



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 12 – December 1, 2016



Legislative Assembly of Saskatchewan

Twenty-Eighth Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Fred Bradshaw
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Mr. Terry Dennis
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Mr. Hugh Nerlien
Kelvington-Wadena

Mr. Kevin Phillips
Melfort

[The committee met at 08:28.]

The Chair: — Good morning, everyone, and welcome to the Crown and Central Agencies Committee meeting. I am Colleen Young and I'll be chairing today's meeting. And other members of the committee that we have with here this morning is Carla Beck, Deputy Chair, as well as other committee members, Terry Dennis, Warren Kaeding, Fred Bradshaw, Kevin Phillips, and Hugh Nerlien. Welcome, Minister Hargrave, and your officials, and Provincial Auditor Judy Ferguson, and your staff as well.

Since this is the first time in the 28th legislature that this committee will be considering Provincial Auditor reports and annual reports, I would like to take a moment to just explain a little bit about what the format's going to look like for today. First I'll begin by recognizing our Provincial Auditor, who will then proceed to introduce her officials and provide a presentation on her chapters. And she has packaged the chapters just for more efficiency and expediency today.

Once she has completed that, I will recognize Minister Hargrave and ask him to introduce his officials and respond to those chapters that are under consideration. After all the auditor's chapters have been reviewed, the auditor will be excused then and we will move on to consideration of the annual reports. So everyone okay with that? Good. Okay. I will begin then by introducing Ms. Ferguson, our Provincial Auditor, and ask her to introduce her officials and begin with her presentation. Thank you.

Crown Investments Corporation of Saskatchewan

Ms. Ferguson: — Thank you very much, Madam Chair, Vice-Chair, committee members, Minister, and officials. Beside me I have Mr. Bruce Willis. Bruce is the partner of KPMG. KPMG is the appointed auditor for CIC [Crown Investments Corporation of Saskatchewan] and CIC Asset Management Inc., which are on the agenda today. Beside him is Ms. Carolyn O'Quinn. Carolyn is the deputy in our office responsible for . . . included in her portfolio is CIC and its various subsidiaries. And behind is Ms. Kim Lowe. Kim is our committee liaison. And beside her is Ms. Charlene Drotar. Charlene's a principal and she works on the CIC portfolio also.

As the Chair indicated, we've got a number of chapters on the agenda this morning. I'm just going to pause and tell you how we're going to break them down. We're going to present them in the order that's listed on the agenda. Part 1 will be the 2013 report volume 2, chapter 29. The second part, we're going to package the next two chapters together as they both relate to the HeadStart program. So it'll be the 2014 report volume 1, chapter 12 and the 2016 report volume 1, chapter 31. That'll be a combined presentation.

The third presentation will deal with the Capital Pension Plan, which is the 2016 report volume 1, chapter 1. The fourth one will deal with Gradworks intern development program, which is the 2016 report volume 1, chapter 9. So what we'll do is we'll pause after each presentation and allow for the committee's deliberations on those chapter or chapters. Okay? So without further ado I'm going to turn it over to Ms. O'Quinn to do the

first part.

Ms. O'Quinn: — Good morning. As Judy mentioned, I'm going to be covering chapter 39 of our 2013 report volume 2, which starts on page 295. This chapter reports our follow-up of two recommendations regarding CIC's processes for reliable balanced scorecard information about its internal operations. At July 31st, 2013, we note that CIC had implemented both of the outstanding recommendations. So this concludes our overview on that particular chapter.

The Chair: — Thank you. Minister Hargrave, if you want to respond to that, introduce your officials and then have any response to those recommendations that were completed.

Hon. Mr. Hargrave: — You want the whole opening remarks, or not?

The Chair: — You can begin however you'd like, with your opening remarks, introduce your officials and then provide a response on those recommendations that were completed.

Hon. Mr. Hargrave: — Okay, I will. Good morning, Madam Chair, and members of the committee. I'm pleased to be here this morning to speak to numerous publications and statements from the Crown sector. Appearing here with me this morning to assist in answering your questions are senior officials from CIC: Blair Swystun, who's president and CEO [chief executive officer] of CIC; Cindy Ogilvie, vice-president and chief financial officer; Doug Kosloski, who's the senior vice-president and general counsel; Travis Massier behind me, corporate controller; and Ladette Fuchs, communications officer.

So we are pleased to present a number of annual reports, financial statements, payee disclosure reports for your examination. These documents include: the Provincial Auditor's report, 2013 through 2015-16; the Crown Investments Corporation of Saskatchewan annual reports, 2008 through 2015-16; the CIC Asset Management financial statements, 2011 through 2015-16; First Nations and Métis Fund financial statements, 2012 through 2015 and '16; Gradworks financial statements, 2012 to 2015-16; the Saskatchewan Immigrant Investor Fund financial statements, 2012 through 2015 and '16; the Capital Pension Plan financial statements, 2012 through 2015 and '16; the Saskatchewan Development Fund Corporation annual reports, 2012 and 2013; the 2013 Saskatchewan Government Growth Fund financial statements; and Crown Investments Corporation and subsidiary Crown payee disclosure reports, 2008 through 2014. As the time periods and reports are varied, I'll keep my remarks fairly high level and relevant to our current environment.

On November 22nd, the Hon. Kevin Doherty, Minister of Finance, released the 2016-17 mid-year report for the province. You will have heard in the mid-year report that CIC and its subsidiary Crown corporations will contribute \$50 million in approved earnings to the province's bottom line on March 31, 2017. I mention this to emphasize the commitment that the Crown sector has to the province. I'd also like to note the impact it has not just in dollars but also in jobs for Saskatchewan people, in service to customers and taxpayers,

and in solutions for our collective efforts.

Saskatchewan has a very diversified economy, but even with that, we can't ignore the impact the world commodity prices have had on the provincial budget. CIC provides strong leadership to ensure Saskatchewan's Crown corporations remain competitive and help build and maintain a strong Saskatchewan.

Our Crown corporations invested \$1.8 billion in capital spending in 2015 and '16. A further 1.8 billion in capital spending is forecast for 2016 and '17 to meet the demands of Saskatchewan's economy through increased profits and subsequent dividends. In order to keep this spending sustainable, Crown corporations are tasked with ensuring a reasonable level of profit that is reinvested back into the business and, as I've noted, in turn, reinvestment back into Saskatchewan.

Looking ahead, despite the current state of the provincial economy, we anticipate continued growth in the Crown customer base as the province's population continues to grow. We also anticipate the need to update utility infrastructure facilities throughout. Throughout, our utilities are aging and for the service and safety of our customers and ratepayers, they must be maintained and in some cases replaced. Our government is committed to responsible growth which means borrowing on a prudent basis but not borrowing beyond our means. Debt and dividend levels are managed within a framework that benchmarks against industry practices and considers reinvestment needs. We will continue to ensure our Crowns are capable of providing continued quality service at a reasonable cost.

CIC's role as the financial self-sufficient holding company for Saskatchewan's eight commercial Crown corporations is to develop broad policy control, provide strategic direction, direct investments, and route dividends into the provincial government's consolidated fund. CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations, as well as operating as a Crown corporation itself.

CIC also assists Crown boards in discharging their responsibility of overseeing and direction of the management of the Crown corporations. It also oversees and manages a comprehensive framework designed to strengthen governance, performance management, and accountability of subsidiary Crown corporations. Performance management includes quarterly financials and performance reporting to the CIC board of directors.

Our appearance here this morning will facilitate examination of the funds managed by, operating by CIC. These funds also form part of CIC's mandate to responsible investment, manage and oversee operations that benefit diverse parts of our province — special interest groups, asset investments, building the workforce in Saskatchewan, providing investments often in a difficult market, and many, many more. With that I'll conclude my remarks, and my officials and I would be pleased to answer any questions that the committee members may have.

The Chair: — Thank you, Minister. In regards to the 2013 report volume 2, chapter 39, there were no new

recommendations. So first can I ask, though, if there are any questions with regards to that chapter? Ms. Beck.

Ms. Beck: — Thank you. And I also want to echo the minister's and Colleen's remarks in thanking everyone for their time this morning. I know we have a lot of work to do as the work of this committee. It's important that we provide this level of oversight and accountability for the people of Saskatchewan. So I do appreciate everyone's time here this morning, and again I know that we have a lot of work to get through.

With regard to chapter 39 specifically, my question . . . So there were two recommendations that were made at that point around processes and documentation and the calculation and ensuring appropriate methods were in place. Those scorecards that were implemented subsequent to these recommendations, are those still rolling out in reasonable ways? And are we measuring anything new in the interim period?

Ms. Ogilvie: — These are CIC's scorecard?

Ms. Beck: — Yes.

Ms. Ogilvie: — And yes, we've been using that consistently year over year, and the recommendations made by the Provincial Auditor were just to help improve the documentation and consistency of the processes that we're using. So we're still using that balanced scorecard approach.

Ms. Beck: — Okay. And has anything been added to that scorecard?

Ms. Ogilvie: — Well the scorecard, it may change year over year depending on what the priorities of government are. CIC's itself has been fairly consistent year over year. I would have to look and see if we've had any specific changes since, I think, this year, but I think it's been fairly consistent for the last number of years.

Ms. Beck: — Okay.

The Chair: — Are there any further questions? Seeing none, I will ask that the 2013 report volume 2, chapter 39 has no new recommendations for the committee to consider, so I'll ask a member to move that we conclude consideration of this chapter.

The Chair: — Mr. Bradshaw.

Mr. Bradshaw: — Madam Chair, I move that we concur with the recommendation and note compliance.

The Chair: — That we conclude consideration?

Mr. Bradshaw: — And conclude consideration.

The Chair: — Of the 2013 report volume 2, chapter 39. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to the 2014 report volume 1, chapter 12, and 2016 report volume 1, chapter 31, I will ask Ms. Ferguson now to make her presentation on those chapters.

Ms. Ferguson: — Okay. I'll refer that to Ms. O'Quinn here please.

Ms. O'Quinn: — Thank you. Chapter 12 of our 2014 report volume 1, which starts on page 95, reports the results of our audit on the effectiveness of the Saskatchewan Immigrant Investor Fund Inc.'s processes to operate the HeadStart on a Home program to meet program objectives for the year ended December 31st, 2013.

The HeadStart program provides loans to homebuilders and developers to construct entry-level housing in Saskatchewan. We concluded that the fund had effective processes to operate the HeadStart on a Home program to meet the program objectives, except for the area reflected in our one new recommendation. On page 104, we recommended that the Saskatchewan Immigrant Investor Fund clearly define its performance measures and document its methods of calculating these measures.

The fund, similar to CIC, uses a balanced scorecard framework as a key tool to periodically evaluate the program. Management did provide a monthly balanced scorecard report to its board that reported actual results, as compared to planned, using established performance measures. However the fund had not clearly defined some of its key performance measures, set out which specific data it should collect, or how to use that data. Without clear definitions and calculation methods, management may evaluate the program's performance inconsistently.

Chapter 31 of our 2016 report volume 1 reported the results of our follow-up on this recommendation. We noted that by December 31st, 2015 the recommendation was fully implemented. This concludes our overview of these two chapters.

The Chair: — Thank you. Minister Hargrave or your officials, do you have any comments in regards to the auditor's report on these two chapters?

Hon. Mr. Hargrave: — No, just thank you for your comments. We'll answer whatever questions there are.

The Chair: — Okay. Any members have any questions? Ms. Beck.

Ms. Beck: — Thank you. Currently, and I'm looking now specifically at page 96 of chapter 12, what are the repayments to IIP [immigrant investor program]? Are they still the same as noted in figure 2?

Hon. Mr. Hargrave: — I'll get Doug Kosloski to answer that.

Ms. Beck: — Okay.

[08:45]

Mr. Kosloski: — Sorry, which chart?

Ms. Beck: — Page 96, chapter 12.

Mr. Kosloski: — I have to get my glasses here, sorry. That's figure 2?

Ms. Beck: — Yes.

Mr. Kosloski: — And the figure there is 176.5 million. Is that the one you're referring to?

Ms. Beck: — Yes, that is. Yes.

Mr. Kosloski: — Okay. So that's the anticipated repayments and that's still the projected amounts. I have it here. So in the 2016 financial statements, we have a planned . . . In note 7, it sets out for the next five fiscal years, 2017 to 2021, so with a total amount of \$189 million.

So the way this program works, the provincial government receives funds from the federal immigrant investor program and they are repaid five years from the date that they are received. So it's a rolling five years. So if they were received in December of 2011, they would be repayable in December of 2016. And those amounts on a monthly basis fluctuate depending on the level of intake from the federal government. So depending on the interest of immigrant investors, those amounts that are allocated to the provinces will fluctuate. So the amounts payable will fluctuate month to month, and so the annual amounts will vary as well, just given the 12-month total.

Ms. Beck: — Okay. And I do thank you for the explanation. Just so I have this straight, SIAP operates the HeadStart program and in turn is administered by Westcap and the funds are allocated from that federal program, the immigrant investment program. And then the mandate is to provide entry-level housing, and I think the term affordable has also been used. How is that defined, affordable or entry-level housing?

Mr. Kosloski: — So the program defines entry-level housing as the average MLS [multiple listing service] listing price for the municipality or community that the program will be building into. So the entry level is at or below that MLS average.

Ms. Beck: — So how would that be adjusted then if there were significant changes to that average price? For example, of course we've seen growth, increases to that price over a number of years, and now we have the situation where we have a lower vacancy rate, in some communities a significantly lower vacancy rate, and potentially lower housing prices. How does that impact this fund?

Mr. Kosloski: — So maybe I should go back and . . . the process in which people or businesses access this. So the SIIF [Saskatchewan Immigrant Investor Fund Inc.] program or the HeadStart program is a loan program, so loans are made to developers.

The process starts where a municipality determines a need and they make application to the HeadStart program. They have to do it in partnership with a developer, and so the application is made. They are vetted for credit worthiness, the builders are, and the ability to build. If they are, I guess, successful in their application . . . Municipalities also, I must add, also must come to the table with some program of their own. And these are programs that deal with a particular housing need in a municipality. So if they see a shortage in homes in their communities, they will come with tax abatements or some

incentive for builders to build these homes, these entry-level homes.

So once that application process is completed, then money is lent to the developers to build homes. The developers are businesses, and they would not enter into these without making some sort of profit. So they're going to price these things at a point where they think they could sell them. Oftentimes it's below the MLS average, and it's at a point where they can sell to their target market.

As the MLS average adjusts . . . These programs, these buildings are also long-term buildings. Multi-family buildings take three to five to seven years to build, especially if they're done in phases. So you know, prices will adjust accordingly. So as the MLS average adjusts, the builders will adjust their business plans accordingly if they're doing it in phases. If they're coming in with an eight-unit complex, they will price those at the outset and those prices will be set for that complex, for example. Does that answer your question?

Ms. Beck: — In part it does. I think my question was more around if there are significant changes to that housing market, and certainly we can name a number of communities in the province that have seen significant changes to their both vacancy . . . Well largely vacancy rate, but also potentially price points. How does that impact the developers' business models, and then in turn, what are the implications for this plan?

Mr. Kosloski: — The first part of your question is probably more appropriate for developers to answer. That's really up to them, whether they build or not. How it affects SIIF, SIIF is in a wind-down mode now, so we've gone through the first five years of building out. Now we're starting to repay the funds back to the federal government, so the amount of building that's occurring is decreasing. So the amount of money that we're lending out to developers is beginning to decrease.

Ms. Beck: — Okay. And I believe in 2014 it was announced that the Government of Canada would no longer be taking funds into the IIP [immigrant investor program]. So that's why you note that it's in a wind-down phase?

Mr. Kosloski: — It was initially identified, in 2011 it was identified as a five-year program. The fact that the federal government stopped, ceased taking immigrant investor money in 2014 did not lessen the amount of money coming in. There was a backlog of immigrant investors in the system, so money still kept coming into the Immigrant Investor Fund as that backlog was, I guess, gotten through the federal side of things. We are no longer receiving any further money from the federal program. So the dollars coming in have ceased from the federal program, and I forget which particular month that had happened, or year, but the backlog has been reduced to zero now.

Ms. Beck: — So in 2013 there's a note here that the auditor, the office found that there were effective processes in place to operate HeadStart on a Home program to meet the objectives except needing to clearly define its performance measures and document its method for calculating those measures. So your office found that subsequent to that, that those recommendations were fully, fully implemented?

Ms. Ferguson: — Yes, that is correct.

Ms. Beck: — I think I will wait for the next chapter.

The Chair: — Thank you. Seeing no further questions, the 2014 report volume 1, chapter 12 has one recommendation for the committee to consider. What is the wish of the committee?

Mr. Bradshaw: — To concur with the recommendation and note progress.

The Chair: — And note compliance?

Mr. Bradshaw: — Note compliance, I should say.

The Chair: — Thank you. I recognize Mr. Bradshaw for concurring with the recommendation and noting compliance of that chapter. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. The 2016 report volume 1, chapter 31 has no new recommendations for the committee to consider, and I will ask a member to move that we conclude consideration of this chapter.

Mr. Bradshaw: — I will so move.

The Chair: — Mr. Bradshaw has moved that we conclude consideration of the 2016 report volume 1, chapter 31. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to 2016 report volume 1, chapter 1. I will now turn it over to Ms. Ferguson to make her presentation on that chapter.

Ms. Ferguson: — And I'm going to turn it over to Ms. O'Quinn.

Ms. O'Quinn: — Thank you. Chapter 1 of our 2016 report volume 1, which starts on page 15, reports the results of the annual integrated audit of the Capital Pension Plan for the year ended December 31st, 2015.

Our office worked with Deloitte, who is the appointed auditor of the plan, to carry out this audit. We concluded that the plan had reliable financial statements, it complied with authorities, and that it had effective rules and procedures to safeguard the plan's resources, except for the following matter.

Effective June 25th, 2015, the defined contribution fund component of the plan with account balances of about \$1.3 billion was transferred to the public employees pension plan, also known as PEPP. However CIC did not reconcile the records of the plan's investment custodian to the investment amounts recorded in the plan's financial records after the transfer to confirm that all of the investments were transferred to PEPP and that the plan's financial records were correct.

At December 31st, 2015, 528,000 of defined contribution fund investments were not transferred to PEPP, nor were they

included in the draft financial statements presented for audit. CIC did correct the financial statements prior to their finalization and approval. Subsequent to year-end, these investments were transferred to PEPP.

This concludes our overview of this chapter.

The Chair: — Thank you. Minister Hargrave, comments?

Hon. Mr. Hargrave: — I'll refer those comments to Ms. Ogilvie, please.

Ms. Ogilvie: — Sure. It's just explaining the transaction that happened here. CIC had transferred over its pension plan to the public employees pension plan in June, and it was more of, I guess, an administrative exercise. We had asked PEBA [Public Employees Benefits Agency] to take those funds in because they were now theirs. They thought we were still managing those funds, so it was just, you know, two people not communicating properly. It was an immaterial amount. At the end of the day, we included it in our financial statements and the funds then transferred over appropriately into PEBA following that, so it was cleared up. It was a one-time event. And the amalgamation is complete and was done well according to the Provincial Auditor, so everything was resolved in the end.

The Chair: — Questions by any members? Ms. Beck.

Ms. Beck: — And I'm afraid this may be the case a few times today. But just for my own understanding and certainly those, perhaps committee members and those who may be following along, so this chapter specifically looks at that transfer, as you've just noted. So the capital pension board, the Capital Pension Plan prior to June 2015 had two funds: the defined contribution fund, which was subsequently transferred to the public employee pension plan, and then the retirement annuity fund, the RAF. So if you could just walk me through again perhaps the reasons that that transfer was made, what precipitated that decision.

