And I just want to get a sense from you as far as start-ups and as far as young entrepreneurs engaging the services of SOCO, what that looks like for you today and maybe what you see as far as that moving forward. Because again anecdotally what I sense is a lot of positive energy, and some of the decisions and directions being undertaken by SOCO consistent with some of the best practices in the world. But especially as it relates to our start-ups and young entrepreneurs in Saskatchewan, what do you see?

Mr. Loepky: — I think we've, and I'm going off the top of my head here, I think right now we have, of the 166 companies at Innovation Place, 59 of them started as start-up companies.

So I don't know if that's a third, but roughly. And in addition to that, there's another 30 or so, maybe 35 that are either still . . . that are operational, started as a start-up at Innovation Place, left Innovation Place to other locations within the city that they're in and further still within the province. So I think, you know, I think we've, over the last, let's say, 20 years we generated that number. We set our new targets at higher levels for start-up companies to try to become more aggressive in focusing on the start-ups.

As I mentioned earlier, that's where the exponential growth comes from. You have an individual or two people come and start a company, and they hire their first employee. They went, you know, incrementally from two to three is quite a big jump. And if you can make that happen and give them the environment to grow in, I think that that's where we see the future growth.

Mr. Norris: — Well I really appreciate that and I appreciate the vision as well. I'll speak of the Saskatoon context of the remarkable investment being made downtown, again by private developers, where we've seen some of these key innovation leaders globally recognized, kind of graduate from Innovation Place into the broader business community. And so again I think the progress that you're measuring is important not just simply for today's economy, but for the continued economic health and growth of Saskatchewan.

The Chair: — Are there any more questions? Okay. What is the committee's wish in regards to the annual reports for SOCO for 2012, 2013, and 2014. Mr. Norris.

Mr. Norris: — Great. I wish to offer a motion to conclude consideration of the annual reports for SOCO for the years 2012, 2013, and 2014.

The Chair: — Mr. Norris has made the motion to conclude consideration of the annual reports for SOCO for the years 2012, 2013, and 2014. Are the members in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, do you have any closing comments?

Hon. Mr. McMorris: — Just similar to my ones before. I want to thank Ken and Brent for the great work in answering the questions and filling in for our absent CEO, Van Isman, who would have loved to have been here, but thanks very much. They did a great job of answering the questions.

The Chair: — Well thank you. We will have a short recess now of about five minutes to move on to our next.

[The committee recessed for a period of time.]

Saskatchewan Gaming Corporation

The Chair: — Well good afternoon everybody and we will be considering Saskatchewan Gaming Corporation. I'd just like to mention that Mr. McCall is substituting in for Ms. Sproule. We will now be considering the Provincial Auditor reports for 2009 to 2012 for Sask Gaming Corporation as well as the annual

reports and financial statements for 2012, 2013, and 2014 for Saskatchewan Gaming and related entities. I will first ask Minister Heppner to introduce her officials and then I'll turn it over to Ms. Ferguson to introduce her officials and make her comments on the chapters. Minister Heppner, please introduce your officials.

Hon. Ms. Heppner: — Thank you, Mr. Chair. On my right is Susan Flett, president and CEO. On my left is Tony Coppola, chief financial officer. Behind me is Bob Arlint, executive director of risk and compliance; Curtis Funk, controller; and Shanna Schulhauser, director of communications.

The Chair: — Thank you. Ms. Ferguson, it's my understanding you planned to present in two parts. Please introduce your officials and make your first presentation.

Ms. Ferguson: — Thank you very much, Mr. Chair, and members and officials. On my left here is Ms. Carolyn O'Quinn. Carolyn has been recently promoted to a deputy provincial auditor and is responsible for the audit of Sask Gaming. Behind, against the wall there, is Ms. Jolene Anton. Jolene is from KPMG and she's a partner at KPMG. KPMG is the appointed auditor for Sask Gaming since 2011. And beside Ms. Anton is Ms. Kim Lowe and Kim is our office's liaison with this committee.

Before we start into our presentations, I just want to pause and thank the management and staff of Sask Gaming for the co-operation that we've received in the course of work that's before us this afternoon. So this afternoon we're going to cover off five chapters. We're not going to do them in the manner that are listed on the agenda. Rather what we have done is we've grouped them into the types of audits that they reflect.

Part 1 will be chapter 13 of our 2011 report, volume 1 and chapter 15 of our 2012 report, volume 1. Both of these chapters relate our audit work of Sask Gaming's project management processes. The second part is the remaining chapters and they relate to our annual integrated audit in which our office works with KPMG to carry out.

We're going to pause after each part to allow for the committee's consideration if they so wish. So without further ado I'm just to launch into presenting part 1, and then Ms. O'Quinn will present part 2.