Ms. Ogilvie: — Sure. CIC sponsored a pension plan, the Capital Pension Plan, and it had a board that managed that. And the board, over the last number of years, was wanting to allow for more investment choice for investors so that they could direct their funds where they would like them invested. That's an involved and lengthy process to put in place and could be fairly costly to expand the number of investment choices that the members could have.

[09:00]

The public employees pension plan had already gone down that route a number of years ago and had a well-defined system in place. So we did the . . . the pension board did an analysis and determined that the most cost-effective method would be to amalgamate with the plan that already has that in place. As well, that would provide some administrative efficiencies. You would not have two separate pension plans doing the same work, so it also combined and allowed for some efficiencies for government.

Ms. Beck: — So on the 25th of June, 2015 about 1.3 billion

was transferred over to PEPP, and then the concerns noted by the auditor were some funds that were retained or unaccounted for? Is that correct?

Ms. Ogilvie: — Correct. On the transfer date in June, in order to do the transfer, the investment managers had to actually move all the members out of some of their investments and put them in the investments that the other pension fund had. So at that date, there were some investments that weren't quite finalized with the transition, so I think to the tune of 500,000 of the 1.3 billion, just that the transactions hadn't finished yet.

And given that we were winding up the defined contribution fund at that date, we had provided some direction to PEBA, that manages PEPP, to watch for those funds and transfer them into their funds at the appropriate date, which didn't happen. So they were still officially part of the Capital Pension Plan, which at December 31st did its final financial statement. So we had to account for them in there. We had assumed they had been transferred over, but given that everything had wound up, there hadn't been a check done to make sure that those last few funds had transferred over, assuming that the other entity was taking those on, that PEBA was taking them. So it was just a miscommunication, and in the end we corrected our financials to make sure they were appropriately accounted for.

Ms. Beck: — So this was uncovered during the course of your oversight of your office?

Ms. Ferguson: — It came to light in the course of the audit work that was done for the financial statement audit, is really where it came to light in that, you know, there was the \$528,000 that was unaccounted for. Our office didn't make a recommendation on this because, you know, at the end of the day, the fund's been transferred, right?

The reason that we brought it to the attention of the Assembly is that any time where there's . . . where you're moving stuff around, changing responsibilities for programming, it's really pivotal that, you know, that there's a clear communication as to who's doing what, to wrap the details up, you know. And for us, that's really what this is an example of and which is, I think, what management is expressing here, is that the communication wasn't clear enough. You know, one party thought they were doing it while frankly the other party thought the other party was doing it, you know. And at the end of the day, it didn't get done. Luckily, it was only \$528,000.

But the point is is that when you're doing these changes in programming, to make sure that there is a clear understanding who's doing what when, you know, et cetera. So at this point, you know, that's why our office is raising it, because we recognize programming changes occur on a regular basis. It's just, you know, make sure you're tying up the details, that there's clear communication on responsibilities. So it got there at the end of the day but a little bit later than things would have hoped.

Ms. Beck: — Okay. And certainly we can all imagine that those people whose pension funds are in those funds would appreciate that level of oversight. So at the end of the day then, your office had confidence that that had been fixed and, in the future, that that would not be an issue?

Ms. Ferguson: — I think as management expressed it, it's sort of a one-off situation for this particular pension plan. We did ensure that the monies did get transferred from Capital Pension Plan into PEPP appropriately at the end of the day.

Ms. Beck: — I guess I'm thinking of processes where there may be a transfer from one fund to another in the future, that those processes have been sufficiently flagged and that there would be processes in place for communication. As you noted, it was about the communication breakdown process, right?

Ms. Ferguson: — Yes. I think in essence that's why we were raising this, is just to provide that reminder that, let's make sure this happens, right. You know, so I think we're confident that CIC has heard the message in that regard.

Ms. Beck: — Thank you.

Ms. Ogilvie: — Just for additional commentary, CIC worked with our appointed auditor on the pension plan, Deloitte, and the provincial audit's office on the transition plan. So there was a sufficient amount of oversight on the transition plan itself and did provide documentation to PEBA that those funds would be there available for them. So there was a fairly well-defined process in place, yes.

Ms. Beck: — Right. I appreciate that. Thank you.

The Chair: — Further questions, Ms. Beck?

Ms. Beck: — No.

The Chair: — Thank you. The 2016 report volume 1, chapter 1 has no new recommendations for the committee to consider. So I'll ask a member to move that we conclude consideration of this chapter. Mr. Bradshaw.

Mr. Bradshaw: — I note that we conclude consideration of this chapter and note compliance.

The Chair: — Thank you. Mr. Bradshaw has moved that we conclude consideration of the 2016 report volume 1, chapter 1. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to 2016 report volume 1, chapter 9. Ms. Ferguson, would you like to present on this?

Ms. Ferguson: — Carolyn.

Ms. O'Quinn: — Chapter 9 of our 2016 report volume 1, which starts on page 85, reports the results of our audit of Gradworks processes for the year ended December 31st, 2015 to achieve the Gradworks intern development program goals. We concluded that Gradworks had effective processes except for the areas reflected in four new recommendations we make in this chapter. I'll highlight each recommendation and the reasons for it.

On page 90 we recommend that Gradworks communicate in writing to partner employers its expectations related to the achievement of diversity targets for the Gradworks intern

development program. We found that Gradworks' agreements with its partner employers, for example SaskPower, did not include specific requirements for those partner employers to align their hiring practices with the intern program goals. While we found that the partner employers' practices generally aligned with those goals, we noted that partner employers were not fully aware of and did not consider Gradworks' diversity targets when making their hiring decisions. Without clear communication of expectations to the partner employers, the partner employers' practices may be inconsistent with the intern program goals and impair Gradworks' ability to achieve those goals.

On page 94 we recommend Gradworks verify the educational eligibility criteria of applicants for the Gradworks intern development program prior to the internship's start date. We found that Gradworks did not verify that applicants possessed the intern program's education eligibility requirements, for example by requesting and reviewing post-secondary transcripts or a copy of a diploma. For internships that we examined, two partner employers did receive evidence of required educational credentials, while two partner employers indicated that they relied on Gradworks' procedures to verify those educational requirements. Without sufficient verification of the intern program educational eligibility requirements, Gradworks and partner employers are at risk of filling internships with ineligible interns or wasting time evaluating ineligible candidates.

On page 97 we recommend that Gradworks, at least annually, publish information on key actual results compared to planned, i.e. targets, for the Gradworks intern development program. We found, although Gradworks did publish the goals of the program on its website, it did not communicate publicly about actual program results compared to plans. Providing information on program achievements facilitates public scrutiny of government programs and enhances government accountability for program results.

Also on page 97 we recommend that Gradworks at least annually provide partner employers with information on key performance measures, targets, and actual results for the Gradworks intern development program. We found that Gradworks did not provide detailed information about the intern program's performance to all of its partner employers. Without periodic communication of this information to all of the partner employers, those employers may not be aware of areas that they may need to take action on to contribute to the achievement of the intern program's goals. This concludes our overview of this chapter.

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

Hon. Mr. Hargrave: — No comments.

The Chair: — Thank you. Questions from committee members? Ms. Beck.

Ms. Beck: — Thank you, Ms. Chair. So there were a number, four recommendations that were made with regard to the Gradworks program. Of course we are in the situation now where there has been notification that this program specifically, Gradworks, will be discontinued or suspended. And I guess my

question is, are there any anticipated programs within each of the Crowns, for example, for any type of internship programs? Perhaps not specifically Gradworks, but internship within any of the Crowns.

Hon. Mr. Hargrave: — Gradworks program is being phased out here. None of the current interns will lose their positions. They'll finish out their terms. But there is, not at this time, there is nothing in the works to replace that at any of the Crowns.

Ms. Beck: — Okay, just so I'm clear, then there would be no internships, no hiring summer students or anything along those lines within the Crowns.

Hon. Mr. Hargrave: — There's other programs that will be unaffected. Summer student program won't be affected by this. That will continue on. There's a co-op program that won't be affected by this. That will continue on at this time. And there's the Inroads program, summer program which is specifically targeted towards First Nations and Aboriginal, and that will also continue. So those will stay.

Ms. Beck: — So just if I might explain the reason for my question. These targets that the auditor has outlined with regard to communication of, really, those diversity targets and verification of qualifications, etc., I can see that they would have implications for those programs as well. Potentially that practice might be reasonable, and I don't know the degree to which those programs would meet these suggestions. So that was the reason.

Hon. Mr. Hargrave: — On diversification, or . . .

Ms. Beck: — Well the communicating, like communicating the diversity targets . . .

Hon. Mr. Hargrave: — Yes.

Ms. Beck: — Having that understanding, ensuring that the diversity targets are taken into account when drawing interns in from those programs: verification of credentials, for example; I suppose, less so, providing partner employers with information on performance measures. But I just wanted to flag that perhaps that might be something for consideration, that these would apply potentially to those other interns through other programs as well, those working within the Crown, Crown sector.

[09:15]

Hon. Mr. Hargrave: — Each of the Crowns has diversity targets set for when they're hiring for these programs that I mentioned before, for the summer programs, for the co-op programs. And of course the Inroads program is specifically designed for Aboriginal.

So each Crown does have diversity of targets established so that when they hire summer students, summer interns for both the co-op program and the regular summer student program, that they will have diversity of targets that they have to achieve.

Ms. Beck: — Thank you.

The Chair: — Any other questions? Mr. Phillips.

Mr. Phillips: — Through to the auditor, Madam Chairman, can you tell us what progress has been made on this?

Ms. Ferguson: — If I could just maybe perhaps direct the question to management, I think they're probably in a better position to respond to that, given that we haven't carried out a follow-up of the recommendations.

Mr. Kosloski: — So my understanding is that progress was being made on the first two and work was being done on the last two recommendations.

Mr. Phillips: — Thank you.

The Chair: — Any further questions? No questions, no further questions on this one. So the 2016 report volume 1, chapter 9 has four new recommendations for the committee to consider. So what is the wish of the committee? Mr. Bradshaw.

Mr. Bradshaw: — Madam Chair, I concur with the recommendations and note progress towards compliance.

The Chair: — Thank you. Mr. Bradshaw has moved that the committee concur with the recommendations and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes consideration of the Provincial Auditor's chapters for CIC. And I want to thank the auditor and her staff for her time this morning, and I know that she'll be back this afternoon to visit us.

So we'll have a brief recess right now and excuse them, and then we'll carry on after that. So thank you. We'll take about a 10-minute break.

[The committee recessed for a period of time.]

[09:30]

The Chair: — So for the remainder of this morning we will be considering the annual reports and financial statements of Crown Investments Corporations and its subsidiaries, and this includes the Crown Investments Corporation of Saskatchewan annual reports from 2018 to 2015-16; the CIC Asset Management Inc. financial statements 2011 to 2015-16; the First Nations and Métis Fund Inc. financial statements 2012 to 2015-16; the Gradworks Inc. financial statements 2012 to 2015-16; Saskatchewan Immigrant Investor Fund Inc. financial statements 2012 to 2015-16; the Capital Pension Plan financial statements 2012 to 2015-16; the Saskatchewan Development Fund Corporation annual reports, 2012 to 2013; Saskatchewan Government Growth Fund III Ltd. financial statements, 2013; and the Crown Investments Corporation subsidiary Crown payee disclosure reports from 2008 to 2014. In that Minister Hargrave had made comments on all of these reports this morning, unless he has something further to add to this at this point in time.

Hon. Mr. Hargrave: — No, I have nothing further to add at this time.

The Chair: — Thank you. Are there any questions from any members on any of these? I recognize Ms. Beck.

Ms. Beck: — Thank you, Ms. Chair. And if I may have a bit of a preface to my comments, again just wanting to reiterate my thanks for the opportunity to have officials with us today and the minister with us today to take on some of the work of addressing the very large number of reports that we have before us today. Of course, ours is an oversight committee, and our ability to provide that level of oversight I think will be greatly improved as we move through these documents.

And I want to thank both the Chair and Stacey for their work in bringing us all here today and bringing these documents before us. Of course, we have a bit of a long day ahead of us, but I do think that we will be well served to go through these documents today and provide that oversight, and then also improve our ability to pay attention to documents on a current basis. So I again thank everyone for setting aside this time late in the session to go over these documents.

By way of organization, I'm just going to start going through the report in front of me right now, the most recent, the Crown Investments Corporation 2015 and '16 annual report, but of course we have consideration going back to 2008. I think I will focus most of my comments on the current document that there may be implications and some questions for those reports, again going back to 2008. Just going through, in the opening comments here, the CEO who is with us today noted that our Crown corporations have met their mandate, which in part includes providing in a safe and reliable manner while supporting the Saskatchewan plan for growth and the Crown sector priorities.

One of the things that's noted in this report looks at executive compensation and notes that executive compensation is linked to the achievement of balanced scorecard targets. And those are outlined in the report, those targets. This includes evaluating executives on their effectiveness in implementing corporate efficiency programs to manage costs.

So my first question is this. In the last few years, how often have executives received that compensation and what does that compensation entail? I guess I'll start there.

Hon. Mr. Hargrave: — I'll refer that to Mr. Swystun.

Mr. Swystun: — Thank you, and good morning. So the performance pay that the question relates to, I would say, is paid out the majority of the time. It's paid at levels however that reflect the level of performance. So where corporate objectives . . . Each year there is a target level of performance pay that is set, and there would be quite a number of performance indicators and measures that would be used to gauge performance in all aspects of operations that either directly or indirectly relate to the achievement of balanced scorecard targets.

And the balanced scorecard targets in some cases are either achieved or not achieved, but in most cases they would be achieved at varying levels. So it might be somewhat below the target, at target, somewhat above, or perhaps significantly above or below. So the level of payout is very directly linked to

the achievement of balanced scorecard targets and the extent to which those scorecard targets are achieved. And the purpose behind that is to link executive pay to performance, so executives are paid if results are achieved. And if results are not achieved, then the executives experience a consequence, as a result of that, by way of reduced performance pay.

Ms. Beck: — Is there an amount attached to that performance pay? Is that reported out? How much would be paid with regard to those incentives?

Mr. Swystun: — So the amount of performance pay would vary by Crown corporation and by level of executive. So in general the larger, more complex corporations that have larger mandates, if you like — so for example SaskPower, as the largest corporation, or SaskTel — there would be higher levels of payout for the CEOs than for, say, a smaller corporation like STC [Saskatchewan Transportation Company], the bus company.

The amounts of the payouts would also differ. Because the CEO has ultimate accountability for the operations, the performance pay element is largest at that level. And then in most corporations there would be one or perhaps two levels of executives, because not all executives would necessarily have equal levels of responsibility. And the amount of or the percentage of pay that's linked to performance would scale up or down depending on whether the level of responsibility is higher or perhaps somewhat lesser.

Ms. Beck: — My understanding is that there's similar efficiency top-ups used in health regions, for example. And in that case they provide publicly reports on both the measurements and then the evaluations and then also the payments. I'm just wondering, is there a similar report out on those payments?

Mr. Swystun: — The disclosure that we have in the CIC annual report, I would note on pages 40 and 41 in the 2015-16 annual report there is a description of the base salary ranges, a description of how the short-term incentive payments, which is the pay-for-performance that I described, is determined in terms of achievement of corporate and individual objectives. There's also a description of the weightings of each. So it provides an overview of how the compensation is arrived at. And we don't have . . . I'm not familiar with the specifics of the report that the member's referring to. It sounds like it's something that's perhaps somewhat more detailed than what we might have in the Crown corporations however.

Ms. Beck: — I'm sorry, you made reference to a section within the annual report that . . .

Mr. Swystun: — Yes. In the 2015-16 CIC report, pages 40 and 41 have a discussion of how executive compensation is structured. The other accountability document I would refer to in terms of accountability for compensation is a detailed listing of the amount of payment to each executive, each year, in the pay disclosure reports, which are also on the committee's agenda for possible discussion later this morning.

Ms. Beck: — So within each of the Crowns, as a sum, how many positions would be subject to that type of incentive

compensation?

Mr. Swystun: — The individuals eligible would be the CEO and vice-presidents. The number in each Crown corporation would vary depending on the size. At CIC, for example, three individuals; at SaskPower, I think it's probably as many as about a dozen.

Ms. Beck: — But just the CEO and the VPs [vice-president] would be eligible or subject to those performance measures and compensation?

Mr. Swystun: — That's correct.

Ms. Beck: — Okay. Thank you. Again making the parallel to the health region CEOs, due to fiscal constraints, I guess, last year and with a hiring freeze in place, they stopped issuing those top-ups within the health regions. Is there a similar plan or discussion around implementing those measures within CIC or the Crowns?

Mr. Swystun: — That would obviously be up to the CIC board of directors and the provincial cabinet. So there's nothing that I'm aware of at this point in time.

[09:45]

Hon. Mr. Hargrave: — At this time, there's no plan of that, at this time.

Ms. Beck: — It's noted in the annual report:

To ensure strong governance and public accountability are maintained, we periodically engage the Conference Board of Canada to compare our practices in these areas to similar corporations in the private sector. The Crowns consistently score well in both areas.

When was the last time that the Conference Board of Canada did such comparisons?

Mr. Swystun: — There's two areas where Crown corporations are benchmarked using the Conference Board of Canada. One is on reporting and disclosure practices. The last work done by the Conference Board in that area was during the 2015-16 reporting or fiscal year. The second area is with respect to board governance practices in subsidiary Crown corporations, and the last period that that work was done was 2014.

Ms. Beck: — Thank you. So in those reviews, did that encompass all of the Crowns or did it look at specific Crown corporations?

Mr. Swystun: — Each Crown corporation is evaluated in each of these types of reviews.

Ms. Beck: — I'm looking at page 14, and it was noted that the review resulted in the Crown sector receiving an A-minus, which was above the target of B-plus, but there were some areas for improvement. And I just wonder, perhaps I could go through them, or we could deal with them as a group: "inclusion of additional information on past year and multi-year performance; increased [level of] engagement on the question

of environmental sustainability; additional performance targets related to human resources."

So those were areas that were identified as, for further improvement. Has there been any progress or plans made towards implementing procedures that would address those areas of improvement?

Mr. Swystun: — Well I would point out the points you identify are reflected in the most recent annual report, so this is the most recent review that's been done. And so at this point in time I wouldn't be able to report any specific progress, but I can tell you . . . First of all, what I can tell you is, overall we think an A-minus is pretty good.

And there's always a challenge in terms of improving disclosure practices. There has to be an assessment made of what we believe the benefits of doing so would be versus the cost, and we're certainly mindful of that. What I would say as a sort of a general response is that we always strive to undertake a process of continuous improvement, and we would absolutely be working in the annual reports, the current year and future years, to make progress in as many of these areas as possible.

Ms. Beck: — I'm just going to move on to page 15, the operating context, and look specifically . . . It notes that CIC is the plan sponsor for the Capital Pension Plan, and of course we spoke earlier with the auditor briefly about that plan and the transfer. We know generally that pension plans have been an area of concern around unfunded liabilities and defined contribution, defined benefit plans. Can you just speak briefly to the pension plan, and if there are other concerns going forward with regard to unfunded liabilities or the number of people moving into that plan, as opposed to the number of people anticipated to be drawing from that plan?

Mr. Swystun: — Certainly. All current employees, for really quite a number of years now, are enrolled in defined contribution plans. The changes from defined benefit to defined contribution plans in government and in Crown corporations generally took place about 1978, 1979. So any employees coming into employment since those dates would be enrolled in the new plan, and existing employees would have been given a choice to remain in the old defined benefit plans or to move into the defined contribution plans.

Some employees would have elected to remain in a defined benefit plan and could have carried out a career for a number of years or perhaps even decades and would continue to be members of that plan. And then they would eventually move into retirement and their pension would be determined by a formula where it would be a defined benefit. And that's where the risk of the unfunded liability arises. Those plans were all closed off in 1978 or '79 and, as a result, the exposure to those kinds of unfunded liabilities has been steadily declining over the years as the number of employees remaining in those plans has reduced over time.

With defined contribution plans, there really isn't any risk of an unfunded liability. The way the plan works is there is a deduction from the employee's salary of perhaps five or five and a half per cent, and the exact percentage may vary from one employer to another. It's typically matched by the employer at

an equal or a similar amount, and those monies are then invested in a diversified portfolio of investments, earn a return. And at the conclusion of the employee's career, the employee would have an option to purchase an annuity from the pension plan itself or alternatively to look into some other forms of retirement income vehicles, whether through the employer or through other financial institutions.

So the issue of unfunded liability does continue today, but it's really largely the result or the legacy, I guess, of these defined benefit pension plans which do continue to exist but they're now getting to be quite small, and the number of employees remaining is really quite small. I would go so far as to say . . . I don't have numbers in front of me, but certainly not very many employees would be continuing to work today that would have started employment prior to 1978. There would be a few.

And then the liability would continue while those employees carry on through their retirement years, what could be quite a number of years as well. So that issue will continue to exist for, you know, for quite a number of years going forward, but it's one that is diminishing in significance. And certainly Saskatchewan doesn't have nearly the . . . or the Saskatchewan public sector doesn't have nearly the exposure as many other employers might have because the move to defined contribution plans was made very, very early in Saskatchewan.

Ms. Beck: — So you noted that there's a diminishing risk. Is it a diminishing dollar amount or a diminishing risk in terms of its proportion overall to the overall plan?

Mr. Swystun: — It would be both. Because there's fewer members, the magnitude of the potential dollar risk is certainly diminishing over time as well.

Ms. Beck: — I think you noted that you didn't have them in front of you, but is there a dollar amount that can be attributed to be placed on that unfunded liability?

Mr. Swystun: — I would just clarify that my comments relate to defined benefit pension plans in general. And there are plans of that nature at . . . closed plans of that nature at SaskTel, SGI [Saskatchewan Government Insurance], and I believe at SaskPower. I don't think we would actually have that information with us today necessarily, but we could certainly provide it to the committee if that was the committee's wish.

Ms. Beck: — All right. Because we have a number of documents in front of us, I think I'm just going to continue and go through in order. And the next item that comes up on page 16 of the annual report is a bit of a spotlight on the Gradworks program. Certainly at the time that this report would have been written, the decision hadn't been made to discontinue Gradworks. But I did want to just highlight some of the things that are noted here.

"Gradworks provides career-development workshops to interns, as well as partnering them with a coach within the Crown corporation to provide feedback, guidance, and . . . [support]." The young woman who's highlighted here noted that the program brought together education, passion for communications, and desire to work and to contribute to the home province.

Certainly this is a program that goes back, I believe it's 2005, in the province, and was implemented to achieve a number of goals. One of them was retaining young people in the province. Another was to fill . . . There were some concerns about movement of baby boomers through the workforce and some concern about the ability to bring in new, skilled people to those positions. One of the highlights also elsewhere in the report notes a skilled labour shortage and a need to build an effective, reflective workforce.

I believe that the number of grads through the Gradworks program has been, and you can correct me if I'm wrong here, in last year was 63. The year previous was 80. What the impact might be on some of those goals, stated goals, to provide recent graduates with career opportunities; increase retention of young people in Saskatchewan; developing future employees for the Crown sector; current employees through their participation as coaches and mentors to interns, so not only benefit to the grads but benefit to those who are serving as mentors; support the Crown corporations as employers of choice; and of course supporting the values of workplace diversity and employment equity.

Now that the decision has been made to discontinue the Gradworks program, I'm just wondering what the anticipated impact might be on some of those stated goals of the program.

[10:00]

Hon. Mr. Hargrave: — The Gradworks program was a great program initiated in 2005 that was a valuable program at the time, as you mentioned, for retaining young people who at the time were leaving the province to seek employment, especially in Alberta and other provinces. It also was at a time when the baby boomers were going through retirement and we were having a little bit of a drain on that. And so it was created . . . I think the target number was about 75 per year to be mentored in the Crowns and to provide future employment in the Crowns for some of them, not all of them. A large per cent of them were employed by the Crowns, but it sort of give us a year to see if they were the suitable candidate for a position within the Crowns.

But that program having . . . the decision having been made to phase that out will still leave the Crowns in a decent situation because some of these baby boomers have already passed through the system. The urgency to . . . the need for that is not as great as it was in 2005 by any means. The economic climate in Saskatchewan has improved and the economic climate in Alberta, for example, has declined and, one, there's not as many positions there. We have more employment opportunity even though it is tough times in Saskatchewan, tough economic times. We still have more opportunity, both in the public and private sector, of opportunities to hire these individuals once they graduate from university.

So with phasing out the program there won't be any further targets with that. As I mentioned earlier, we will be continuing with the summer programs, of the Inroads program which is focused on Aboriginal, and the summer student program and the co-op program which are throughout the Crowns. And we'll still be continuing those at this time.

Ms. Beck: — Thank you, Minister, for your comments. I will make note . . . You noted that there would still be opportunities for hiring within. But I believe there is a hiring freeze on right now, and certainly unemployment for young people in the province is disproportionately high.

I guess, given the hiring freeze and given that where these young people who previously, you know, with the target of 75, might have found employment in the Crown corporations through the Gradworks program, if you don't anticipate that they might have some increased difficulty finding employment given the hiring freeze.

Hon. Mr. Hargrave: — They may have a little bit more difficulty. I mean, the number of 75 was of a number of applicants for the positions. But as I mentioned, the private sector is still hiring. You know, there may be certain industries that are not hiring as buoyant as they once did, but, you know, there's still a number of opportunities for them.

And the hiring freeze is there currently, but there still will be the summer student program and that sort of thing. Critical positions when it comes to customer service and/or safety will still have to be filled even though there is a hiring freeze. We cannot let any safety matters just fall by the wayside because of the hiring freeze. We still have to evaluate the absolute need and balance it off with safety and customer service. So that'll continue to be looked at even throughout the hiring freeze.

Ms. Beck: — You made reference to the trend with regard to the baby boom bulge and retirements. So what is that trend? Are we looking at a decrease trend with regard to numbers of people within the Crowns reaching retirement?

Hon. Mr. Hargrave: — Well we're well down the road to the baby boom situation coming to a conclusion. And now with the mandatory retirement having gone, some of those baby boomers are choosing to work well past that age of 65 — I plan on it, for example — and a number of these baby boomers do plan on staying. So the need for a lot of this, because of the mandatory retirement, was crucial that we hire these, but now there are a number of these baby boomers that are hitting 65, 66 that are choosing to remain employed with the Crowns and maintain that level of experience that is valuable in the Crowns. So we've found that the need for the program has lessened in the last few years. Even though there's lots of applicants for it, the need for the program has actually lessened.

Ms. Beck: — And I certainly can appreciate your comments with regard to not having the mandatory age of retirement, which I can understand this was a big need, in one way that that . . . It doesn't necessarily see the same number of people who are retiring.

It doesn't, however, necessarily address the need for young people to find employment. And certainly when we speak with students, you know, we hear difficulties, you know, as was with everyone else, but cost of living; increased debt loads for students; ability to secure employment, full-time employment or employment, period, within their skill set. So I would leave that, I suppose, by way of comment, just that while I understand what you're saying about mandatory retirement, it doesn't take away the need on the other side to develop those skills for

young people and find employment within the Crowns.

With regard to representative workforce targets, which was one of the goals that sought to be addressed with the Gradworks program, I'm just wondering overall about progress within the Crowns with regard to the, first of all, the defined representation targets within the Crowns, and then progress generally or specifically by Crown with regard to those targets.

Hon. Mr. Hargrave: — I'll have Mr. Kosloski answer that question.

Mr. Kosloski: — So each of the Crowns follow the human rights targets when it relates to diversity categories, so for Aboriginal, visible minority, people with disabilities. So those targets are the base targets that they try to achieve, and some Crowns have set higher targets to try and achieve even more than those minimum standards.

Ms. Beck: — And I guess I'm asking about progress towards achieving or surpassing those targets. Do you have reports on those targets?

Mr. Kosloski: — We don't. We ask that the Crowns, by law, that each of the Crown corporations have to report to the Human Rights Commission as to how they're achieving that. So they do have those reports. I don't have them here in front of us, so I don't have them available.

Ms. Beck: — So one of the other targets or one of the other problems that sought to be addressed through Gradworks was that skilled labour shortage that was noted. I'm just wondering if there are continuing areas of skilled labour that are experiencing shortage within the Crowns?

Mr. Swystun: — I would say in general the skilled labour shortages that were most critical would've been in some of the trades, as well as certain professions like engineering and financial professionals, information technology professionals, particularly when we were probably at the kind of the peak of economic activity when the price of oil was very strong and the oil patch was very active in Saskatchewan, along with a lot of strength in other resource areas like potash. And there was quite a number of mine expansions and new developments as well. That has certainly eased somewhat with somewhat relative softness in some of those areas.

So the pool of skilled labour, the Crowns would compete in the marketplace for those kinds of skilled trades as well as skilled professionals. And in general, the Crowns had to compete. And so the competition in that area has eased somewhat, and so the shortages in the Crowns in general has eased. There do continue to be some areas where there are, there continues to be, you know . . . the bus drivers at STC, the bus company, as an example; heavy-equipment mechanics would have the same kinds of skills to repair buses. So those would be, I suppose a couple of examples of areas where there's still some pockets of work where the Crowns are experiencing some challenges.

Ms. Beck: — So I guess my question then would be plans to or progress towards meeting some of those labour shortages or those skilled labour challenges.

Mr. Swystun: — In terms of broad programming, I wouldn't say there's anything specific. Each of the Crown corporations is responsible for the recruitment and retention practices, and so each one would have programs in place to deal with recruitment challenges and then retention. So it's obviously a combination of having competitive compensation and then creating the kind of work environment that causes people to want to stay with the organization once they are employed there. It's probably best to refer to individual Crown corporations ... refer those questions to individual Crown corporations.

[10:15]

Ms. Beck: — I'm going to move briefly now on to page 17, which outlines the operating context with regard to CIC, and notes there one of the balancing acts is ensuring that CIC has sufficient capital available to maintain and expand infrastructure, and refers to forecasting available cash flows over the planning horizon and advise on future dividend payments to the GRF [General Revenue Fund].

There are a number of graphs that are noted here, and the first one gives a bit of a context going back to 2011 with regard to the consolidated debt ratio dividends to the GRF and capital expenditures. The bottom two graphs do pull out ... Of course the larger context with regard to this annual report was the change in the year-end to align year-ends, which necessitated a 15-month reporting period here. So I appreciate that it's been broken out to the 12 months and then the 15 months.

I just note the first graph, and perhaps it's just me, but it's easy to see on the other graphs where the 12-month ended and the additional three months were added on this. The first graph though notes that that is the total for the 15-month to bring us to that debt ratio. Is there a reason for that or that's just ...

Mr. Swystun: — So I think the explanation is probably pretty straightforward. The first graph measures debt as of a specific date or at a point in time, whereas the second and third graphs are measuring metrics over a 12-month period or a 15-month period. So that's why the second and third graphs would differentiate between a 12- versus a 15-month reporting period.

The first graph, because it would be as of the end of the fiscal year, it would be December 31st up until this last reporting period where it shifted to March 31st. So it's as of a particular date whereas the other ones, it's been differentiated so you can see how the dividends and the capital spending would be, in 2015-16 would compare to the previous figures, which were all for 12-month reporting periods. So it's a bit of an apples and oranges comparison. So we tried to just illustrate the effect of that additional three months in those two graphs.

Maybe one other point I will make. It's been pointed out to me, that if you're interested in further detail, page 46 of the annual report actually provides additional detail of this nature. It shows both the 12-month as well as the 15-month information for a variety of metrics. Just further detail related to these three summary graphs that you referred to.

Ms. Beck: — Thank you for that, and certainly that makes sense. Just noting then, the overall trend has been an increase of that debt ratio, and there's further context again later on. But

again, on page no. 19 in the annual report, that breaks down the capital structure within the Crowns and the debt ratio targets. And of course the overall trend has been to increase. And we certainly just saw a significant increase to the borrowing with regard to SaskPower, and we do see some increases here.

I guess what I'm wondering is maybe a little bit of explanation about why we've seen that ratio increase, and if there are concerns about that increased debt ratio within the Crown sector?

Mr. Swystun: — Certainly. The Crown corporations operate on, in most cases, with a mandate to cover their costs and then, in most cases, to earn a reasonable rate of return or a profit over and above those costs. And that's predicated on the notion that they're both providing a service to the public, whether it's electricity, natural gas, telecommunication services. But the public also has a very significant investment in the Crown corporations and it's important too, as investors, that the public is receiving a reasonable return. The challenge is always to not only ensure that the infrastructure in the Crown corporations is maintained, but also to provide a return back to the shareholder, that being ultimately the public as represented through the government. And so really there's a bit of a balancing act that's required there, to be sure.

Over the last number of years, if you look at the capital spending graph at the bottom of that page, you can see it's also trended upward. And in fact if we showed you kind of the five years of history previous to that, there was a period where the overall level of aggregate capital spending in the Crown corporations was in the neighbourhood of about \$500 million per year. You can see on this graph that it's averaged well over a billion and a half. The minister indicated in his opening remarks 1.8 billion last year. We expect another 1.8 billion in the current year of capital spending. So there's been a much increased level of capital spending in the Crown corporations. That's funded partly by reinvestment of those profits back into the Crown corporations but also supplemented with borrowing.

The level of capital spending has increased over the last number of years really for a couple of reasons. There's been a need for heavy capital spending in the case of the utilities, so primarily SaskPower and SaskEnergy. They're very capital intensive, so there's a lot of investments required in power plants, in power transmission lines, local distribution systems, and similar assets at SaskEnergy. And a lot of those assets are actually getting to the point where they're nearing the end of their economic life. So power plants, a coal-fired power plant might be built to last for 40 or 50 years; a natural gas power generation plant might be expected to last for 25 years then require some major refurbishment, and so on and so forth.

So we've got a lot of infrastructure that's old and now needs to be replaced. It was infrastructure that was built maybe in kind of 1960s dollars, and we're in the 21st century. And everything in those businesses, like the rest of the world, costs a whole lot more to rebuild and replace in today's dollars. That means that a lot of money is being invested in that infrastructure. And that really in short is the explanation as to why capital spending is going up in those companies.

In a company like SaskTel, it's a similar trajectory but for

somewhat different reasons. SaskTel operates as an information, communications, and technology company. They have to keep pace with technological change, so there's always, you know, customer demands for more capacity to have data going into your homes. So that means that SaskTel is expanding its fibre optics network so that we can get higher, quicker download speeds on the Internet or high-definition television in our homes and so on and so forth. It means that they have to keep pace with technological changes in cellphone technology. So we had something called analog telephone, and then it was digital, then it was 3G [third generation] and then it was 4G [fourth generation]. Now it's LTE [long-term evolution] and then there's going to . . . There's always new technology that's coming, and there's a constant stream of reinvestment that's required to keep up with that.

The Crowns have actually done a pretty good job of doing that. But there is a balance that has to be struck, and the government as a shareholder has looked to the Crown corporations to pay dividends back. So that's why we've got those three graphs. It's a bit of a balance between investing money back into the operation of the Crown corporations, ensuring that there's a return back to the government — and those dividends support important social policy spending like education, health care, social services, highways, and so on. And then the other element is to make sure that the Crown corporations remain healthy, and that's why we monitor the debt ratio in the Crowns individually and then we roll it up into this aggregate chart.

It's very apparent that that debt ratio has been climbing up. Does it cause us concern? It certainly causes me concern. We monitor it very carefully and we spend a lot of effort on trying to ensure that there is a good balance between ensuring that the Crowns have sufficient capital reinvested into the businesses to maintain service reliability and safety while at the same time providing dividends while at the same time ensuring the debt doesn't get too high.

So the debt has been trending upward. We monitor that very carefully. On the following page, the member pointed out the debt ratios as they relate to each of the Crown corporations and what the target capital structure is. Those target capital structures are developed by comparing each of the Crown corporations to like companies in their own industries. So SaskPower would be compared to other integrated power generation and transmission companies, and SaskTel to other telecommunications companies like Bell, Telus, Rogers, and so on.

So you can see by inspection of that table on page 19 that in general the Crowns have levels of debt that are within industry norms, and we take some comfort in that. In some cases they're getting to their limit. SaskPower would absolutely be in that situation. And so that gets monitored very, very carefully. But there is certainly a plan to ensure that the level of debt at SaskPower is maintained within a range that is believed to be prudent.

One of the things the government has elected to do to assist in that area is to . . . The CIC board of directors has chosen not to take any dividends out of SaskPower for the last number of years. And that obviously allows more capital to be reinvested back into the company so that that level of capital spending can

be maintained while avoiding having a run-up in the debt to a level that's not prudent.

Ms. Beck: — Thank you for that explanation and that context. And certainly I think we can all appreciate that there's a very delicate balancing act with dual and triple mandates in some ways for our Crown corporations to not only provide the service and run the business side, but also the dividends back to the GRF.

And then also I think of SaskPower specifically, and we were just speaking to that bill in the Assembly, where we have one of the largest transmission grids in the country with one of the smallest population bases. So not only is it, you know, there's the business model; there's also a need, a stated need within the Crowns to provide some level of comparable service across very vast and, in some places, remote areas and often with small populations.

[10:30]

So I guess . . . This wasn't the question I was going to ask, but when you were talking and you were noting how these capital targets are arrived at, when you look at a company like SaskTel for example, and the comparators are companies that don't necessarily have the need to . . . I suppose they pay dividends but to shareholders, not to pay out a quarter of, you know, or a third of their profits to GRF. Are there any difficulties with those comparisons with regard to debt ratios for say a company like SaskTel with a company like Bell, for example? Is that an apples-to-apples comparison with regard to debt ratio?

Mr. Swystun: — We certainly believe the use of those kinds of benchmarks is valid. It certainly is also necessary to account for differences in mandates. So in a province like Saskatchewan with the service territory that SaskTel has, there absolutely could be expected to be differences. And I guess what I would think of in particular is that similar to the member's comments about a large transmission system at SaskPower, we have actually the most extensive rural wireless coverage of any jurisdiction in Canada in Saskatchewan. And that's a direct result of SaskTel making investment in, you know, a much broader network of cell towers to provide that service than you would typically see.

So that has certainly required SaskTel to make additional capital investments in those cell towers to provide that service because that's what the government has mandated SaskTel to do. And that means that SaskTel has invested more heavily than a company like a Bell or a Telus might do because they're . . . As investor-owned companies, they're really mandated just simply to earn a profit. And in addition to that, they would also be operating in jurisdictions where the kind of customer density would be a lot higher. It's very different operating in a large city like a Toronto, for example, versus Saskatchewan with, you know, 1.1 or 1.2 million people spread over a very large area. So I mean it's certainly a valid comment. I suppose the conclusion I might draw from it is that SaskTel is doing real well to keep the debt at a healthy level in view of the fact that it's probably tougher to keep it there given SaskTel's mandate and service territory.