So chapter 13 of our 2011 report volume 1, starting on page 155 and chapter 15 of our 2012 report volume 2, starting on page 137, report the results of our follow-up of three recommendations we initially made in our 2006 audit on Sask Gaming's project management processes to implement its new casino management system.

We are very pleased to report that by March 2012 Sask Gaming had implemented all of the three recommendations listed. It provides complete and accurate progress reports to senior management and the board on this project; had established a process to track its achievement of the benefits it had set out for the project; and has documented the results of testing of the new systems and follow-up of the risk, identified risk, before the system became operational. So that concludes our presentation on those two chapters.

The Chair: — Now, Minister Heppner, would you like to make any comments regarding the first part.

Hon. Ms. Heppner: — No, I'll just leave it up into questions.

The Chair: — Are there any questions or comments from the committee members? Mr. McCall.

Mr. McCall: — Just to state the obvious, Mr. Chair, these are fairly mature recommendations from the auditor and seem to have been implemented, and we don't have any questions at this time. We'll get into it with the annual reports.

The Chair: — Okay. Thank you. Given that this chapter 13 of the 2011 report of the Provincial Auditor volume 1, will be discussed again, I think we will move on to the second presentation and deal with the recommendations at the end. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. There are no recommendations in chapter . . . [inaudible interjection] . . . Oh sorry about that. Ms. Ferguson.

Ms. Ferguson: — Thank you. I'll be discussing four chapters: that is chapter 10 of our 2009 report volume 1, chapter 14 of our 2010 report volume 1, chapter 13 of our 2011 report volume 1, and chapter 14 of our 2012 report volume 1.

Each of those chapters report the results of our annual integrated audit of Sask Gaming for fiscal years ended December 31st, 2008 to December 31st, 2011. We worked with Sask Gaming's appointed auditor in each of those audits.

[15:45]

In each of these chapters we report that Sask Gaming's financial statements were reliable and that it complied with authorities. In addition we report that Sask Gaming had effective processes to safeguard public resources except for four matters and related recommendations that were previously discussed with the legislative committee in 2007. We also identified one new matter.

The four matters previously discussed related to the need for Sask Gaming to prepare a complete disaster recovery plan, consider the need for a business continuity plan, fully document its procedures for the security of its IT systems and ensure those procedures are being followed, and improve its human resources plan. By 2010 Sask Gaming had fully implemented each of those four recommendations.

I'll now move on to chapter 13 of our 2011 report volume 1 where we reported on one new matter related to Sask Gaming's controls over providing information under federal legislation. On page 154 of that chapter we recommended that Saskatchewan Gaming Corporation have effective controls to maintain and to report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and related regulations. The federal Act and regulations require casino operators to identify customers who conduct certain financial transactions, keep records of those transactions, and

report them to a federal agency which is the Financial Transactions and Reports Analysis Centre of Canada, or in short it's typically referred to as FINTRAC. We found Sask Gaming did not have sufficient controls to ensure it complied with the Act.

For example, its staff training program was not sufficient in that it did not clearly set out rules and responsibilities of staff to identify and report customers who conducted certain transactions. Not complying with the Act can result in financial penalties. In 2010 FINTRAC issued a notice of violation and assessed Sask Gaming penalties of \$148,840. Sask Gaming appealed this decision and the matter is currently before the federal courts.

As reported in chapter 14 of our 2012 report volume 1, in 2011 Sask Gaming implemented this recommendation. That concludes our overview of these chapters.

The Chair: — Thank you. Minister Heppner, do you wish to make any comments?

Hon. Ms. Heppner: — I'll leave it up to questions.

The Chair: — Are there any questions?

Mr. McCall: — Yes, there are.

The Chair: — Mr. McCall.

Mr. McCall: — Thanks a lot, Mr. Chair. I guess this would be as good a point as any to say welcome to — at least as far as the work of this committee is concerned — welcome to new Chief Executive Officer Susan Flett, certainly no stranger to the corporation. I've been served in many ports of call over the years. But congratulations and as well if minister or officials could extend our best wishes to Twyla Meredith as well. She moves on to next chapters, but just wanted to get that on the record as this is the first opportunity we've had to do so as the official opposition.

As regards to the being not in compliance with FINTRAC and how that . . . So this was an incident from 2010. Could the minister or officials or the auditor's office talk a bit more about what that incident of non-compliance consisted of?

Ms. Flett: — Thank you for those comments. Our violations included one instance of failing to assess, document, and mitigate the risk of a money laundering or a terrorist financing offence taking into account products, geographical assessment, delivery channels, and clientele. We had a second violation that had to do with our training and that was to develop and maintain a written, ongoing compliance regime.