Ms. Beck: — And I certainly want to recognize and commend

that, you know, given the context that you just described, the effectiveness that the Crowns have had in terms of providing those services, again not only to those concentrated areas of the province but ensuring that there is a level of service that can be enjoyed by all people in Saskatchewan. So I guess I add that as a comment.

This is rather dense in things that I want to ask, but one of the things that is noted on page 19, CIC and its subsidiary Crowns borrow from the GRF, which in turn borrows from capital markets. With strong credit ratings as we do enjoy, the GRF has ample access to capital for anticipated borrowing requirements.

Certainly, as has been noted — and it's not a secret that we are experiencing some difficult times within the province — so far those credit ratings are stable. But what would be the impact on these debt ratios, on the ability that this model is set up on if we did experience a downgrade in any of those credit ratings?

Mr. Swystun: — I'll try to give a high-level answer. The real experts in that area would be the Ministry of Finance. I did work there for a number of years prior to going to CIC, so I do have some personal experience in this area. In general, you know, the province continues to enjoy very high credit ratings compared to other provinces in Canada. It also enjoys a very low cost of borrowing, and when Standard & Poor's, as we footnoted in the report here, downgraded the province from AAA to a AA category in June of this year, the effect on the province's cost of borrowing, I'm told, was really quite minimal. It was a few basis points or a few one-hundredths of 1 per cent. And so while that is certainly never desirable and does increase costs, I would not really view it as increasing costs in any kind of a significant way.

Ms. Beck: — One of the other things that you noted in your comments was part of the mandate of the Crowns and one of the operating contexts are the dividends that are paid back to the GRF. And I wanted some clarification on a comment that I believe that Minister Hargrave made in your opening remarks. So as I'm going through, I note that the profit within the Crown sector as reported in this report was 342 million with 297 million dividend back to the GRF. And I believe in your opening comments, Minister Hargrave, did you note that there would be an additional dividend paid? Or just for clarification on that.

Hon. Mr. Hargrave: — No, I don't believe so.

Ms. Beck: — Okay. So clarify, there wouldn't be additional dividends?

Mr. Swystun: — Perhaps I can hop in just to clarify. CIC receives dividends from subsidiary Crowns and then routes them through to the General Revenue Fund every year, as the minister indicated in his opening remarks. There would've been a dividend paid for the 2015-16 year, which is the year under review, of course. And I think the comment may have been with respect to the upcoming dividend with respect to the current 2016-17 fiscal year.

Ms. Beck: — I'm going to check my sticky notes here. I'm going to move into the consolidated financial statements. The first page I'm going to look at is page 2. And towards the

bottom it notes the net earnings attributable to Crown Investments Corporation, CIC, significant decrease from the 12 months to December 31st, 2014 and then the 15 months to March 2016. I'm just wondering if you might be able to comment on that.

Hon. Mr. Hargrave: — What page was that?

Ms. Beck: — Page no. 2 of CIC consolidated financial statements to March 31st, 2016.

Mr. Kosloski: — That's the income statement? That will be on page 2. If you look on page 2 of your sheet, at the top there'll be a title, the consolidated statement of comprehensive income. Is that what you're looking at?

Ms. Beck: — Yes. That is what I'm looking at.

Ms. Ogilvie: — I'm sorry. Could you just repeat the question?

Ms. Beck: — Certainly. I'm just noting just as . . . The amount attributable, net earnings attributable to Crown Investments Corporation, to CIC, just noting a significant decrease from 2014 to the current statements. I'm just wondering what the reason for that was.

Ms. Ogilvie: — Just to clarify the numbers that you're looking at, for 2014 we reported 162 million in earnings and for 2015-16, 341 million. So it was a substantial increase.

Ms. Beck: — I have different numbers on this one. I have a 12 million . . .

Ms. Ogilvie: — What's the name on the front of the . . .

Ms. Beck: — CIC Asset Management.

Ms. Ogilvie: — Oh, Asset Management. That's a subsidiary corporation.

Ms. Beck: — Yes.

Ms. Ogilvie: — That's not CIC consolidated . . . Okay.

Ms. Beck: — Oh I'm sorry, I thought I clarified that.

Ms. Ogilvie: — So sorry. We have the correct information in front of us now. For the 2014 year for CIC AMI [Crown Investments of Saskatchewan Asset Management Inc.], we had a recovery that was reported in that year, 13.9 million, you'll see on page 2 of the financials there. That's related to some environmental liabilities that remain in that company, and they're environmental liabilities that are from very old assets that the government used to own a number of years ago.

So we've been following those, and we did some remediation work on one of the sites. And given that the remediation was done, it reduced the amount of ongoing liability, and we were able to take in a recovery of an amount we'd previously recorded for that.

Ms. Beck: — Thank you. Moving on to page no. 4 under operating activities, I'm just going to note places where there

was substantial changes year over year, from reporting year to reporting year, just by way of oversight I guess.

And looking at the net change in non-cash working capital balances related to operations, again we see there a significant difference. And I note that there is a note 14. Would you be able to speak to that?

Ms. Ogilvie: — The item related to note 14 or note 13?

Ms. Beck: — Note 13 actually, recovery of environmental remediation. Might you just speak to that a little bit, what was involved with the recovery of the environmental remediation liabilities?

[10:45]

Ms. Ogilvie: — This is related to a site in Saskatoon; it's currently owned by ERCO Chemicals. And CIC had previously, or the government had previously owned a plant that was there. And the environmental liabilities that are related to it are . . . There's some mercury on the site, and some calcium hypochlorite as well. And we did some work to clean up the one site; the calcium site has been fully cleaned up. We have actually got a report that we'll be sending in to the Ministry of Environment to confirm that. And then we have remaining a mercury sludge pit that's been remediated. It's been capped and it will be monitored on an ongoing basis.

So related to those, we were able to reduce the ongoing liability, and that's what that recovery is.

Ms. Beck: — Because that remediation had been completed?

Ms. Ogilvie: — Correct.

Ms. Beck: — The initial?

Ms. Ogilvie: — Yes.

Ms. Beck: — Okay, thank you. So then now moving on to note 14, noting the change in non-cash working capital balances related to operations. There's, I guess, not a huge change there, but a significant change there. Can you speak to that?

Ms. Ogilvie: — That change is primarily related to the interest component. We, in the prior year, would have paid out some dividends to CIC through AMI [Asset Management Inc.], and it just means we have less cash to invest, so we're earning less on our dividends. So this reflects a change in those amounts.

Ms. Beck: — Thank you. I'm going to move to page no. 6, and this provides a list of wholly owned subsidiaries domiciled in Canada, so a listing of those subsidiaries. And it notes . . . and being new to the committee, it does note a number of those subsidiaries as being inactive. What is meant by that? First of all the listing, and then why . . . well two are noted as being investment-holding corporation as their principal activity, and then a number that are inactive. Do you want to just explain that to me?

Ms. Ogilvie: — CIC AMI is in a wind-down phase. It had previously been an investment company that actively invested

in economic investments in the province. And for a number of years we've been winding it down and divesting ourself of the investments.

So most of the large investments are gone, and what we have left are very small investments that are inactive simply because they're not liquid. We can't trade them. We can't easily I guess get rid of them, so we're holding on to them. They might be very small operations that are still continuing on, but we don't have any I guess ability to divest of them at this point, and we'll just wait until an opportunity comes along. So we're just holding them until that happens.

Ms. Beck: — Thank you for that explanation. There's a note on page 11 with regard to the Meadow Lake Pulp Limited Partnership. And it's listed as a restricted cash and equivalents. Can you provide an update on that restricted cash equivalent with regard to the Meadow Lake Pulp Ltd.?

Ms. Ogilvie: — That's another site that we have an environmental responsibility for, and the Ministry of Environment requested that we put some cash away to pay for any future remediation. And so that has just been set aside in the event that some remediation needs to happen in the future. It's currently been addressed, and we're monitoring the site, and we provide ongoing reporting to the ministry as well. So at some point if there's more work that needs to be done, then there's cash there available to have that happen.

Ms. Beck: — What was the nature of the remediation at that site?

Ms. Ogilvie: — That site has a number of leftover ash pits. And I can't remember what the other chemical is that's there, but they've been . . . There's a number of sort of landfill sites that are there. And they have been capped as well with a permanent membrane to ensure that they stay stable over time. And we monitor those over time. So in the event that something needs to happen, if the contaminant that's there begins to move, then there's some cash set aside to manage that.

Ms. Beck: — Thank you. I just wanted to ask about a note. Under item 8 on page 12, there's a note about a numbered company from Ontario that went into bankruptcy and there was a bit of a writedown there. Can you just walk me through that.

Hon. Mr. Hargrave: — Mr. Swystun will answer that question.

Mr. Swystun: — So just so I'm clear, the member's question related to the writedown related to that investment?

Ms. Beck: — That's right.

Mr. Swystun: — The company, it was a company by the name of Clothing for Modern Times, which started out as a clothing manufacturer that had some operations in Saskatchewan and then also branched out into some, actually some retail clothing marketing. The company went into receivership, and so the investment in this particular company was required to be written down.

Ms. Beck: — And then there's a note under item 9 on page 13

with regard to a company called Foragen. And it was a joint venture, it's noted. There were some losses there. It's not a large dollar amount, but can you speak to that as well?

Ms. Ogilvie: — Foragen partnership was dissolved. It ended up its operations and, as a result of that, it had some investments within it that it distributed to the owners. And as a result of its dissolution, there were some losses as well that were recognized. So a distribution of the investments that they had, CIC AMI holds now some of those investments directly rather than through the partnership because the partnership itself dissolved.

Ms. Beck: — And what were the reasons that the partnership dissolved?

Mr. Swystun: — The partnership was in effect a mini venture capital fund related to the start-up technology companies, and there was a number of investors: some venture capital funds; CIC Asset Management. I believe the Royal Bank venture capital arm was involved as well. A number of investments were undertaken. Some were successful and, as is typical in that business, quite often a significant number of those companies ultimately are not successful.

Once the investors concluded that the investing phase was completed, there was a need to basically wind up the partnership. So that would've been done by the partners in consultation, and investments that could've been liquidated were. Other investments where it was simply not possible to liquidate were . . . The partners reached an agreement where the distribution of assets would be done by way of actually distributing shares in the investee companies back to individual partners. Then it became the responsibility of the individual investor companies, which would include CIC Asset Management, to dispose of those shares if and when they could.

Ms. Beck: — Thank you. A couple of my questions already have touched on environmental remediation, and there are some additional liabilities with regard to environmental remediation listed under item 10 on page 14. There are three listed here. Just wondering, are there any other outstanding or anticipated projects that are going to require environmental remediation?

Ms. Ogilvie: — The only one that is not listed in that grouping is an investment known as Big Sky, but at this point in time it's been assessed and there's no known liabilities there. We do continue to watch it in case anything arises in the future, but there's nothing known at this point. So it's not listed simply because of that.

Ms. Beck: — That's the only thing that's on the horizon?

Ms. Ogilvie: — Yes.

Ms. Beck: — Thank you. I think you've answered my question there. Okay. With that I'm going to conclude. And sorry I didn't clarify that better at the start, my questions around CIC Asset Management Inc. And I am going to request a quick recess if that would be okay.

The Chair: — I will note that Ms. Beck has requested a brief recess. So we'll take five or six minutes here for a brief recess

and then resume.

[The committee recessed for a period of time.]

The Chair: — All right, and we will resume our questions. Ms. Beck.

Ms. Beck: — Thank you, and I want to apologize. I realize I sort of skipped a . . .

Hon. Mr. Hargrave: — Madam Chair?

The Chair: — Yes, absolutely. Sorry.

Ms. Ogilvie: — Sorry, I just wanted to make a correction to my final comment to Ms. Beck's question about any other outstanding environmental liabilities. I had indicated Big Sky; it's actually Big River saw mill. So just to correct that in the minutes.

The Chair: — Thank you.

Ms. Beck: — Thank you. And thank you for your continued patience as we move through these reports.

Just looking back to the previous minister's comments to the preface to this report, and I think going back to Mr. Swystun's comments with regard to infrastructure and the need to invest in infrastructure to, on one side, deal with aging infrastructure, which is significant, and then also dealing with the expansion of infrastructure with regard to the changing technology and increased demand on that side, I guess what I'm wondering is the . . . I'll start with this question: one of the things that's noted in the preamble is one of the goals or the accomplishments within CIC is providing the people of Saskatchewan with one of the lowest cost utility bundles in the country, and I'm just wondering, when that was calculated, how that was calculated and what was included in that bundle.

Hon. Mr. Hargrave: — Mr. Swystun will answer.

Mr. Swystun: — Thank you. The calculation methodology looks at a bundle of, at typical residential consumption levels, the cost of electricity, basic telecommunications, natural gas, and basic auto insurance, and it looks at it in three areas: an urban community in Saskatchewan, a residential community in Saskatchewan, or rural . . . excuse me, a rural community in Saskatchewan, as well as a northern community. So it would look at a variety of different types of customers and then that in turn is compared to the cost of the same bundle of services at the same consumption levels in other jurisdictions in Canada, other provinces in Canada.

Ms. Beck: — Again, looking in the letter accompanying this report that was issued by the previous minister, and I believe that you touched on this previously, but just in terms of some of the goals for infrastructure, specifically looking at SaskTel, there's a goal for having 100 per cent of homes in the nine major centres to have Infinet, the fibre optic network. I'm just wondering about progress towards that goal.

Mr. Swystun: — My understanding is SaskTel is on track to meet that goal.

Ms. Beck: — And then there, and I'm . . . Just trying to make sure that I'm asking the questions of the right people. There are some goals noted as well with regard to SaskPower, and noting that expanded growth within SaskPower, the need to deliver additional megawatts throughout the province. I guess the question . . . Should I save those remarks when I have the officials from SaskPower? Would that be better?

Mr. Swystun: — We could certainly attempt to answer those questions in a general way if you like, and see how far we get.

Ms. Beck: — Okay. Well what I'm wanting to ask is forecasts for the requirements for capacity within the power grid. I'm not sure how far . . . I guess the first question would be, how far have we projected out in terms of our requirements for power within that grid?

Mr. Swystun: — SaskPower typically projects 30 years into the future, which is a long way and obviously has a high degree of uncertainty associated with it. The reason they do that is their infrastructure is very long lived and there's long lead times in building additions to infrastructure.

The recently announced natural gas power plant that's going to be built in Swift Current is going to take about three years, three and a half years to build. That would be typical for a natural gas plant, which is actually relatively quick. The refurbishment to the Boundary dam 3 unit in Estevan took even longer than that, and then in the case of a hydro project, for example, from feasibility to permitting to construction it could easily take 12 to 15 years. So they look very far into the future and typically would have a 30-year planning horizon.

[11:15]

Ms. Beck: — And then of course there would be impacts such as federal regulations on power generation, the ways that we generate that power. And so those forecasts would have to be updated as those regulations were announced and implemented.

Mr. Swystun: — Yes, absolutely. The federal regulatory environment presents an element of major uncertainty. Now we do have some clarity surrounding it with the federal-provincial equivalency agreement as well as the federal government's announcements respecting its intention to bring about carbon tax or a cap-and-trade regime across Canada, you know, with the participation of the provinces or otherwise, I suppose.

So as the regulatory environment changes, absolutely correct that SaskPower has and will continue to modify its plans going forward to take that into account. Now SaskPower did of course announce its intention to move to generation of electricity by using 50 per cent renewables by 2030 in anticipation of some change in the federal regulatory regime. And so the planning is already well under way to move in that direction, and that is certainly consistent with what it would appear is going to be required by the federal government going forward.

Ms. Beck: — So there was some anticipation that those federal regulations would be changing. There would be an increased requirement to rely on renewables into the future.

Mr. Swystun: — Well a requirement to reduce emissions,

whether by increased use of renewables or other means. Nuclear, as an example, is a very clean form of electricity generation in terms of emissions. Now there's other issues of course that come along with electricity generated that way. But SaskPower certainly was anticipating that something would be happening. It just wasn't known exactly what and exactly when they would be required to make certain changes by.

Ms. Beck: — And certainly you've described, you know, some of the very difficult balancing acts that are required of CIC and the Crown corporations and subsidiaries with regard to those dual mandates within the province and also the larger context of planning within regulatory environments.

One of the other things, as I was going through the report, that I was wondering about would be impacts of, if passed, the legislation around the definition of privatization. Certainly that's another layer on the context. And I guess I'm wondering if there is planning within CIC, within the Crowns, with regard to what that would look like should we change the definition of privatization and move towards increased privatization of the Crown corporations.

Hon. Mr. Hargrave: — You know at this time there is no plan after that legislation, were this to pass. But generally there's a thought that it could provide additional investment to strengthen the Crowns, if that was to transpire. For example, SGI has substantial money that they invest in utilities outside of Saskatchewan. So it would make probably more sense to invest their money in utilities inside Saskatchewan. It keeps that money right here instead of benefiting utilities, for example, in Ontario. But at this time there's no plans being made.

Ms. Beck: — Could you describe, for example, those investments that you speak of, SGI investing in utilities outside of Saskatchewan?

Mr. Swystun: — So both SGI Canada, as well as the Saskatchewan Auto Fund — which is administered by SGI Canada but is a separate entity — have substantial investment portfolios. Those two investment portfolios together are now approaching about \$3 billion. They invest those portfolios to earn a return in a risk-controlled way, and the return on those investments assist in paying insurance claims. The portfolios are invested in diverse portfolios of stocks, bonds, real estate, and in some cases other investments both inside and outside of Canada.

So the example the minister was citing would be that there would be investments in a portfolio of stocks that would include power companies that are traded on the stock exchanges or it might include shares in Bell Canada, along with shares in a variety of other industries. So we've got Saskatchewan-based pools of capital that are actually investing outside of Saskatchewan. So the opportunity would be to see if that can be invested inside the province, or some of it could be invested inside the province.

Ms. Beck: — Okay. And I guess one of the other questions that has arisen with regard to, potentially, that increased level of private investment within the Crowns would be triggering of the federal tax statute, 149. Has that implication been looked at by CIC, passing that 10 per cent threshold of privatization?

Hon. Mr. Hargrave: — You know, I'm not aware of that. That's more of a question for the Minister of Finance.

The Chair: — If I could just interrupt here for a minute. The questions that you are asking, Ms. Beck, don't relate to the reports that are currently before us. So if we could bring it back to the reports that are on the table in front of us for the committee to answer.

Ms. Beck: — So I guess a specific question then regarding the reports and review, going back to 2008, at that point were there any submissions or any engagement with third party investors or pension funds or investment bankers for the sale of any part of any Crown corporation in excess of 10 per cent?

The Chair: — Ms. Beck, once again that question is not related to the financial and the reports that are before us. So the question is in regards to something that has not even occurred or is not intended to occur.

Ms. Beck: — Well the question would be whether that had occurred during the time that we are looking at, which is 2008 to 2015, the CIC reports.

Mr. Swystun: — There'd be a couple of instances where that occurred. The most notable one was in 2013; 69 per cent of the government's ownership in Information Services Corporation was in fact sold through an initial public offering.

The other one I suppose I would note is that . . . And Ms. Ogilvie had mentioned this earlier in her remarks related to CIC Asset Management Inc. It is in fact a Crown corporation. It was formerly known as Investment Saskatchewan, and there was a divestiture of assets held by that company. Now that's not a sale of the company itself per se, but there was a significant wind-down of activities of that organization as well.