And then we had 94 instances which were considered very minor administrative penalties and the majority of these instances were examples such as having a post office recorded as an address rather than a legal land address, or you know, incomplete address information.

We also had filed 24 times, instances to FINTRAC, but we were outside of the 15-day reporting requirement. And then we also had 12 instances of failure to keep a cash disbursement

record.

Mr. McCall: — In, I guess, moving with the relatively minor infractions, so that was from 2010? Is that correct?

Ms. Flett: — That's correct.

Mr. McCall: — Have there been further incidences of non-compliance since on a similar scale, either minor or relatively major, as regards the, I think the first instance the individual had referenced?

Ms. Flett: — Well since the release of the auditor's report we've done a tremendous amount of work in this regard. We have purchased itracks, a large cash transaction reporting FINTRAC software. We've updated all of our policies, as well as our procedures on proceeds of money laundering, and we've updated all of our literature including all of our brochures, Players Club application forms. We've implemented new procedural controls to mitigate any other risks associated with money laundering. We have a very comprehensive online training program that we have available for our staff which includes the rules and responsibilities that staff have to adhere to.

We've actually established a separate corporate risk and compliance department with dedicated staff who ensure that the corporation is recognizing and managing our corporate risks. We have initiated independent outside experts to come and assess our compliance regime on three different occasions: in 2011, 2012, and 2014. There have been some recommendations that had been put forward and those have all been implemented to date.

FINTRAC as well has come back to assess our regime in 2014. And we hadn't been cited but there were two new recommendations that had been made, and these were in the areas of the fact that we need to have an ongoing two-year review of our ongoing compliance regime as well as updating our risk measures. And so those have all been done and we have a very robust compliance regime currently.

Mr. McCall: — In terms of the appeal that was engaged in for FINTRAC, what is the status of that appeal?

Ms. Flett: — I'm going to turn it over to our executive director of risk and compliance who has been active with this file since the beginning.

Mr. McCall: — Sure.

Mr. Arlint: — Hi. Bob Arlint, executive director of risk and compliance for Sask Gaming. To answer your question, sir, the appeal has been before the federal court since 2011 and things are moving slowly. But we partnered originally with British Columbia Lottery Corporation on certain aspects of our appeal and a lot of that had to do with a confidentiality motion surrounding the appeal. As I understand it now, we are ready to proceed and we expect to have a resolution to this matter in possibly by the spring of 2016. We're making progress.

Mr. McCall: — Now in terms of the appeal, is that on the basis of all of the infractions in total or is that . . . How does the

appeal . . . What is the standing of the appeal?

Mr. Arlint: — Yes, the standing of the appeal is that because it's an administrative penalty, the appeal is based on the findings of an independent auditor shortly after FINTRAC levied the sanctions on SaskGaming. And we believe at the time of the finding by FINTRAC that we were in strict adherence to the regulations and that we had a fully functioning anti-money-laundering compliance regime in place. So having said that, with consultation with our legal counsel, we felt that we had very good grounds to appeal the administrative penalty.

Mr. McCall: — Okay. Could you or other officials describe for the committee what was involved in the infraction around money laundering — the main infraction with FINTRAC, not the post office boxes instead of land addresses. What was the . . .

Mr. Arlint: — Yes, the brunt of the appeal itself I think . . . I think the majority of the largest part of the administrative penalty had to do with the compliance regime itself. In other words, what did we have in place for a risk assessment to protect SaskGaming from money laundering. So we didn't at that time, according to FINTRAC, we didn't have everything in place like a robust risk assessment completed to ensure full compliance. Probably the second-largest segment of the appeal itself was the training program. There was a training program in place, but at that time FINTRAC did not consider it to be a robust comprehensive training program for all our employees, especially front-line employees, and it wasn't diverse and segmented by job positions. So there was a lot of attention paid on those two issues.

Mr. McCall: — Okay. Thank you very much for that and good luck with the appeal.

Mr. Arlint: — Thank you very much.

Mr. McCall: — Unless the auditor or the principal on the audit has anything further to add, that's it for that one, Mr. Chair.

The Chair: — Okay. Are there any other questions? There are no recommendations in chapter 10 of the 2009 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2010 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2012 *Report of the Provincial Auditor* volume 1; and chapter 15, "Project Management Processes Follow Up," of the 2012 *Report of the Provincial Auditor* volume 1. What is the committee's wish in regards to these chapters? Mr. Norris.

Mr. Norris: — Thank you, Mr. Chair. Mr. Chair, I'll offer a motion, the spirit of which would be I wish to conclude consideration of the chapter 10 of the 2009 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2010 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2012 *Report of the Provincial Auditor* volume 1; and chapter 15, "Project Management Processes Follow Up," of the 2012 *Report of the Provincial Auditor*, again volume 1.

The Chair: — Mr. Norris has moved to conclude consideration of the chapter 10 of 2009 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2010 *Report of the Provincial Auditor* volume 1; chapter 14 of the 2012 *Report of the*

Provincial Auditor volume 1; and chapter 15, "Project Management Processes Follow Up," of the 2012 *Report of the Provincial Auditor* volume 1. Is the committee agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. What is the committee's wish in regards to the recommendations in chapter 13, Saskatchewan Gaming Corporation, of the 2011 *Report of the Provincial Auditor* volume 1? Mr. Norris.

Mr. Norris: — Mr. Chair, thank you again very much. What we'd like to do is obviously mark, recognize the progress that's being made. Or sorry. I've got that wrong. It's compliance.

The Chair: — Compliance. So you want to concur with the recommendations and note compliance.

Mr. Norris: — Yes.

The Chair: — Okay. Mr. Norris has moved that we concur with the recommendation and note compliance. Is the committee in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. We will now proceed to the consideration of 2012, 2013, 2014 annual reports and financial statements for Saskatchewan Gaming Corporation and related entities. Do you need to change officials, Minister Heppner?

Hon. Ms. Heppner: — No, I do not.

The Chair: — Okay. Any questions or comments? Excuse me. I would like you to make your opening comments in this place.

[16:00]

Hon. Ms. Heppner: — Thank you, Mr. Chair. I appreciate the opportunity to appear before you. I understand it's been a few years since Sask Gaming has appeared before this committee, so I welcome the opportunity. I've already introduced my officials.

As you know, Sask Gaming is the Crown corporation that oversees the management and operations of the casinos Regina and Moose Jaw. The corporation boasts a workforce of just over 800 employees with nearly 40 per cent of those employees Aboriginal, making Sask Gaming our government's most diverse employer.

After almost 20 years in business, first with the opening of Casino Regina and later with Casino Moose Jaw, the corporation has paid over a quarter of a billion dollars in profits to Saskatchewan's General Revenue Fund. This is on top of nearly half a million dollars it directly invests each and every year back into the communities in which it operates through scholarships, programs, events, and organizations that are at the heart of our communities. A quarter of all profits paid by Sask Gaming to the GRF [General Revenue Fund] are equally distributed to the First Nations Trust and the Community Initiatives Fund to support worthwhile causes and help foster growth in our communities.

On that note, I'll quickly touch on the corporation's finances from 2012-14. Revenue growth and prudent expense management continued to be our primary focus at Sask Gaming. While the Canadian gaming market has reached maturity with flattening or declining revenues, this has become status quo for industry. While other jurisdictions started to experience a revenue decline around 2008, Sask Gaming managed to evade it until more recently.

In 2012 the corporation realized \$137 million in gross revenue, a 2 per cent increase over 2011. That dipped in 2013 to 127 million and in 2014 is starting to rebound to 128 million. Fluctuations are not uncommon in the gaming industry, but they also pose some challenges, which led to some restructuring in 2013. It was done in response to, as I mentioned, the mature operating conditions. Sask Gaming centralized management of its two casinos, streamlined its administrative function to help position the corporation for long-term sustainability.

Following the restructuring, Sask Gaming refocused its efforts on what it does best, which is providing outstanding customer service to the more than 3 million guests that we receive at both properties annually. To further address the effects of market maturity, the corporation underwent a number of transformations between 2012 and '14 including a modernization of gaming operations; ongoing anti-money laundering and terrorist financing compliance, which we had just previously talked about; a revamp of the Players Club program and the addition of a VIP [very important person] lounge at Casino Regina; and the launch of a world-class GameSense responsible gambling program.

In November 2013, casinos Regina and Moose Jaw became the first gambling facilities in Saskatchewan to earn a responsible gambling or RG Check accreditation through the Responsible Gambling Council of Canada. This accreditation is a gold standard in the industry and reinforces Sask Gaming's efforts to reduce the risk of problem gambling amongst its guests by offering a tried-and-tested responsible gambling program. This RG Check accreditation is valid for three years, and the corporation plans to go through the process again in 2016. Those are my comments and looking forward to further questions.

The Chair: — Are there any questions? Mr. McCall.

Mr. McCall: — Indeed there are. Thank you very much, Mr. Chair, Madam Minister, officials. As the minister rightly referenced, it's got a fair amount of activity from the corporation here under consideration. Good to see it before the committee and it's . . . Anyway, the work of this committee in terms of providing accountability back to the people of Saskatchewan is part of any proper functioning Crown sector.