Ms. Beck: — Thank you. Okay. I'm going to move into the Saskatchewan SIIF, the Saskatchewan immigration investor fund financial statements, most recently — I'm just making sure they're on our list here — 2016. So those would be the most recent financial statements. And the question that I have here . . . There are just a few. The first one is in regard to the bottom item, the total comprehensive loss, on page 5. There's been a significant decrease, almost a halving, of the comprehensive loss there. Just wondering what contributed to that amount.

Ms. Ogilvie: — So answer to your question, the change year over year is related to loan losses that were higher in the previous year. So there's a decrease in those loan losses in the current year, which is resulting in the change in the total comprehensive loss.

Ms. Beck: — So I guess my follow-up question to that would be some of the reasons for those loan losses and how that perhaps has improved or been mitigated in the interim.

Mr. Kosloski: — So I'll take that question. We've had, out of the 79 projects, we've had one builder go into receivership, and it's in the receivership process. And so we're trying to recover the full amount of the loan. And that was what is attributing to these accounting losses here.

Ms. Beck: — Okay. So it's that one business?

Mr. Kosloski: — Correct.

Ms. Beck: — Okay. And it has been noted, this is a fund that's winding down?

Mr. Kosloski: — Yes. It's in the last five years of the program.

Ms. Beck: — Last five years. Okay.

Mr. Kosloski: — So we're repaying the money back to the federal government.

Ms. Beck: — Okay. There was an increase in loans issued in the past year. I'm on page 7 now, under operating activities and loans issued. There's a fairly significant increase in terms of loans issued, and just given the context, that this is a fund that's winding down, I'm just curious as to why we would see an increase in the loans issued.

Mr. Kosloski: — So part of it is an accounting issue going from a 12-month period to a 15-month period. And there still is activity in the program. Loans are still being given out to builders, but at a lesser degree just because the money . . . We have to manage the money properly so that we have enough to pay back the federal government.

[11:30]

Ms. Beck: — And you've noted that there are some debt obligations or obligations to the federal government to repay.

Mr. Kosloski: — Correct.

Ms. Beck: — Okay. Any concerns about that? We're on track for those repayments and given that there was just the one case of one of the companies going into receivership, any other concerns about repaying that or getting that money back to the federal government?

Mr. Kosloski: — No.

Ms. Beck: — I think I will conclude. I'm just conscious of the time here, so I'm going to try to move through at a reasonable rate. I think I'm going to spend the bulk of my remaining time before break here on the payee disclosure report, and the most recent year that we have in front of us is 2014. I'm just going to move through this in a fairly systematic way.

So I'm on page 2 of this report. Under the tab for CIC, there's a note of a number of contributions under other grants, contributions, donations, and sponsorships. There are some amounts at 140,000 to SIIT [Saskatchewan Indian Institute of Technologies], 40,000 to Sask Polytechnic, 62,000 to SIAST [Saskatchewan Institute of Applied Science and Technology] and Palliser. Are any of these sponsorships, or what's the nature of these contributions?

Mr. Kosloski: — Those relate to an Aboriginal bursary program that CIC has for those institutions, for students of those institutions.

Ms. Beck: — Thank you. I think I'm familiar with most of those on this list, but one that I'm not familiar with and just curious about is Inroads. I'm not familiar with that organization.

Mr. Kosloski: — So Inroads is the program that the minister mentioned earlier around Aboriginal students getting summer internships in the Crown corporations. So we sponsor 20 Aboriginal students to get work experience with the Crown corporations each and every year. And it has been a successful program, and it's a national-wide program as well.

Ms. Beck: — How many students would receive bursaries or internships under that program?

Mr. Kosloski: — Twenty a year.

Ms. Beck: — Twenty a year?

Mr. Kosloski: — Yes.

Ms. Beck: — Okay. Thank you. So one thing that does stand out a little bit here is fairly . . . Of course there's a significant amount to STC and SaskEnergy, a significant amount to STARS [Shock Trauma Air Rescue Society], and I think that that is something that we see throughout. Just a little bit of an explanation perhaps about that level of contribution to the STARS program from CIC.

Mr. Swystun: — CIC undertook a commitment to provide \$2 million in funding to STARS over a five-year period. Other Crown corporations are also doing the same. So SaskPower, SaskTel, SaskEnergy, and SGI in respect of the Saskatchewan Auto Fund, are also each making equivalent contributions under a similar arrangement.

Ms. Beck: — Good. Thank you. As we had . . . I'm now moving on to page no. 2, still under the CIC tab but looking specifically at the First Nations and Métis Fund. We had noted before that there was involvement with Westcap under the Saskatchewan immigrant investment fund that we previously talked about. I note that there is a payment here under this fund to Westcap Management. I'm just wondering what the nature of that — it's listed under suppliers and other payments — what that amount was for.

Mr. Kosloski: — Westcap is the fund manager of the First Nations and Métis Fund, so that would be their management fees.

Ms. Beck: — Okay. They manage that fund as well. Okay. So I think you answered my question there with regard to SaskPower, and that was just . . . There was a commitment made by CIC and all of the Crowns for a level of payment or funding to be provided to the STARS program. Was there a specific reason that, for example, SaskPower would be making that contribution? Was it specific to any function within SaskPower or just an overall level of support for the program?

Mr. Swystun: — Two reasons. Certainly just broad corporate social responsibility was one aspect of all of the contributions. The other element that actually was quite key in all of this is that SaskPower operates facilities throughout the province, and in particular power generation plants at a number of locations.

And as industrial sites, they can be risky areas. And it was felt that there could be instances where there could actually be SaskPower employees that would be patients, I guess . . . I'm not sure what the recipients of the services that STARS provides. Also with SaskEnergy and their facilities.

And then in the case of SGI, the linkage there is through the Saskatchewan Auto Fund. Obviously in the case of vehicle collisions, there are injuries. And prompt treatment of injuries, in addition to being important just for the individuals involved, can actually reduce the cost of insurance injury claims. So it's believed that there is a benefit to the Auto Fund from its involvement and support of the STARS program.

Ms. Beck: — So specifically to SaskPower, you would have workers working in remote sites that might not have timely access to a road ambulance. So this would be a way to support better access for them should they become injured or ill in the workplace. Is that correct?

Mr. Swystun: — I don't know if I would say necessarily not have access to road ambulance. It would be quicker access to medical services because the helicopters are obviously able to transport much more quickly.

Ms. Beck: — And I guess with regard to SGI, if someone had more timely access or quicker access to the hospital from a remote location, their injury might be reduced, thus reducing impact . . .

Mr. Swystun: — Exactly right.

Ms. Beck: — Thank you. I'm moving fairly quickly through the payee disclosures, but I did have a question. On page 3 under the Saskatchewan Gaming Corporation, there's some smaller amounts including an amount for almost 120,000 to the Roughriders. Just wondering about the nature of that contribution to the football club.

Ms. Ogilvie: — In compiling this report, each of the Crowns is responsible for the reports that they put in this. We'd simply compile it and provide it to this committee. So it would be appropriate to ask Gaming Corporation when they appear.

Ms. Beck: — Thank you, and please note that if there is someone else I should be asking the question of, I'm always happy to note that and to ask that of the appropriate folks. Even with the amount of paper that I see behind you there, I know that I may not always be directing my questions to the appropriate people. So I do appreciate that.

I'm just going to cross-reference. So I'm making sure that I am on reports that are part of our agenda for this morning and not looking into reports from the afternoon, so if you'd just indulge me for a second while I go through this. We just went through the payee disclosure reports, but I'm going to move back to the First Nations and Métis Fund, the financial statements dated March 31st, 2016.

So at a fairly high level I guess, just overall, looking at the statement of financial position year over year from 2014 — and I'm on page 2 here — to 2016, there is a fairly significant decrease, about just under \$3 million. I was just wondering

what contributed to that position at the end of March 31st of this year?

[11:45]

Ms. Ogilvie: — In answer to your question, the First Nations and Métis Fund has made investments in First Nations businesses that are invested in the oil industry. And some of those of course, with the economy the way it is, have seen some declines in value and so the investment values themselves have declined. And as well, we've had a few other investments that have had write-offs over the course of the two years that are noted here which is impacting . . . and that's where the 3 million decline you're seeing in the statement of financial position.

Ms. Beck: — Okay. So a large portion owing to the decline in the oil revenue, that resource. Were there specifics where there were . . . You noted a couple of other investments that saw some decline or write-offs.

Mr. Kosloski: — So I'll refer you to page 11 of the financial statements. So that sets out each of those investments. And so the far-right column is a 12-month period, and the left-hand column is the 15-month period. Okay. And it shows you the valuation differences in those time periods.

So the ones that are tied to the oil and gas sector, File Hills Qu'Appelle Tribal Council has partnered with CanElson Drilling. And they have a drill rig and drill rigs are a function of how much activity, and the revenue is contingent on that. Similar with Red Dog Holdings, they have a drill rig and that's the Star Blanket First Nation. And Infinity Investments is a Métis nation investment, and that's oil and gas servicing business, welding predominately. So you have those three investments that are tied to that industry, which we all know is in a bit of a downturn here. And then Muskowekwan Resources is tied to a publicly traded corporation, Encanto Potash, and the valuation of that is directly tied to the value of their stock, Encanto stock.

Ms. Beck: — Right. Okay, thank you for that explanation. I think you did describe this but my next question was on page 3, just looking at the jump in the comprehensive loss, so I think that's been answered. One question that I do have looking at this page again under operating expenses, there was a fairly significant jump in management fees year over year. Now I understand that this is 15 months as opposed to 12 months, but I think even with regard that, there was . . . Even taking that into account, there's a bit of a jump there in the management fees. Is there a reason for that?

Mr. Kosloski: — So yes, as you've noted, part of it is the 15 month, an additional three months of fees. They also, as part of their management agreement, as with any fund manager, this is a fund that's in wind-down mode as well, so we're exiting investments when we can. If they exit where there's a positive benefit to the fund, they get a success fee, and that's standard within the industry. So where there have been exits, they would've picked up a little bit of the gains simply because of their efforts.

Ms. Beck: — So as they exit and they've had positive impact

on the fund, they would . . .

Mr. Kosloski: — Right.

Ms. Beck: — . . . receive that, and that's industry standard.

Mr. Kosloski: — Correct. They get a base fee for managing the portfolio, and then there's a success fee for a positive exit.

Ms. Beck: — Thank you.

Mr. Kosloski: — Okay.

Ms. Beck: — Again out of curiosity and seeking to understand better, under income from operations there's a note about the grant revenue realized from CIC differing in amounts. So how is that grant provided? Is it based on a formula? Or how is that determined, the grant from CIC to the fund?

Mr. Kosloski: — So this is intended to cover any operating expenses that we have. So part of the First Nations and Métis Fund, they will get a revenue from their investments through the loans, and so the interest payments and so forth. And this would help cover, this grant revenue from CIC line would help cover the expenses of the fund where there's a deficiency.

Ms. Beck: — So it's strictly based on their expenses, their . . . [inaudible] . . . to manage the fund.

Mr. Kosloski: — Correct.

Ms. Beck: — Okay. We'll understand all of this yet. I think I have gone through my questions now with that. I guess one question . . . You noted that there's been a decision made. This is another fund that's in a wind-down phase. Why that decision was made to wind the fund down or why that's the case that it's in a wind-down phase.

Mr. Kosloski: — Similar to other investment funds we had, like CIC AMI, the Entrepreneurial Fund, the First Nations and Métis Fund, there was a conscious decision by this government to stop investing in private sector companies.

Ms. Beck: — Which will move me on to the Saskatchewan Development Fund Corporation. Of course these are from 2013, and I believe this fund is completely wound down at this point. Is that for a similar reason as you just described?

Ms. Ogilvie: — Development fund was put in place a number of years ago to provide an investment opportunity for individuals in the province, and a decision was made to no longer continue those. So rather than investing in businesses, this allowed individuals to invest in mutual funds or annuity funds. And a decision was made to no longer provide those to individuals, so it was wound down over a number of years. And that was finalized in 2013.

Ms. Beck: — Okay. It will be so nice when we're current. I'm just going to keep moving through here. I almost have perfect timing here. I do think I probably missed something, but I've exhausted the questions that I have to this point. And I see that we're coming up to 12 o'clock here, so I think I will conclude.

The Chair: — Thank you. If there are no further questions, then I will now ask a member to move that we conclude consideration of the following annual reports and financial statements, and bear with me as I read each one into the records: the Crown Investments Corporation of Saskatchewan annual reports for 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015-16; the CIC Asset Management Inc. financial statements for 2011, 2012, 2013, 2014, and 2015-16; First Nations and Métis Fund Inc. financial statements for 2012, 2013, 2014, and 2015-16; Gradworks Inc. financial statements for 2012, 2013, 2014, and 2015-16.

Saskatchewan Immigrant Investor Fund Inc. financial statements for 2012, 2013, 2014, and 2015-16; Capital Pension Plan financial statements for 2012, 2013, 2014, and 2015-16; Saskatchewan Development Fund Corporation annual reports for 2012 and 2013; Saskatchewan Government Growth Fund III Ltd. financial statements for 2013; and the Crown Investments Corporation and subsidiary Crown payee disclosure reports for 2008, 2009, 2010, 2011, 2012, and 2013, and 2014.

Could I ask a member to move that we conclude consideration of these annual and financial reports?

Mr. Bradshaw: — Madam Chair, I so move.

The Chair: — Mr. Bradshaw has moved that we conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Ms. Beck.

Ms. Beck: — Thank you, Ms. Chair. I would be in agreement with concluding on all of the reports, but I do have one request of the committee: that we hold off on consideration of the payee disclosure reports, the final item here. And the reason being, while I was able to ask questions of the officials that we have with us today, we do anticipate on the 13th having folks here from SaskEnergy and from SaskPower, and I didn't go through those today because it seemed more appropriate to go through when we have those officials here. So if we could hold off on voting on that particular item until the 13th, and then would be able to ask the questions of those officials at that time.

The Chair: — Ms. Beck, are you asking for all of the ... dating back to 2008 to be held off or is there just one particular report within there?

Ms. Beck: — Could leave it with 2014. Just hold off on that one.

The Chair: — It could be noted that some of those answers to your questions may be in the 2015-16 report which is not included in here, as well because they could be carried forward.

Ms. Beck: — Could be, but that would remain my request if we could hold off on voting off on that.

The Chair: — Okay. I'll ask, what is the wish of the committee?

Mr. Bradshaw: — Madam Chair, I think that yes, I have to

agree with your former statement and I think what we should do today is include on everything.

The Chair: — Okay. Mr. Bradshaw, once again, has asked that we conclude consideration of all the reports that have been presented here. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So that concludes our business with Crown Investments Corporation this morning. Mr. Minister, if you have anything that you want to add as a wrap-up?

Hon. Mr. Hargrave: — Yes, Madam Chair. I would just like to thank you and all the committee members as well, for your time today with this committee. And I would also like to thank all of my CIC officials for attending and for their co-operation today. And thank you very much.

The Chair: — Thank you. Ms. Beck.

Ms. Beck: — I want to say thank you as well. I know it's been a busy morning and I made you haul in a lot of paper back there, and it is appreciated to, first of all, your work everyday within CIC and that contribution to the province, but also your attendance here today and your ability to answer questions of this committee. It's important and it is appreciated. So thank you for your time.

The Chair: — Thank you everyone for this morning. And we will now recess until 1 p.m.

[The committee recessed from 12:01 until 13:00.]

The Chair: — Good afternoon, and welcome back everyone. This afternoon we will be considering the Provincial Auditor chapters and annual reports of SGI, STC, and SOCO [Saskatchewan Opportunities Corporation]. And I will now turn over the chair to Ms. Ferguson to introduce her officials and make her presentations on these chapters related to SGI.

Saskatchewan Government Insurance

Ms. Ferguson: — Thank you, Madam Chair, Deputy Chair, committee members, minister, and officials. I've got with me Mr. Patrick Green. Patrick is the auditor of SGI and its subsidiaries. Beside him is Ms. Regan Sommerfeld. Regan is the deputy whose portfolio includes responsibility for SGI. Behind Regan is Jason Shaw. Jason is a principal with our office and led the bulk of the work that is before the committee this afternoon; and Ms. Kim Lowe. Kim is our committee liaison.

As indicated, there's a couple of chapters that relate to SGI. This afternoon we're going to present each individually and pause after each. Each chapter includes new recommendations for the committee's consideration. So without further ado, I'd like to turn it over to Ms. Sommerfeld to make the first presentation.

Ms. Sommerfeld: — Thank you, Judy, and Madam Chair. So as Judy alluded to, I'm going to give you a brief rundown on the two performance audits we did at SGI. So in our 2015 report

volume 1, chapter 15 we reported our results of SGI's program to enhance traffic safety and provide consumer protection by ensuring vehicles comply with vehicle safety standards, focusing on higher risk vehicles. On behalf of the Saskatchewan Auto Fund, Saskatchewan Government Insurance is responsible for the provincial vehicle inspection program. The program has 930 certified inspection stations and more than 3,500 certified vehicle inspection technicians.

Chapter 15 of our 2015 report volume 1 begins on page 169 and contains the results of this audit. We found that for the 12-month period ending December 31st, 2014, SGI did not have effective processes, and we made six recommendations. I'll highlight each recommendation and the reason for it.

On page 175 we recommended that Saskatchewan Government Insurance establish clear experience requirements that motorcycle technicians must meet to become certified under the motorcycle inspection program.

We found, unlike other types of vehicles where specific journeypersons exist, motorcycle repair journeypersons — that is, trade certification specific to motorcycles — do not exist. As a result, SGI cannot use a review of journeyperson trade papers to aid in assessing the capabilities of a motorcycle technician. In the absence of these trade papers, we found that SGI had not set out specific training or experience requirements it regarded as sufficient to be certified to inspect motorcycle safety. Without these requirements, there is an increased risk that SGI may certify an unqualified technician, which increases the risk that unsafe motorcycles are certified as safe.

On page 176 we recommend SGI assess the risks for its vehicle inspection program. And on page 177 we recommend SGI develop a risk-based monitoring plan for its vehicle inspection program, including performance measures.

We found SGI did not have a risk-based monitoring plan. SGI had not formally assessed or documented the risk that the 900 certified inspection stations and over 3,500 certified technicians did not comply with its inspection standards, or the risk that its inspection program was not effective and the potential impact on public safety. Identifying inspection stations and technicians that represent a higher risk would enable SGI to focus monitoring activities on areas of higher potential non-compliance or threat to public safety.

SGI was unable to provide us with support for its inspection expectations. For example it expected SGI to audit each inspection station every 12 months. However in 2014 SGI only audited 60 per cent of those inspection stations. Without a formal risk assessment, SGI could not ensure its vehicle monitoring activities are sufficient and that it has appropriately focused its monitoring resources.

On page 179 we recommend SGI, consistent with its established processes, clearly document the results of each inspection station audit. While safety officers consistently use SGI's standard audit forms, they often did not document whether they completed the required steps and the results of these steps. Incomplete documentation of monitoring activities increases the risk that inspection station audits are not completed as expected, which then increases the risk that unsafe

vehicles are being certified.

Also on page 179 we recommend SGI, consistent with its established processes, clearly document that certified preventative maintenance program inspection stations complete vehicle maintenance consistent with the approved preventive maintenance plan.

We found SGI allows preventative maintenance program, that is PMP, inspection stations responsible to inspect heavy vehicles to self-inspect and expects them to follow an SGI-approved PMP plan. For six out of the 10 PMP inspection station audits that we examined, SGI did not document its review of the adequacy of the PMP inspection stations' preventative maintenance and whether the maintenance aligned with the approved plan.