So I guess in terms of the annual reports that are under consideration here today, just off the top, early in 2014 in a move that wasn't referenced in any of the reports under consideration here today — and certainly, you know, it would be good to know what the situation is going forward — the Government of Saskatchewan was entertaining an offer to sell Sask Gaming Corp. That ultimately came to not pass. So I guess my question, off the top: is there anything that the minister would like to tell the committee in terms of plans for the future

of casinos Regina and Moose Jaw? And are there any bids or offers to sell the casinos currently being entertained by the minister, the government, or by the corporation itself?

Hon. Ms. Heppner: — Thank you for the question. I guess the short answer is no. As the member had referenced there was some initial discussions about selling Casino Regina and Casino Moose Jaw to SIGA [Saskatchewan Indian Gaming Authority Inc.]. Those discussions ended without the sale. We were looking for full support in the legislature for the sale of those casinos, but with the end of those talks there has been no further discussion on the sale of the casinos nor have there been any bids or offers to purchase, and no plans to.

Mr. McCall: — Thanks for getting that on the record, Madam Minister. In terms of the trend line that we see with the corporation 2012 through 2014, the guest counts would seem to have plateaued around . . . Again 2011 was 3.54 million. In 2014 it's 3.54 million. There was a bit of a spike to 3.6 in 2012, down a little bit 2013. But what has been described as a plateau would seem to have more of a peak to it and then sort of a descent. Does the minister or officials have any sort of comment on causes for that or what sort of concerns that might pose for the corporation?

Ms. Flett: — Certainly in terms of a revenue perspective, we did peak back in 2012 as well as our guest count numbers reached maximum in that year as well. 2013 was a tremendously difficult year for us. Our revenues dipped \$10 million and it was predominantly from slot operations which accounts for 80, 85 per cent of our total revenue. Part of this decline we can attribute to just a handful of top-end guests who unfortunately we lost during the year, but the biggest reason for us has been the impact of the VLT [video lottery terminal] upgrade that SLGA [Saskatchewan Liquor and Gaming Authority] undertook in 2012-2013.

There's only a number of times in our almost 20 years of operating that we've seen a decrease in revenue over the previous year. The first time we experienced this was back in 2003 when SLGA upgraded its VLT network at that time. A second time there was a provincial smoking ban in 2005, so we saw our revenues decrease in that year as well. 2010 we went through a 55-day labour disruption and of course that impacted our revenues. In 2013 SLGA again upgraded 4,000 of its VLT network and that had a very negative impact on our operations.

From a corporation's perspective we weren't very happy about it, but from a provincial point of view our market share typically had been about 18, 19 per cent of the provincial gaming win, with SLGA and their VLT network accounting for about 39, 40 per cent. So during that time our market share decreased one and a half percentage points whereas SLGA increased three, three and a half per cent. So from a provincial standpoint we've I think redistributed the wealth in the province.

Mr. McCall: — In terms of the, I think it was \$10 million that you'd referenced around in terms of the revenue decline, was there a commensurate amount of revenue increase on the part of SLGA at that time?

Ms. Flett: — Yes. I believe 7.1 per cent increase in the SLGA

revenue numbers right after their refresh.

Mr. McCall: — And 7.1 translated into how many dollars?

Mr. Coppola: — I don't have that number. I'm sorry.

Mr. McCall: — Okay. Well the 7.1 was pretty good. But okay. I guess if minister or officials could undertake to provide that back to the committee, what that amount was, it'd be much appreciated.

There are a number of other factors that I'd imagine impact the visits of folks to the casinos. In terms of the guest counts, is there any sort of means by which to record the intensity of the guest counts? Like of those roughly 3.5 million, 3.6 million guest counts for the years under consideration, is that 1 million people going 3.6 times apiece or how does that translate? Or does the corporation have means to get an idea of the intensity of visits?

Ms. Flett: — We track our guests' visitation. That is the number of times a guest visits either our Casino Regina or Casino Moose Jaw property. So you could have visited us 12 times. We will count that 12 times as guest visitation.

Mr. McCall: — But there's no means by which to figure out if it's Warren's going to the casino 50 times in the year? Or do you have the means to separate, by individual, who's going to the casino?

Ms. Flett: — We do have data through our Players Club program that enables us to see, depending on what tier level the guest is at, the average number visitation according to the tier level that you're at. And we have five tier levels in this membership program.

Mr. McCall: — Okay. What would the average number of visits be? Could've been you, could've been me. You have two more wishes, Warren.

Ms. Flett: — I don't have that number, but we could get that and table that for you.

Mr. McCall: — That'd be much appreciated. Thank you for that. I guess just to get on the record, there have been different considerations made of the whole question of online gaming by the province of Saskatchewan in past. What is the Saskatchewan Gaming Corporation's view of the impact of online gaming and what sort of impact do you see that having on the corporation's bottom line?

Ms. Flett: — So far we have not felt the impact of online gaming to our operations. The bigger threat for us has been market maturity. And this is something that is not unique nationally. It's something that every jurisdiction is going through. I think the gaming industry peaked back in 2008, 2009 and in the eastern and central provinces they experienced it several years earlier than we did in the West, but we're certainly feeling the effects of that now.

Market maturity means that we at Regina and Moose Jaw casinos are not able to generate new guest visits and grow at the rate that we are losing customers. So that has been a bigger

threat for us. In terms of online gaming, it's a very different demographic consistently. And annually we track the average age of our guests, and it has remained at 55 and plus, 55 years old and plus in Regina and slightly older at 60 in Moose Jaw. So very little crossover as to who is online, which is typically, you know, under 30 and predominantly male.

Mr. McCall: — Thanks for that clarification. I guess further on the whole question of the demographics of the customer base for SGC [Saskatchewan Gaming Corporation], of the again of the roughly 3.6 million guests, are those . . . Are we talking about the vast majority of them coming from Saskatchewan or how many of those would be out-of-province or out-of-country guests?

Ms. Flett: — We are predominantly locals and in Regina it's approximately 80, 85 per cent, very local in the Regina and sort of 150-kilometre radius market. In Moose Jaw it's slightly lower, at about 60, 65 per cent very localized. We have another 10, probably 12 per cent of visitors that come from within the province, but outside of our core Regina, Moose Jaw markets. And very little, approximately 2, under 2 per cent is from out of province. And predominantly it's been the two neighbouring provinces.

[16:15]

Mr. McCall: — Thanks for that. Shifting to the question of, and again the 65 positions that were laid off or abolished in, it was 2013, I think there was a \$3.1 million severance liability attached to that. Have all the liabilities to those 65 individuals been fully discharged at this time?

Ms. Flett: — I would like to clarify that they were 55 positions, not 65. We had 11 vacancies that were eliminated, but it only impacted 55 out-of-scope positions. It was 3.4 million in severance costs for us in that year and we have one outstanding that has not been settled.

Mr. McCall: — And that's awaiting arbitration, or what is the holdup there?

Ms. Flett: — You are correct.

Mr. McCall: — In terms of again the out of scope to in scope relation or proportion of employees of the corporation, so for the years in question, 2012, '13, '14, how many were in scope, how many were out of scope? And how is that . . . You know, I recall from the reading that there's greater involvement on the part of the out-of-scope team on floor managements, for one example. But I guess what are those proportions, and how has that changed the operations of the organization?

Ms. Flett: — So as of the end of 2014, we had 806 employees over the three years under consideration. That is a decrease of 163 employees over that three-year period. We have 22 per cent of that 806 would be out of scope, or 174 employees, and 78 per cent is in scope, or 632. The previous year it was a 20 per cent out of scope, 80 per cent in scope. And the year previous to that in 2012 was 25 per cent/75 per cent split, so fairly comparable over the years.

Mr. McCall: — Okay. One of the benchmarks that Sask

Gaming Corp sets out for itself is to be a representative employer as concerns Aboriginal people. I guess in the minister's remarks, she had referenced 47 per cent and perhaps I misheard that.

Hon. Ms. Heppner: — 40.

Mr. McCall: — 40 per cent. Okay. That sounds a bit more like what I was reading, so there we go. But generally the goal has been flowing from the gaming framework agreement to have 50 per cent Aboriginal employment component at Sask Gaming Corp. And for the years under question, of course, it's generally hovered around 40 per cent with various goals being set of 42.5 or 42, but generally falling short of that.

In 2013 I believe and, you know, correct me if I am wrong, there was an Aboriginal representative workforce, a task force that was struck to try and take a better run at this. So I guess if you could tell me about the work of that body and any cause for hope that you see from better representation in terms of the workforce.

And then I've got some other questions as regard the, you know, the out-of-scope, what's the representative component there versus in-scope and on. But if you could tell me about the work of the Aboriginal representative workforce group and how you see that impacting the corporation.

Ms. Flett: — Thank you for that. It is still our intent to try and achieve that 50 per cent Aboriginal representation and we've worked very hard annually. The Aboriginal representative workforce team was something that was struck in 2013, as you had stated. And it's a cross-section of not only our employees. There's in-scope, there's out-of-scope, there's management, but it is also comprised of two of our FSIN [Federation of Saskatchewan Indian Nations] board members. And its mandate is to ensure that we're welcoming . . . our properties, Regina and Moose Jaw, are welcoming and supportive to recruitment and retention of Aboriginal people, and it works toward our annual goals for Aboriginal representation.