Incomplete documentation increases the risk that PMP inspection stations are not completing maintenance as expected. Lack of preventative maintenance increases the risk that unsafe heavy vehicles are operating on Saskatchewan roads.

On page 181 we recommend that SGI report to senior management the results of its risk-based monitoring plan activities for its vehicle inspection program.

We found senior management did not receive sufficient reports on the results of the vehicle inspection program. The reports they received did not include information on the quality and reliability of inspections completed by certified inspection stations or the impact the program had on traffic safety. Not providing such information makes it difficult for management to determine the effectiveness of the program and to decide whether adjustments to the program are needed.

This concludes my presentation on this chapter.

The Chair: — Thank you. Minister, if you would like to introduce your officials and begin with some opening remarks on this chapter.

Hon. Mr. Hargrave: — I would. Good afternoon, Madam Chair, and to the Provincial Auditor and her staff, and the members of the committee. Thank you all for being here today. And before we get started, I'll introduce the staff. The president and CEO is Andrew Cartmell. To my right is Earl Cameron, executive vice-president of the Auto Fund; behind me is Cari Donaldson, vice-president of licensing and customer service; and Jeff Stepan, chief financial officer.

First under consideration by the committees today are two reports by the Provincial Auditor, one on the monitoring of certified vehicle inspection stations and the other on ensuring that only qualified drivers remain licensed.

In regard to the monitoring of certified vehicle inspection stations, the auditor made a number of recommendations. All of these recommendations were accepted by SGI, and I'm pleased to say that they have all been addressed. As for ensuring when qualified drivers remain licensed, the auditor was generally satisfied that SGI had effective practices in this regard.

The auditor did make a few recommendations for improvement,

and again I'm pleased to say that SGI has accepted those recommendations and they have all been addressed. So thank you, and we'd now be happy to answer any questions you may have on the audits.

The Chair: — Thank you, Minister. Questions from committee members. Ms. Beck.

Ms. Beck: — Thank you, and thank you to all of those who have joined us here this afternoon. Certainly in reviewing chapter 15 with regard to monitoring certified vehicle inspection stations, there were a number of issues that were outlined. Some significant numbers with regard to — I've just highlighted some of them — around complaints; a number of instances where certifications were stated to have been carried out but were subsequently found to have not been accurate, for example six out of seven stations in 2014 with the mystery shopper, incorrectly certifying vehicles. So certainly some significant concerns there that were outlined.

I'm just wondering with regard . . . And I appreciate that the minister has stated that those concerns were accepted, those recommendations were accepted by SGI, and note that the minister's comments that each of these have been addressed. I guess by way of structure, maybe if we could go through each of them and have the opportunity for the minister and his officials to address progress towards those recommendations, starting with the first one, which I believe is on page 175, the recommendation that SGI establish clear experience requirements for motorcycles.

Just to clarify the comments that were made by Regan around trade certification, so is it that there are no certified technicians for motorcycles in the province, or is it that there is no set standard for certification of motorcycle technicians? That wasn't clear to me.

Ms. Donaldson: — At that time our inspection program was quite new, and there were no defined requirements to validate that the technicians had those credentials.

Ms. Beck: — So is there any industry standard for that certification?

Ms. Donaldson: — Yes, and on March 14th we were able to communicate that to all of the stations so that they have a clear understanding of the level of credentials that they're required to have in order to carry out those inspections now.

Ms. Beck: — So just I guess by way of clarifying this process for me and perhaps for members of the committee, when the recommendation is made by the auditor's office and accepted by SGI, and then it's reported back to . . . The extent of the subsequent follow-up, there would be assertions or a statement of steps taken to address those concerns. And then how does that follow-up work with your . . .

Ms. Ferguson: — So what we do as an audit office for any of the audits that we do is we follow up the recommendations that we have made to the organization. For the ones that relate to non-financial areas, we wait two to three years after we make the recommendation to allow the organization time to implement it. Then we go back in and have a look and see

whether or not they in fact have implemented — you know, to meet the intention of the recommendation — and report back to the committee. If you recall this morning, there was a couple of chapters that related to . . . it indicated that they had implemented recommendations or recommendations were partially outstanding, and those related to our follow-up activities.

So in this particular situation, we haven't had an opportunity to go back in. When we do, we'll have a look to see what, you know, what management has done and provide the public, through tabling a report in the Assembly and referral to this committee, as to the status of those recommendations. So in essence you get assurances to whether or not the information management is providing is reliable.

Ms. Beck: — And that does clarify certainly . . . This report is from 2015, so it's still within that time frame where SGI would have . . . And we'll go through the ways that SGI has addressed each of those issues. And it is also the case that your office hasn't had opportunity to then go back and verify those measures and deem whether they're adequate by your standards or not.

[13:15]

Ms. Ferguson: — That is correct. And we recognize that there is always a . . . sometimes there's a period of time like in this case where it comes to the committee and we haven't done the follow-ups. So, you know, often . . . we're hoping, actually, often management has taken action and implemented recommendations in that intervening period.

The Chair: — Minister Hargrave.

Hon. Mr. Hargrave: — Actually, I'm advised that in the last few weeks that they have been in to complete the inspections.

Ms. Beck: — Sorry, I'm not clear.

Hon. Mr. Hargrave: — Actually they were in in the last few weeks to check up on the recommendations.

Ms. Beck: — Okay, but that hasn't been reported out . . . [inaudible].

Ms. Ferguson: — That will be in actually our . . . I want to say the next report, but the next report will be next week. But it'll be in the spring report. Yes.

Ms. Beck: — That clarifies then which end of the table to address my remarks to, so that is appreciated. Thank you. So with regard to that specific recommendation, no. 1 on page 175, I do note, Cari, that there have been some standards implemented, standards for trade certifications specific to motorcycles. Is that correct?

Ms. Donaldson: — That's correct.

Ms. Beck: — Have there been other steps taken with regard towards meeting this recommendation?

Ms. Donaldson: — With this particular recommendation, those

expectations were communicated and they are now confirmed when we go to visit a station that is certified to complete the motorcycle inspections.

Ms. Beck: — So is there ongoing training? Or all of that training to assure that those technicians have that certification, that's all been undertaken?

Ms. Donaldson: — It's been undertaken, so if they were to pursue that certification for one of their employees in their station, that would be ongoing training. The ones that are currently performing those motorcycle inspections will have completed those qualifications.

Ms. Beck: — And I think you did just answer my question, but it wouldn't be necessarily the case that all inspection stations would be certified to inspect motorcycles. It would only be certain stations. Is that correct?

Ms. Donaldson: — That's correct.

Ms. Beck: — How many would be certified specifically for motorcycles?

Ms. Donaldson: — I don't have the number of stations exactly that are certified for motorcycles.

Ms. Beck: — Okay. Are they dispersed around the province?

Ms. Donaldson: — They are.

Ms. Beck: — Okay. I guess we'll go into the second recommendation that SGI assess the risk for its vehicle inspection program. There were a number of concerns noted there. And I'm just wondering, as noted by the minister that there have been steps with regard to each of these recommendations towards coming into compliance or addressing the recommendations, and I wonder if you could speak specifically to that recommendation.

Ms. Donaldson: — Certainly. A thorough risk assessment has been conducted with respect to the risk of unsafe vehicles being on Saskatchewan roads — or in fact roads anywhere in Canada where they would have had a Saskatchewan inspection certification on that vehicle — and identified mitigating factors for each of those risks. Many of those relate to our ongoing reviews of the station, our mystery shopper program, and other controls that we have implemented within our administrative framework. And we also have a list of further improvements that we intend to pursue, beyond what would be necessary, to mitigate the risk to an acceptable level.

Ms. Beck: — So there's some measures that have been undertaken, and there are some that are planned. What's the time frame for implementation . . . [inaudible].

Ms. Donaldson: — That's correct. By the end of next calendar year we would expect the other ones to have been implemented. They require a technology change that is scheduled for October.

Ms. Beck: — What is the technology change that's required?

Ms. Donaldson: — At the current time, the inspection stations

fill out manual paper forms to indicate the results of each inspection. In our release that we would intend for next October, the stations would actually enter that information directly into our system so that we would have more detailed information about the inspection result, the defects noted, the technician performance, the station performance. And there we would be able to have a much more sophisticated risk profile for the types of vehicles, types of stations, and the types of technicians that are conducting these inspections right now.

Ms. Beck: — So upgrading to a computerized system?

Ms. Donaldson: — Yes.

Ms. Beck: — Okay.

The Chair: — Do you have further questions, Ms. Beck?

Ms. Beck: — I will have . . . I'll move those through. So you continue to enact the mystery shopper program?

Ms. Donaldson: — Yes, we do.

Ms. Beck: — Okay. So as I noted, one of the things that stood out for me in review of this was that rather concerning number with regard to the number of failed inspections or failed mystery shopper visits where — just looking from my notes here — some of the deficiencies that were found and the number, the percentage of deficiencies found. You've continued, since that point, to implement that program. Have there been updated results with regard to that program?

Ms. Donaldson: — Yes, the results were slightly improved this year. We didn't see a significant improvement. The information from those mystery shopper visits does feed back into our risk profile for each of the stations, which is a recommendation noted in no. 3, that we develop a risk-based monitoring plan.

If a station is subject to our mystery shopper program and they have not detected the deficiencies that we had expected, we increase the assessed risk of that station allowing vehicles, in addition to following up on those mystery shopper results directly. That station is subject to more frequent reviews because of that deficiency in the mystery shopper program results.

Ms. Beck: — Okay, so just so I'm clear. When you have one of the shops that has had some noted deficiency, that would increase the frequency of visits. Would there be other measures that would be enacted as a result of those deficiencies?

Ms. Donaldson: — Absolutely. That station would be visited immediately and our safety officer would review those results with them and look to the root cause of not having detected those — whether it's a tooling or a training concern — and look to remedy that specific cause as well as then following up on a more regular basis until there is a marked improvement in results or a reduction in the assessed risk for that station.

Ms. Beck: — Just making sure I'm going in order with regard to the recommendations here. So I guess moving on to the next recommendation. As you noted, the steps that you've taken towards developing a risk-based monitoring plan for vehicle

inspection programming, including those performance measures, you've made progress towards that?

Ms. Donaldson: — Absolutely. We've looked at each of our stations that is certified and assessed them on a number of different factors that would indicate the relative risk of that station allowing a vehicle that's unsafe to be on the road, including the number of vehicles that they inspect, the number of technicians that they have, any previous complaints, or in the case of mystery shopper results, any negative results in that regard, and determine the frequency which we would visit that station according to their composite risk score, taking those factors into account.

Ms. Beck: — I guess I'm just wondering, in terms of my ability to assess from here, if those measures . . . I suppose it's not my role, but I just wonder if there are any . . . Is it appropriate to ask if there are any comments with regard to that, those measures from the auditor's office, or if we should wait for the report? I mean my ability to assess from this chair is not as high perhaps as those who have had opportunity to look at those measures.

Ms. Ferguson: — That's the purpose of us doing a follow-up, is that we recognize that, you know, not everybody has acumen in this particular area. And honestly when we do these engagements, at times we have to hire expertise ourselves to do them. So you know, we appreciate where you're coming from.

Ms. Beck: — Yes, and I'm just cognizant of the fact that I have you here, and certainly you've outlined the concerns that were noted by your audit. And so I will address my remarks and questions to the officials from SGI, and just, I think, continue then to go through each of the recommendations. I just want to make sure I'm making best use of everyone's time here.

The Chair: — Ms. Beck, if there are specific questions related to the recommendations with regards to current outcomes or numbers or whatever, the officials I'm sure would be able to provide you with some of that, if that helps in some way.

Ms. Beck: — Okay. I'm going to move on to the fourth recommendation then, that the Saskatchewan Government, that SGI, consistent with established processes, clearly document the result of each inspection station audit. I'll give you opportunity to talk to the progress that's been made towards that goal, but is that something that would be improved with this automation of system, the inspection station audit, or is that a separate process?

Ms. Donaldson: — The information available to the safety officer that is reviewing the station's performance will be enhanced by that process. The documentation of the actual review result would remain similar to what it is in our enhanced process now, where documentation is consistent, complete, and reviewed by management, and any deficiencies noted during the station visit would then flow through to the risk assessment for that station to lay out the frequency at which future visits would occur.

Ms. Beck: — And did you want to report on any further progress towards that recommendation?

Ms. Donaldson: — We've had good success in having more consistent documentation with that recommendation being put in place, and have seen that to be an effective control. It may also be of interest to just mention that our internal audit department has reviewed our remediation plans and has confirmed evidence of having seen them in action prior to the Provincial Auditor returning to confirm that.

Ms. Beck: — And one of the specific notes in that recommendation was the finding that 6 out of the 10 PMP inspection statement audits, SGI did not document its review of the adequacy of the PMP inspection. That's one of the things that has been improved by this update of your processes?

Ms. Donaldson: — Absolutely. And each of those stations has been visited since that time. In our risk assessment, we do have a different risk assessment for each type of station and that would be placed somewhat higher since they're policing themselves. We assess the inherent risk of that type of station to be higher, and their audit frequency or visit frequency would tend to be higher because of that as well.

Ms. Beck: — You noted there are different types of stations. So what would be . . . how many tiers or how many different levels of stations would you have?

Ms. Donaldson: — We have the PMP stations, which could be a number of different types of vehicles, and then we have different types of inspections that can be undertaken. It could be a body integrity versus a mechanical inspection station. And then there are different categories for the different types of vehicles. So a bus inspection would be different than a heavy vehicle versus a light vehicle and a motorcycle.

Ms. Beck: — And then you would have corresponding technicians with regard to each of those categories.

Ms. Donaldson: — Yes. They have to have the credentials for that particular level, as well as the facility to be able to properly conduct an inspection, in particular on the larger vehicles. They would need one that accommodates that type of vehicle.

Ms. Beck: — I'm going to move on to number five then. The fifth recommendation, as noted by the auditor, was that SGI, consistent with established processes, again, clearly document that certified PMP inspection stations complete vehicle maintenance consistent with the approved preventative maintenance plan.

There were some concerns noted there with regard to the 12-month period ending in 2014. Again this is where it was noted that six out of the seven stations incorrectly certified the mystery shopper's vehicle. Some of the concerns noted were the window tinting, air bags, driver's seat adjustments, for example. Did you want to make comment with regard to progress toward that recommendation?

[13:30]

Ms. Donaldson: — With respect to recommendation 5? Yes, we have reviewed the plans for each of those stations. We've introduced a new form so that that review is consistent and management reviews the results of each of those reviews to

ensure that that's now more consistently applied and comprehensive.

Ms. Beck: — Thank you. Moving on to section 5.3, I'm on page 180 now, chapter 15. There's some note in the preamble to the recommendation or the background into the recommendation about SGI identifying 65 issues of non-compliance with inspection standards — some significant safety standards, I would think, related to steering, brakes, and suspension for example. There was some concerns about how it was communicated why the inspection was not in compliance, is my understanding in reading that report, and flowing from those concerns, the recommendation that SGI report to senior management the results of the risk-based monitoring plan activities for its vehicle inspection program. Can you speak specifically to the progress that's been made towards that reporting of that risk-based monitoring plan?

Ms. Donaldson: — To date we've been receiving quarterly reports of the results of audit by categories along with the target number of station reviews that were intended for each type of vehicle. So as an example, there would be a certain number of inspection station visits; our team also reviews school buses directly, as well as city buses, and some of those types of other complementary reviews that are performed in addition to the station reviews that most of the audit refers to.

So the results of each of those types of review and the performance or the stats versus the plan are reported to the EVP [executive vice-president] and myself, and then we're able to follow up on any concerns that we have, in addition to any disciplinary actions that are undertaken are reported to us each quarter. We tend to know about them in advance of that, but we do have the formal reporting that is sent to us every quarter to identify any stations that have had different steps of progressive discipline, up to and including suspension of that station's credentials, and the mystery shopper program results as well.

Ms. Beck: — So that represents a change in that reporting. What was happening . . .

Ms. Donaldson: — As the liaison, more of an ad hoc basis.

Ms. Beck: — Okay.

Ms. Donaldson: — Prior to that, we would receive a comprehensive result. As an example of the mystery shopper results, at the time that that program was undertaken, the information wasn't on a . . . more of a scorecard basis though where you could compare to the prior periods outside of the timing of that review specifically.

Ms. Beck: — So it's increased in frequency and ability to compare year over year what the results of those reports are, as well as ensuring that it gets to the right people.

Ms. Donaldson: — Yes.

Ms. Beck: — Okay. Thank you. With that, I think I conclude my comments with regard to that chapter. Thank you.

The Chair: — Thank you. Seeing no further questions, the 2015 report volume 1, chapter 15 has six recommendations for

the committee to consider. What is the wish of the committee? I recognize Mr. Phillips.

Mr. Phillips: — Madam Chairman, I would move that the committee concurs with the recommendations and note compliance.

The Chair: — Mr. Phillips has moved that the committee concurs with the recommendations and notes compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Ms. Beck.

Ms. Beck: — I just, I guess I'm concerned about my ability to assess compliance with those recommendations. I certainly would note progress towards those goals, but would be reluctant to make a determination whether all of the concerns that were noted in the report are in compliance. So I would just note that.

The Chair: — Would the auditor like to respond on the compliance piece?

Ms. Ferguson: — Because we, as indicated to management, we're currently in the throes of re-looking at the recommendations, so we aren't in a position to indicate . . . You know, we haven't finished our work, so I can't comment as to whether . . . what our outcome will be.

The Chair: — The committee has moved that we concur with the recommendations that were put forward and note compliance. Do we want to carry that forward, or do we want to change our motion? What is the wish of the committee?

Mr. Phillips: — In lieu of the comments, I wonder if we could move to concur with the recommendations, that is note progress towards compliance and . . . [inaudible].

The Chair: — That is the wish of the committee? We . . .

Mr. Phillips: — Or leave it at compliance and note progress towards compliance.

The Chair: — Okay. We can amend the motion then to say that it concurs with the recommendations and notes progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Okay, moving on to consideration of the 2016 report volume 1, chapter 15. Ms. Ferguson.

Ms. Ferguson: — I'm going to turn it over to Ms. Sommerfeld, please.

Ms. Sommerfeld: — On behalf of the Saskatchewan Auto Fund, Saskatchewan Government Insurance was responsible for confirming that only qualified drivers remained licensed to operate motor vehicles. SGI administers driver disciplinary actions for high-risk drivers and programs to improve driver safety behaviour. SGI uses two improvement programs for monitoring drivers that commit offences, one for inexperienced

drivers and one for experienced drivers. Of the 790,000 licensed drivers in Saskatchewan, SGI was monitoring 14,000 inexperienced and over 27,000 experienced drivers at December 2015.

Chapter 15 of our 2016 report volume 1 begins on page 181 and contains the results of our audit on this subject. Other than the areas related to the five recommendations we made, SGI had effective processes in place for the 12 months ending December 31st, 2015. I'll highlight each recommendation and the reason for it.

On page 188 we recommend SGI establish written guidance outlining expected time frames for entry of driver information into the computer system used to administer driver's licences. We found the driver program procedure manual did not indicate when SGI expected staff to enter driver information into the Auto Fund system. Rather, management gave verbal guidance for these timelines. Relying on verbally understood expectations on when to enter driver information into the system may lead to misunderstanding and delays in data entry and decrease the ability of management to effectively monitor staff performance. This results in an increased risk that staff may not consistently prioritize entry of driver information, particularly in the event of staff turnover. This could lead to a delay in the commencement of SGI's driver disciplinary process.