A number of other things that we do to try and achieve our Aboriginal representation is we include preference hiring in all of our job postings for qualified persons of Aboriginal ancestry. We also target a number of career fairs throughout the year. We have community agency events we attend and support, Aboriginal cultural events as well.

We also monitor the recruitment, selection, and the exit processes so that we're able to sustain a positive net hires of Aboriginal employees. We also have formal relationships that we have developed with community agencies and training centres, post-secondary educations, in order to strengthen our recruitment efforts. And we actually work with our unions as well. We have language in there that says that we can work together with our union partners to achieve our goal.

Some of the challenges that we have faced over the last several years to meet this 50 per cent target is, it is a different marketplace now than it had been, I think, at the time that the gaming framework outlined our 50 per cent representation. We seem to be hiring Aboriginal folks but they seem to be leaving at the same rate, the same as the hiring rate. You've seen that

our employee count has decreased substantially over the three years under consideration and we're certainly hiring a lot less as well.

We also have some challenges that are unique just to our own environment, operating casinos. We have to offer employment over 19, those that are over 19. There's strict requirements and guidelines to be able to obtain a gaming license. We also have internal policies that prevent us from hiring the relatives of employees that may be in certain positions to do with gaming integrity or cash handling. And you know, we're in competition as well with not just the Crown sector, but everybody else, all the other organizations who have discovered the value of Aboriginal employees as well.

Mr. McCall: — Well thank you for that. I guess to get further sort of understanding of the situation, in terms of the roughly 40 per cent, does the corporation track for whether that's of First Nation status or Métis status or even of Indian status? And if so what is the breakdown . . . [inaudible].

Ms. Flett: — We do not separate out the various statuses. We do know that, with our 40 per cent Aboriginal representation, that 269 out of the 617 or approximately 44 per cent are in scope. And we know that 45 out of the 170 out-of-scope employees are of Aboriginal descent or 26 per cent.

Mr. McCall: — That's great. That actually was my next question, so thank you for anticipating that. I guess in terms of the work of the Aboriginal representative workforce team, is there means by which, separate and apart from the annual report process by which they set goals and go about doing their work, is there . . . I guess, how do they do their own internal goal setting, and again trying to impact that progress on the way to 50 per cent?

Ms. Flett: — The committee meets quarterly and their mandate is to look for any and all opportunities to increase our Aboriginal representation. So you know, whatever career fairs, whatever opportunities come up, they are designated as preferential. They also have a terms of reference that says that they will meet the corporate or exceed the corporate goal for the year, which is set at 40 per cent or whatever the annual goal is, and then they also report in to our executive director of human resources. This is also relayed to our board as information on an as-required basis.

Mr. McCall: — Thank you very much for that. In terms of the — and again it's probably a bit peripatetic in terms of the way the questions are coming forward — but one of the things that always strikes me about Saskatchewan Gaming Corporation is that, you know, you're not . . . There's an eye to the social responsibility side of the corporation's activities as well. It's not just, you know, we want to get a lot of customers and then we want to get more and we want to get more revenue and continually increasing. There is always a recognition of the sort of sometimes conflicted mandate of the corporation. So I guess if you could tell me about where things are at with GameSense and different efforts on the part of the corporation to combat problem gaming.

Ms. Flett: — Thank you. We follow best practices in responsible gaming. We have mandatory responsible gaming

training that is required for all employees as well as various levels as the positions become more specific.

We have GameSense information centres at both properties — at each property — with dedicated staff that are available to answer any questions. And we have a team of employees also at both properties who are especially trained to interact with guests on responsible gaming issues, and they also know how to actively monitor for signs of problem gambling. We have a voluntary self-exclusion program for our guests. We have educational awareness materials, including brochures. We have messages on all of the ATMs [automated teller machine] on our properties. We have them on our slot machines. At any time, any member can request his or her activity, player activity statement. We have licence plate recognition technology at our Casino Regina property.

And then the GameSense that you refer to are these kiosks that we have on our gaming floors. And they are interactive for guests to be able to go on and learn about possible signs and how to get help. The minister had talked earlier about the accreditation that we received in 2013, and that was through the Responsible Gaming Council's responsible gaming check.

We also collaborate with a number of organizations whose mandate is to promote responsible gaming, so we partner with the Canadian Partnership for Responsible Gambling. We have an executive member who is on the committee, on the subcommittee for the responsible gambling subcommittee. Their mandate is to sort of standardize national programs, have some common training and measurement criteria. We have staff on site who actually have been invited to participate on, you know, round-panel discussions, and they speak at conferences. They're also travelling to Alberta, at Alberta Gaming's request, to provide some training for their staff as well. So we have a very comprehensive responsible gaming program.

Mr. McCall: — Okay. Thank you for that. In terms of the work with the Canadian partnership for responsible gaming, in terms of partnering in, does Saskatchewan Gaming Corporation provide any resources to that body for the work that it does, for example, for the research component and establishing that sort of interjurisdictional benchmarking as to where problem gambling's at across the country? What does that interaction consist of?

Ms. Flett: — So our participation involves sending a representative to the conference, annual conference. We provide \$10,000 to the Interprovincial Lottery Corporation, and we participate in all of the research and surveys.

[16:30]

Mr. McCall: — I guess this is maybe a bit particular picayune, but it would seem that also over the last 10 years, in terms of the field of gaming, that once was the time when the Canada West Foundation was doing a lot of benchmark studies in terms of the situation with gambling across the country. It would seem that the Partnership for Responsible Gambling was more active. Do we have the information that we need to look at the province and its situation as regards gambling to say, you know, we're in a good place or we're in a place that we should be concerned about and then in terms of how we stack up with

other provinces? Is that information, in the opinion of the minister or officials, is that information available in a way that is helpful?

Ms. Flett: — We do have stakeholder relationships and we collaborate as well with the Mental Health Association, Gamblers Anonymous, and the Saskatchewan Ministry of Health. So there's a lot of information sharing that is going on. Perhaps there was more discussion about it several years ago when less work had been done in this area, but us along with many of the jurisdictions have really focused our efforts on ensuring that there is a robust responsible gaming program in place, that we are offering gaming entertainment in a socially responsible manner. So when the information is requested, I believe it is readily available.

Mr. McCall: — Thank you very much for that. In terms of the years ahead for the corporation and, you know, as regards the maturation of the market or what have you, in terms of employment, in terms of return and dividends to the General Revenue Fund, what does the minister or officials see as the sort of the go-forward trajectory for the corporation? Pretty much a plateau or troubles ahead or what does your crystal ball hold?

Ms. Flett: — Sometimes my crystal ball is wrong, but I am anticipating that over the next three to five years, we expect modest growth at best. We certainly will be very aggressive in changing out our products and being able to maximize revenues with every opportunity that we can. We've recently begun looking at expansion of our electronic table games, which have sort of risen in popularity. Certainly we have been aggressively managing our expenses and that will continue on the next three to five years. We expect to achieve, with those two, with the expense management as well as aggressively looking, seeking out revenue opportunities, to achieve as close to that 50 million net income as possible.

Mr. McCall: — Thanks very much. I guess another question on that in terms of, you know, the corporation as an asset and its value to the people of Saskatchewan, have there been any efforts undertaken in the past recent history as to the value of the asset that is Saskatchewan Gaming Corporation?

Mr. Coppola: — We haven't done an evaluation, but we did some work in this area and talked to some people in this area, and they said that generally six to eight times EBITDA [earnings before interest, taxes, depreciation and amortization] is what these organizations would sell for.

Mr. McCall: — And what for the record would six to eight times EBITDA translate into for Saskatchewan Gaming Corporation?

Mr. Coppola: — Give me one moment. I don't have that number handy at the moment. We'll get that.

Mr. McCall: — Thanks very much. I guess with that, Mr. Chairman, I'm ready to conclude my questioning and would again thank the minister and her officials for their participation in the discussion this afternoon.

The Chair: — Well, thank you. Are there any more questions?

What is the committee's wish in regards to the 2012, 2013 and 2014 annual reports and financial statements for the Saskatchewan Gaming Corporation and related entities? Mr. Norris.

Mr. Norris: — Thank you, Mr. Chair. I'll offer a motion in the spirit of, I wish to conclude consideration of the 2012, 2013, and 2014 annual reports and financial statements for the Saskatchewan Gaming Corporation and related entities.

The Chair: — Mr. Norris has moved to conclude consideration of the 2012, 2013, and 2014 annual reports and financial statements for the Saskatchewan Gaming Corporation and related entities. Is everyone in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. Minister, do you have any closing remarks?

Hon. Ms. Heppner: — Thank you, Mr. Chair. I know that this is the end of a long day for all of the committee members. So thank you for your time and for the questions.

And I want to thank my officials, for I know that they work very hard. We say it's kind of the fun Crown corporation, but there's still a lot of hard work that's done each and every day, and I want to thank them for all that they've done and for their assistance here today.

The Chair: — Well thank you and, as a personal note, thank you very much committee for today and thank you to the minister for, and for everybody, putting up with me for my first time around.

This now concludes our business for the day. I would ask a member to move a motion of adjournment.

Mr. Steinley: — I so move.

The Chair: — Mr. Steinley has moved. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This meeting is adjourned to the call of the Chair.

[The committee adjourned at 16:37.]