On page 189 we recommend that Saskatchewan Government Insurance enter, into its computer system used to administer driver's licences, information on out-of-province traffic offences using similar time frames as traffic offences that occur in Saskatchewan. We noted that while the out-of-province offences were similar offences and risks as offences committed in Saskatchewan, staff enter out-of-province offences into the Auto Fund system as time permits instead of the expected three days for in-province offences. For out-of-province offences we examined, we could not determine how timely they were entered into the system. A delay in entering the out-of-province offence information could delay the commencement of SGI's disciplinary process.

On page 192 we recommended that SGI confirm changes to law that set demerit points and sanctions are in effect before making corresponding changes into the computer system used to administer driver's licences. We found that SGI primarily uses various automated processes within its Auto Fund system to administer driver's licences. For two offences, we found that the system generated demerit points inconsistent with the legislation in effect at December 2015. Management acknowledged it did not confirm the law was changed before improving and entering changes into its system. This resulted in an increased risk that SGI was not administering driver's licences in accordance with the law.

On page 194 we recommend Saskatchewan Government Insurance give staff written guidance on determining the length of extensions that can be granted to drivers for completion of required actions, that is, sanctions. We found SGI's procedure manual allows SGI staff to grant a driver up to two extensions before completing the required courses. The manual does not include guidance on determining the period of extension or set on a maximum of additional days permitted. Granting

extensions means potentially high-risk drivers posing a higher risk to the public for a longer period, as they remain licensed during this extension period and have not completed actions to reduce their high-risk driving behaviour.

And finally, on page 198 we recommend Saskatchewan Government Insurance give staff written time frames for completing manual evaluations of driver information. We found SGI expects its staff to interview drivers and manually review driver offence histories of drivers whose accumulated demerit points have reached SGI's toughest sanctions. It calls these manual evaluations. However SGI's policies did not set out expected timelines for completion of these manual evaluations. The absence of policies on expected time frames increases the risk that staff may not complete manual evaluations in a timely manner, and this in turn increases the risk that unsafe or high-risk drivers will remain driving on Saskatchewan roads. And this concludes my presentation on our 2016 chapter 15. Thank you.

The Chair: — Thank you. Minister, would you or one of your officials like to respond to volume 1, chapter 15?

Hon. Mr. Hargrave: — I addressed that in my opening comments that we've ... say that SGI accepted the recommendations and addressed them all. And we'd be more than happy to answer any questions that the committee may have.

The Chair: — Thank you, Minister. Questions from committee members. I recognize Ms. Beck.

Ms. Beck: — Thank you, Ms. Chair. So I think I will just go through again, similarly as we did through the last chapter, and offer opportunity to respond to the recommendation and some of the concerns that were outlined, and then note any progress towards compliance with those recommendations.

So starting of course with the first recommendation, I believe it's on page 88. So this recommendation that SGI establish written guidance outlining the expected time frames for entry of drivers' information into the computer system used to administer driver's licences, so there were a number of different scenarios there. There are some requirements from the Ministry of Justice to submit those criminal code convictions daily but fewer guidelines around how often or frequency or duty to report medical practitioners' concerns regarding driving ability, I would guess. So just to provide an opportunity for officials or the minister to respond to those concerns and then outline progress towards compliance.

[13:45]

Mr. Cameron: — Okay, I can comment on that. When we received this report there were six recommendations, and we had received a letter from the Provincial Auditor on March 4th. By March 24th our staff have put these written procedures, completed them, and had them in place on March 24th immediately right after. And we responded on March 24th to the auditor saying, they're in place, they're written, and we've formalized them. So recommendations 1,2,4, and 5 were all completed by March 24th. The written time frames are in our procedural manuals now. Where before they were guidelines or

verbal, they have now been formalized.

Ms. Beck: — Okay. So the guidelines, are they . . . For example the guidelines for medical practitioners and law enforcement, those have specific . . .

Mr. Cameron: — Specific dates and times and that's what we're following now. That's correct.

Ms. Beck: — Okay. What is the time for the medical officers?

Mr. Cameron: — I didn't bring that. I'm sorry. I didn't bring the specific ones for each one, but they're all in writing and they've all been viewed by our internal auditor also. They're there and that's what we're operating under.

Ms. Beck: — So you're tracking compliance with those new, with those . . .

Mr. Cameron: — That's correct, and we're treating the out-of-province infractions the same as what we would from the in-province which are more of a manual, so that we get them in on a regular, timely basis.

Ms. Beck: — Okay. So for example for out-of-province offences, there was some concern I'll just note, concern about the inability to determine how timely they were entered into the Auto Fund system because there was no documentation when it was received, and it didn't retain outstanding work logs. Is there a backlog in entering those into the system at this point?

Mr. Cameron: — There is always a backlog but we're entering them within the time frames now. The out-of-province convictions coming in are problematic in that some of them come electronically from certain jurisdictions, some come manually, some come on a fax, some so . . . But we are making sure we are dating them. We know when we first received them and then when we entered them into the system. And we're using, like I say, the same guidelines we would if it was an in-province one, received the same way.

Ms. Beck: — And that's I guess an outstanding issue that you're receiving them, as you noted, some fax . . .

Mr. Cameron: — Other jurisdictions aren't as automated as we are, so not all of them are electronic. The other thing that sometimes . . . I mean there's no requirement for these other jurisdictions other than that's what they're supposed to do, getting them to us in a timely basis. So that conviction could already be three months old by the time we get notification of it. It could be three days old. It could be . . . And that's why we wanted to formalize it so we date them, we know that we put them in the system. So it's treated the same as if we would have received it from the Ministry of Justice here where we do receive it electronically.

Ms. Beck: — I guess one could imagine that these might be convictions from, well anywhere you can drive . . .

A Member: — In North America.

Ms. Beck: — In North America.

Mr. Cameron: — That's correct.

Ms. Beck: — Okay. So once received, is there a backlog in entering them at that point or it's the backlog in actually receiving those reports?

Mr. Cameron: — I think the issue was . . . I mean you'll always have a backlog of a couple of days. The issue was before we weren't able to show to the auditor when they were received and then when they were entered. And now we can and, like I say, our internal auditors looked at that to make sure that we are now formalized that process so that you can tell from both those documents when it was received, when it was entered.

Ms. Beck: — So once received — and this is just to help understand — so once those reports are received, be they the medical reports or out-of-province reports . . . And certainly we note that Justice reports for Criminal Code convictions come in fairly quickly, daily in fact. Those are then logged into a central computer system. That way anyone, for example if police or law enforcement were to note . . . They would know that that was someone who had a suspension or . . .

Mr. Cameron: — That's correct. In some cases we may have to just . . . The fact that it gets entered into the system doesn't always mean there's an action taken, but in some cases there would be an action taken immediately or within a period of time, depending on the rest of their driving record.

Ms. Beck: — Just a question that just occurred to me: say you are someone who has a driver's licence in Saskatchewan or plates registered in Saskatchewan and you are convicted of an offence in an outside jurisdiction, is there any responsibility on that person to report that to SGI?

Mr. Cameron: — No, there's no responsibility in law for that person to report. But there is reciprocity in North America with all of us trying to, as motor vehicle registrars, trying to report those accurately so that you end up with one driver record in the province of where that person is from, so that it's always kept current.

And to be perfectly honest, in the United States that doesn't always happen. Most tickets, most convictions would come back out of the United States, but not all. They have all sorts of different police force levels, municipal police, state police and that, so there are some we know that won't come back. I think the major ones on Criminal Code convictions, certainly. But it's a reciprocity-type agreement; it isn't by law that they, you know, some small state department or some small municipal officer would have to get it to us in a timely fashion.

Ms. Beck: — Thank you. So moving on then to the second recommendation, and there is a pattern here, so the recommendation is this: that SGI enter into its system, as just described, information on out-of-province traffic offences similar to the time frame as in Saskatchewan. Now I think you've answered this, but part of the problem is the time that it takes to get to your office, and then there is perhaps an indeterminate backlog in actually entering those into the system then. So now we have, with this system, a better ability to assess how long that's taking to get on desk, into system. Is that

correct?

Mr. Cameron: — That's right. And as what we've said before, they're dated. We know the date we get them. We know the date we enter in. The manager makes sure that we don't have a backlog. They're entered to meet those timelines, and it's formalizing what we had but wasn't in writing to each of the people doing that, and also brought to the forefront by the managers.

Ms. Beck: — And what . . . Sorry, what is that target again?

Mr. Cameron: — I'm sorry. I didn't bring the target for each one of them.

Ms. Beck: — Okay. Okay.

Mr. Cameron: — I should have but . . .

Ms. Beck: — Okay.

Mr. Cameron: — Usually it's a couple of days on most of them. I mean some of them are immediate. Is it three? I'm getting a number here from the Provincial Auditor who did bring the number. Thank you.

Ms. Ferguson: — If you would like the response, Carla . . . [inaudible].

Ms. Beck: — Sure. There's an indication that . . .

Ms. Ferguson: — It's three days.

Ms. Beck: — That number is three. Okay.

Mr. Cameron: — Thank you.

A Member: — Helpful. It's always good to have an auditor.

Ms. Beck: — For the Criminal Code convictions then, are those entered . . . They're reported daily. Are those entered daily as well, or those are entered within a time period?

Mr. Cameron: — They're entered as soon as we receive them.

Ms. Beck: — Okay. The third recommendation was around ensuring that the changes are made in law that set demerit points and sanctions before making corresponding changes in the computer system used to administer driver's licences. My understanding there was a bit of a discrepancy there. Would you like to report on, respond to that and report progress towards that recommendation?

Mr. Cameron: — Yes. That was one where there was an error made. The two didn't match. We had to go back to LRRC [legislation and regulation review committee]. We already had it . . . We had it right in the system, but we didn't do it correct in our regulations. We went back to LRRC as soon as we could and corrected the . . . So they both match now. And we've also asked everyone why that happened, why it wasn't matched. I mean that's what we do, is match regs to our system and then test it and test it, and that was one that we didn't. And it has been corrected, and one that we watch every time we change a

reg now. I mean we're always looking for that, obviously, because it has to match.

Ms. Beck: — Thank you. The fourth recommendation was that SGI give staff written guidance on determining the length of extensions that can be granted to drivers and for completion of required actions. So there was the ability to give, to provide up to two extensions for those folks facing sanctions, and there was some lack of clarity, I understand, with regard to guidelines around when those could be provided or what the period was for. So would you like to respond and provide an update on that?

Mr. Cameron: — Yes, we have written guidelines on that and then how it gets escalated if a customer needs a further deferral of time. And there are special cases, but it has to go then to a management person and then it's documented as to why. And it may be a case of availability to a program or to a hearing. So it's documented. It's escalated to a manager after, and it seems to be working well.

Ms. Beck: — So after one extension or two extensions?

Mr. Cameron: — After two.

Ms. Beck: — After two. And there's been a set time frame then for those?

Mr. Cameron: — That's correct. And like I say, there's many, many reasons. Certainly up north too sometimes access to programs isn't available. Sometimes it's quite a long period of time. But it's documented why and then the manager's approved it, or a management person has approved it.

Ms. Beck: — Okay. Thank you. And the final recommendation of course, the fifth recommendation, was that SGI give staff written time frames for completing manual evaluation of driver information. Would you like to report on that and provide an update?

Mr. Cameron: — That too, we had guidelines, but they weren't very formal. They're now been formalized. They're in writing and that's what the staff is following, and that's what the manager would monitor with the staff to make sure they're following. Most of these we are doing, staff were doing a very good job. It just wasn't formalized. It wasn't in writing. And our auditors want to see exactly that, and so does our senior management.

Ms. Beck: — So was there . . . So when those manuals are updated, is there some training of staff or that goes along with that?

Mr. Cameron: — That's what happened, like you say, very quickly. When we put these all in place within a few weeks, it was exactly that — by luck. We don't have a large department there. It was sitting down with all the staff, going over the new guidelines, showing the written documents, and streamlining some of our work process so that if you went to look now at a document, you could tell what date we got it, when it was received, and that you followed the process and the timelines that were set out in the manual.

Ms. Beck: — That's all I have for questions.

The Chair: — Seeing as we've completed questions on this report, the 2016 report volume 1, chapter 15 has five recommendations for the committee to consider. What is the wish of the committee? I recognize Mr. Phillips.

Mr. Phillips: — Madam Chairman, I would like to make a motion that the committee concur with the recommendations and note compliance of recommendations 1, 2, 4, and 5, and would note progress to compliance on recommendation no. 3.

The Chair: — Thank you. Mr. Phillips has moved that the committee concur with the recommendations and note compliance on recommendation 1, 2, 4, and 5, and notes progress towards compliance on no. 3. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Minister, did you have a comment?

Hon. Mr. Hargrave: — Just one brief comment. Just an answer to one of the questions that we didn't have before for the committee. There are 24 inspection stations certified to do motorcycle inspections.

The Chair: — Thank you, Minister. That concludes our consideration of the Provincial Auditor chapters for SGI, and we will see you again in about a half an hour for consideration of STC. So if we'd like to have a quick recess here to let them out the door.

[The committee recessed for a period of time.]

The Chair: — We will now move on to the consideration of the 2015-16 annual reports of SGI and its subsidiaries. This includes the 2015-16 SGI Canada annual report, the 2015-16 SGI Canada annual report, the 2015-16 Saskatchewan Auto Fund annual report, the 2015 SGI Canada Insurance Services Ltd. annual report, the 2015 Coachman Insurance Company annual report, and the 2015 SGI Superannuation Plan annual report. Minister Hargrave, if you'd like to introduce any new officials and comments on this.

[14:00]

Hon. Mr. Hargrave: — Thank you very much, Madam Chair. I did introduce all the officials here that'll help with this section on the annual reports. I'd like to comment.

The 2015-16 fiscal year was a successful one for both the Saskatchewan Auto Fund and SGI Canada. SGI Canada realized a profit of \$84.5 million despite significant storm losses across the prairies and forest fire claims in northern Saskatchewan. In addition, SGI Canada achieved growth in all provinces where it operates, despite economic turn downs in Alberta and Saskatchewan.

For the Auto Fund, strong investment earnings and favourable underwriting results resulted in the Auto Fund increasing the rate stabilization reserve by just over \$159.1 million. Last year's relatively mild winter helped to keep claim costs down, and customers continue to see benefits from safe driving, with

discounts on their vehicle insurance to the amount of almost \$156 million between the safe driver recognition and business recognition programs. And of course our government and SGI remain focused on safe driving, with traffic safety being a top priority.

Thank you, and we're very happy to answer whatever questions that the committee may have.

The Chair: — Thank you, Minister. Questions from committee members? I recognize Ms. Beck.

Ms. Beck: — Thank you. Thank you, Minister, for your comments and to your officials for joining us here.

As noted in the message attached to the annual report 2015-2016 by the former minister, this was a banner period of growth, as was noted. There were some . . . achievement of almost \$85 million at that time, and a dividend of 47 of course. So that is good news. As was noted, there were some significant challenges with regard to the forest fire situation. So that certainly is good news. And noted also that this was in a period of some financial difficulty in the province. In the last year that we have in front of us here, were there restraint measures required of SGI? And what types of measures would have been put in place to address that situation?

Mr. Stepan: — Yes, within '15-16 there were some restraint measures that were required, requested. They were primarily related to staffing, training, travel — restrictions on the amounts spent in those areas.

Ms. Beck: — Was there a requested level of reduction or financial requirements that were enacted as restraint measures?

Mr. Stepan: — There was a request for an amount. I don't know what it was off the top. We can certainly find that out.

Ms. Beck: — So largely it was through staffing costs, is that my . . . That's my understanding.

Mr. Stepan: — Yes, staffing costs, vacancy management, and other training and travel costs.

Ms. Beck: — As was noted and as is noted in the report, and I believe was noted earlier this morning when we had the CIC CEO with us, there is about \$3 million invested outside of the province. Is that correct? Or 3 billion rather.

Mr. Stepan: — In terms of our . . .

Ms. Beck: — Investments outside of the province. I'm noting here, first of all, operations outside of Saskatchewan, BC [British Columbia] for example is noted, that there was some robust growth I suspect there. So SGI has investments not only in Saskatchewan but has investments outside of the province as well?

Mr. Stepan: — Correct, yes. We have operations in Ontario, in Manitoba, Alberta, and BC.

Ms. Beck: — And Saskatchewan and Alberta would have both had some significant challenges in this past year, but the growth

in those other areas was significant. Is that correct?

Mr. Stepan: — Most of the profit that was generated was strong underwriting results, so the business of the insurance in Saskatchewan, in Alberta, and in Ontario generated a profit. We had some losses in Manitoba related to storms. And BC was very early stages in the start-up, and those start-up costs caused a small loss. So from the business part of the insurance operations, that's where the profit was generated. And then on top of that, we had very strong investment results that, company wide, added to the profits as well.

Ms. Beck: — In terms of risk management, is it important to spread some of that investment risk around across . . .

Mr. Stepan: — Absolutely. The Saskatchewan operations alone are subject to significant volatility because of summer storms. And there's measures that can be taken to mitigate that, but the best way to mitigate that is to spread geographically so that you're not subject to storm losses in the province. Ontario has very little exposure to that type of loss. BC would be the same. So spreading that geographic risk reduces risk overall for the company.

Ms. Beck: — I guess that makes sense. If you had a prolonged drought on the prairies or something like that, or wildfire across the North, then you would potentially not have the same risks in Ontario or BC or . . . [inaudible].

Mr. Stepan: — Exactly.

Ms. Beck: — Okay, thank you. I'll move on from there. So I guess if there were . . . You know, certainly the percentage invested in Saskatchewan is important, but the percentage invested outside is important from a risk management and business model perspective. Is that correct?

Mr. Stepan: — Yes.

Ms. Beck: — Okay, thank you. So there have been some measures to . . . I believe the policy is, Sask First policy. But outside of that there's still the business case. Is there a maximum percentage that you would expand business and operations outside of Saskatchewan? Is that built into, or that's a flexible number?

Mr. Stepan: — Yes, it's a flexible number. We have a long-term goal of having 60 per cent of our premiums written in Saskatchewan, 40 per cent outside of the province. When we look at it from an actuarial perspective and look at what would reduce the risk on a long-term basis and reduce the risk overall, that's kind of our target of where we should be in province and out of province . . . [inaudible interjection] . . . 60/40.

Ms. Beck: — Okay. And again that's a decision that's arrived at based on the business model and risk management factors, and dispersing that risk across a larger area.

Mr. Stepan: — Absolutely, yes. Our actuarial unit looked at that, looked at where the losses were, the type of losses, how they're correlated with the various areas, and with that model that was developed, the 60/40 mix would be optimal in terms of reducing the risk.

Ms. Beck: — I would guess if you weighed too heavily the other way, then your risk could possibly be too concentrated in one area and that opens . . .

Mr. Stepan: — Correct.

Ms. Beck: — Okay, thank you. So I'm going to move on to page 18, and this is a statement of the 12 months ending December 31st. Of course within all of these reports we're dealing with a change in reporting period to align those reporting periods. But it's noted that there is a 10 per cent or a 10.5 increase which equals about \$21 million. Some of this was administrative. So can you confirm that this ratio, it's the ratio that went down, not the cost, when we're looking at the premium tax ratio?

Mr. Stepan: — Sorry, can you . . .

Ms. Beck: — So right underneath . . . Sorry. I'm about halfway down the page, and it says 12 months ended December 31st, 2015. So there's a discussion there of excluding claims incurred, an increase, notes an increase, and then notes the impact on the premium tax ratio as a result of higher broker bonuses in Saskatchewan.

Mr. Stepan: — So the 10.5 does not include the increase . . . that the 10.5 . . . Oh, I'm sorry. Yes, that does include the commissions and those expenses going up. Any time you have growth in premium, the dollars are going to go up. So the overall ratio wouldn't have changed as a per cent of premium, but the dollars would have increased.

Ms. Beck: — Thank you. There's something I've flagged here and I haven't highlighted it. Okay. So I'm going back to the president's message here, and this is on page 4. Of course there was the pilot project — I believe in two locations, is that correct? — of the photo speed enforcement.

Mr. Stepan: — This is the Auto Fund chapter, right?

Ms. Beck: — Oh, am I . . . Yes, I'm in the wrong book. You're right . . . [inaudible interjection] . . . Oh, okay. There's just . . . I think there's mention of it in here.

[14:15]

Yes, you're right. Looking at the Auto Fund, again the president's message, and again on page 4. But I'm now moving into the Auto Fund annual report. My apologies for that.

Looking at the report on page 4, and your message just makes mention of the pilot project for the photo speed enforcement that we just recently had an update on that project, that there has been a positive impact with that program, a reduction of speeders in areas where those enforcement mechanisms have been installed. And you do make mention of some concern around school zones. Would you like to elaborate on some of the progress that has been made or some of the results that have been shown as a result of that pilot project?

Mr. Cameron: — I didn't bring the exact numbers with us, but as you know, we started this pilot after the all-party committee recommended that we have photo speed enforcement as one of

the pilots. We have photo cameras in Moose Jaw, Regina, and Saskatoon in the school zones. We have some high-speed intersections like the Ring Road, Circle Drive, east of Regina on No. 1, and Martensville. And the indications are the average speeds have come down; the number of speeders has come down. Our goal was hopefully to have less than 1 per cent of the vehicles going through violating the speed limit, and in most areas that has been successful.

The intersection at Moose Jaw and No. 1 Highway, there is still a concern, and I think it's largely the number of speeders goes . . . It fluctuates, is a lot of out-of-province vehicles. That's probably our highest intersection for out-of-province vehicles, and it seems they are not able to slow down or read the signs we've put up. We've put up a large reader board there now, in advance. We've put a reader board in advance to say, this is a photo radar and here's your speed, so that they would, by the time they get there, they would slow down. And that seems to be having some effect.

Overall we're very positive about what it's done with the awareness on Circle Drive and Ring Road, and the early numbers show that collision numbers, deaths, and injuries in those areas are down. But it's still a fairly thin piece of data to look at. They're small pieces of highway or small corridors.

And school zones, it's certainly created awareness, not just in the school zones it's in but all school zones. So we believe that's a positive.

Ms. Beck: — So you do have some data on the impacts of that program. Is that something that you're able to share?

The Chair: — I just wanted to note that within the Auto Fund's financial and annual report, there is a comment with regards to the pilot projects in the president's message. But you know, as far as providing data on particular speeders, if you had a question that was related to the finances of the project or whatever, that would probably be more relevant.

Ms. Beck: — I guess my questions would centre around just the efficacy of the project and any plans, you know, cost effectiveness of that plan towards a goal of reducing those speeders. That would be . . .

Mr. Cameron: — I can comment somewhat on that. We do publish each month the photo radar results in each of those zones. It's on our website; that's public information. It shows the average speeds. It shows the number of violations, tickets, everything there. That's done monthly. And we haven't finalized our collisions and injuries in those zones, as to what the final numbers are and that. You wouldn't see that on the website yet. But the rest of those numbers are public and they're very detailed, including the high-speed violators also are in there.

Ms. Beck: — That's helpful. Thank you very much. I think with that information and that availability, certainly for myself and for other committee members, the members of the public, to be able to go and see that, the results as published on your website, that is helpful.

I think, looking at the time and respecting the time of the folks

we have with us today, I just want to say thank you. I appreciate that. As I fumble through all of these pieces of paper, your willingness and ability to answer questions has been appreciated. And congratulations on a banner year as noted in your report. Thank you.

The Chair: — Seeing no further questions, I will now ask a member to move that we conclude consideration of the following annual reports and financial statements: 2015-16 SGI Canada annual report, 2015 Saskatchewan Auto Fund annual report, 2015 SGI Canada Insurance Services Ltd. annual report, 2015 Coachman Insurance Company annual report, and 2015 SGI Superannuation Plan annual report. I recognize Mr. Phillips.

Mr. Phillips: — I so move.

The Chair: — Mr. Phillips has moved that we conclude consideration of these reports. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with SGI. Minister, if you have any final comments before you release your officials.

Hon. Mr. Hargrave: — I would just like to thank you, Madam Chair, and the entire committee, as well as all of my officials, Andrew, Earl, Jeff, and Cari, for attending and for co-operating and answering all of the questions that were asked. Thank you very much.

The Chair: — Thank you, Minister, and thank you to your officials for their time this afternoon as well. We'll just take a brief recess here before the Provincial Auditor returns.

[The committee recessed for a period of time.]

[14:30]

Saskatchewan Transportation Company

The Chair: — All right. Welcome back, everyone. And we will now be moving on to consideration of the Provincial Auditor chapters and annual reports for STC. Ms. Ferguson, if you would like to introduce your official again and make your presentation on the 2009 report volume 1, chapter 14.

Ms. Ferguson: — Thank you very much, Madam Chair, Deputy Chair, and committee members, Minister, and government officials. Beside me is Ms. Regan Sommerfeld and behind is Ms. Kim Lowe. Kim is the liaison to the committee, and Kim's portfolio in the office includes STC.

So in this case, I'm making the presentation. Before I do so, I'd like to thank the officials for the co-operation extended to us way back I think in 2009, on the report that's before the committee.

So the chapter that's before the committee is chapter 14 of our 2009 report volume 1, and it starts on page 181 of the report. This chapter reports the results of our 2009 annual integrated audit that we did in conjunction with Meyers Norris Penny and

the results of our follow-up of two recommendations resulting from our 2007 assessment of STC's balanced scorecard report that is encompassed within their annual report on operations.

Our office worked with STC's appointed auditor on the annual integrated audit, and in our opinion, the 2009 financial statements were reliable, had adequate controls to safeguard public resources, complied with authorities. And in addition with respect to the follow-up, we report that they implemented both of the recommendations from the 2007 audit. So they were fully implemented at the time of the follow-up. So this concludes our report.

The Chair: — Thank you, Ms. Ferguson. Minister Hargrave, comments?

Hon. Mr. Hargrave: — Thank you again, Madam Chair, and members of the committee. I'll just introduce the staff, my officials that are with us today, that have joined us today. There's Shawn Grice; he's the president and chief executive officer for STC. There's Dean Madsen; he's the chief operating officer. And there's Candace Caswell; she's the executive director of strategic planning. She's back and to my right. And Michelle Maystrowich, chief financial officer for STC.

Madam Chair, I'd like to start by making a few comments about the organization. STC's mandate is to deliver and maintain a transportation service for passengers and freight necessary to ensure the sustainable, safe, reliable, and accessible linkage to people and communities across the province.

STC provides an important service. Their main objective is to ensure the delivery of those services is done as efficiently and effectively as possible. With 25 routes serving 253 communities and over 200 private sector partnerships in place to extend that reach, STC connects citizens with services, goods, and transportation across the province.

The employees at STC share a singular focus — customer service excellence. They understand that they are entrusted with the transportation of our fellow citizens as well as important goods and services. As a result of this, STC continues to attain extremely high customer satisfaction scores, with passengers rating their satisfaction with the company at 93 per cent in 2015 and '16. During that same period, parcel express customer satisfaction grew to an all-time high of 95 per cent. STC continues to work to identify efficiencies in the provision of their services and is working with the private sector to maximize the reach of those services. As well, new, smaller 16-passenger coaches are scheduled for delivery in the coming months and a new point-of-sale system will provide additional efficiencies both administratively and at an operational level.

We look forward to the opportunity today to review the annual report for the 15 months ended March 31st, 2016. Thank you and we'd be pleased to answer any questions you have.

The Chair: — Thank you Minister. Are there any questions from committee members?

Ms. Beck: — Thank you, Madam Chair, and thank you to the officials from STC that are with us today. I just first wanted to confirm and highlight the fact that there were a couple of

recommendations that were made way back in 2007 with regard to STC and confirm that in fact, as noted in the audit conclusions and findings, that those two items were seen now to be in compliance, and that was confirmed back in 2009. So I guess congratulations on that and thank the auditor and her team for their follow-up and follow-up by STC towards achieving those goals. I don't know that there is a lot of benefit to my providing further comment on that.

With regard to the annual report, I thank the Minister for his comments. I guess just a couple of questions flowing from your comments with regard to the customer satisfaction scores. So high scores both for passenger and freight service customers. Would you mind for the committee and for myself just running us through how that customer satisfaction is gauged and how that's reported on?

Mr. Grice: — Sure, and thank you for the question. The passenger survey is conducted on board. So we have surveys that are running throughout the year and as patrons that are on board are filling them out, they're turned in and they're tabulated by staff at STC. And those surveys are not to be handled by the drivers. So they come in to head office to be tabulated, in accordance with our policies that we have for measuring that metric which was audited back in 2007, to make sure we were following those objectives.

In terms of the express freight surveys, those are done online and in the facilities, in the depot where they can fill those out as well. And those are done at certain times of the year as well. I think in this most recent year, Dean, we've made them more available all throughout the year so that people can get access to those surveys on a regular basis throughout the year. We used to run them at certain times, so as we go back in history, there were different times when we would survey. We have better technology now to allow us to survey more frequently. And again it's just completed by shippers, so both personal and business shippers as well. And we tabulate those results based on a standard set of questions that don't change so that we can have a consistent and reliable result for the measurement.

Ms. Beck: — Thank you. So just to ensure that I understand that correctly, so for passenger services there's a paper document that's handed out to them going on or coming off the coach, and those would be filled out at the discretion of that passenger. Is there a rate . . . Do all passengers receive those, or is it certain times that you would be handing those out?

Mr. Madsen: — We survey all the routes twice a year, so there's two periods of two weeks that we survey all the passengers. All of the passengers in those four-week periods are offered to fill out surveys. And before the trip departs, the survey is left on the seat with a pencil, and at the end of the trip those surveys are collected, put in a sealed envelope, and then returned to our dispatch. And then we send them in for tabulation.

Ms. Beck: — Do you keep records in terms of the response rate on those?

Mr. Madsen: — Yes. In the 2015 survey there was 4,948 passengers available to survey; 41 per cent of those or 2,027 passengers actually filled out a survey. So we had a 41 per cent

rate of return.

Ms. Beck: — And now you noted for freight customers, that's an online survey that's completed. And again is that a sample that you send out at certain times to those customers?

Mr. Madsen: — I think, like Shawn has mentioned, we have it running longer. But there's periods where invoice stuffers will make sure that customers are reminded that a survey exists, and will give them the link to find the survey. As well as customers who walk in to our depots, we give them cards with the URL [universal resource locator] where they can enter the survey as well. So we do that. We do certain blitzes throughout the year, if you will, just to make sure those numbers are up.

Ms. Beck: — Thank you for that. Minister, you also noted in your comments that you're looking for efficiencies, including working with the private sector in some areas. Could you expand upon that in terms of what some of those initiatives or those private sector partnerships would look like?

Mr. Grice: — I'll take the question. Thanks, Ms. Beck. We partner with about 174 agencies across the province to make sure that we're using private sector local businesses to provide our services to those communities. As well we have arrangements in place with a number of carriers for both freight and passenger — so some of them are freight only — across the province as well. So they can extend our breadth or our reach, if you will, in the far areas of the province because it's too difficult for STC to maintain the hours of service regulations and still keep a driver valid for his shift, to be as far away from home as we can and still get them back to base. So that's where those private sector carriers really come into play and make it more efficient for us to operate.

Ms. Beck: — So that would include both the depots where you would provide service and some of those branch lines that would provide freight service extensions beyond the regular line?

Mr. Grice: — Correct. And maybe I'll just give a bit of an overview of our network. So in Regina, Saskatoon, and Prince Albert we have our own depots that are staffed by STC people. And every other operation throughout the province, those are all private sector operators that are running their businesses. And in one other case there's an exception, which is Moose Jaw, where we own the property but we have an agency that's private sector that's running that for us.

The example that I can give you about how they would extend the breadth, for instance we have P and D [pick-up and delivery] operators in the city that are private sector contractors. So they're picking up and delivering parcels on a regular basis. In small towns we will have some of those agencies provide that same service for us as well, but it's not, again, our staff. And if you look to certain business arrangements like, we have Ward Sterling Enterprises that runs to La Loche and also provides service from Shellbrook into Prince Albert. That would be a private sector operator that we are contracting with to provide those services for us. So that might be the best and largest example of a contract.

Ms. Beck: — Thank you. Minister, you also noted some

movement towards a new point-of-sale system. I'm just wondering if you might be able to expand upon that.

Mr. Grice: — Sure. Thank you again. Our point-of-sale system that we're looking at implementing now is quite an advancement over the current that we use, in that it has a web-based background to it. So we can now deploy this more economically to all of our agencies across the province. The previous system was really proprietary in that we had to pay for the use and the licensing, as well as supply the technology for it to run on. So as we looked at this new technology, it will allow us to expand the electronic interface, if you will, right to every agency so that now data entry happens at the time tickets are sold.

[14:45]

So the benefit to that is we'll know in real time what's happening on our networks, so we can now move to other efficiencies. I think the minister referred to some operational benefits which would include capacity management. So in the past, we had to size our coaches to peak demand and, as such, you'd have to have a larger coach on a run than what you would otherwise wish to have. With this technology, we'll know how big the load will be on any given run, and we can size the coaches more appropriately and put more small coaches on the network. And as the minister indicated, there are three small coaches that are on order right now.

Ms. Beck: — So with the real-time point-of-sale system, you could anticipate how many passengers you would have up a certain route in real time, and then you could make the decision whether to send a larger coach or one of the smaller coaches.

Mr. Grice: — Right. We can take those types of steps. What's probably more likely to be the case is we would set the capacity of the coach to that route, knowing what is normally on that route, and then we would only sell to that limit. So it would be much like an airline operation where you'd sell to a certain number of seats. Currently in our industry, it's quite common to run overloads. So you will sell to a certain number and then, if more people show up, you deploy more coaches, which is very inefficient in today's environment.

Ms. Beck: — Thank you. Okay, I think that that answers my question. Thank you. I'm just going to move specifically into the report.

So of course there are revenues that are recouped both . . . And you identified some of the routes that you're pursuing with regard to efficiencies within the system. And then there is a certain amount that is paid to STC to provide the services, noting that there's a commercial side and then there's also the mandate to provide accessible transport of people and freight throughout the province. And of course, we've discussed here in committee before, we have a very large province with a rather small population, so certainly there's an understanding that the ability to provide that service over such a large distance is difficult.

One of the notes within the annual report is that about 60 per cent of expenses are recouped through revenues, and then there's a certain amount that is brought in to fund operation.

Any concerns or any targets with regard to the per cent of revenue that is recouped through the commercial side of STC?

Mr. Grice: — Certainly our objective is to keep that number as low as possible. I don't think that there's a day that goes by where we don't have the goal of being profitable at STC. It is an objective at all times. We try to balance that always with public policy. The number itself has crept up over the years, and we're currently tracking I think at 41 per cent for the 15-month period of 2015-16. And if you look in the balanced scorecard for the annual report that's under review, you'll see that that target goes to about 44.57 per cent next year.

In terms of a target, I know that there are other factors, you know, that we can look to in terms of setting a target, but currently the objective is to always get that as low as possible on any given year. The city of Regina and the city of Saskatoon as comparators, the city of Saskatoon was running at about 64 per cent where we are running at about 41 per cent for the 15-month period, and city of Regina was 72 per cent. So there are certainly efficiencies in STC's network that we're fairly proud of in terms of the delivery model that we use. I think one point to make there is the ability to carry freight is a great opportunity for STC, to be able to have that on board at the same time as the passenger network is there.

Ms. Beck: — And certainly I do appreciate that dual mandate of, you know, in one hand providing that commercial service but also ensuring that people have the ability, folks who don't have . . . maybe live in rural and remote areas that might not have the ability to travel otherwise to medical appointments or other things, that that is a service as well that is provided by STC. So that is appreciated. And you noted that there is ability to compare year over year your progress towards that target.

You noted that there was a constant desire to look for those efficiencies and a number of measures that you were proud of your ability to move towards. I just wanted to offer you the opportunity to expand on some of those points where you have met those goals and have been able to find those efficiencies through innovation and other means.

Mr. Grice: — Sure. You know I think I would point out the point-of-sale system that we're working on. That's perhaps one of the most transformational, is allowing us to move to smaller coaches if you will. We've had smaller coaches on a number of routes since about 1998. Some of them have been able to be continued on in terms of the routes where they're on. In other cases, the smaller coaches, they run into capacity problems. And you have peak loads that exceed them, and then you have to start phasing in different types and sizes of fleet.

So as we move forward with a POS [point of sale] opportunity, this is really a transformational change for us, with technology being introduced to make sure that we never have to run those risks again. We can ensure that it's much like an airline industry where when you show up for your bus ride or your plane ride, you're guaranteed to get on. I shouldn't say that. I think I've been on a few plane rides where that didn't happen. But certainly STC, you have my commitment; you should be able to get on the bus if we sell the ticket. That's the premise upon which we're moving forward. So that is a great opportunity.

The smaller coaches are quite a bit cheaper in terms of an upfront capital cost, and they're also quite a bit cheaper in terms of an operating cost, and in terms of over-the-road costs such as fuel, oil, tires, and insurance.

Ms. Beck: — With that system, would there be some requirement or expectation that people would purchase their tickets in some period in advance?

Mr. Grice: — There really is a wonderful opportunity here and that right now our current POS system limits us to 100 origin/destination pairs in our network. The new POS system is unlimited, and not only that, you can buy onto the Greyhound network anywhere across Canada. So that gives us an opportunity to earn commissions on sales of Greyhound tickets.

In addition, it's web enabled and it is very economical for us to deploy broadly. So the data entry is taking place at the point of sale by our business partners and that information is readily available for us to use to manage the business.

It also has the capability of doing bus-side scanning, which is, if you will, your electronic ticketing. So there's no paper at all. So not only could you print them at home under this new scenario and come in and have it scanned, but you could have it just saved to your portable device and walk up to a scanner and board the bus. So it's much like you see in the airline industry and quite an efficiency.

Ms. Beck: — Thank you. I'm just noting in the annual reports a message from the Chair. I'll just read the quote:

As a result of careful business management, the annual grant STC receives from the province of Saskatchewan reflects only 38 per cent of the cost of providing this . . . service . . . success in contrast to the levels of subsidy required to maintain public . . . [transport] in other provinces and municipalities.

And I think you . . . Yes, you did make note of the public transit system and the level of subsidy within the cities, the two major cities in the province. Do you want to provide detail for some of the comparisons with other provinces, or expand upon those comparisons with municipalities?

Mr. Grice: — Sure. The one that comes to mind . . . And I think we've done a calculation recently with regard to British Columbia, but I can't remember the municipality so I'd better not quote the number, but certainly with the city of Calgary. They are a much bigger operation so they are in the neighbourhood of \$450 million-a-year business. Their number, I believe, for last year was about 55 per cent, so quite a bit closer to us. I think economies of scale makes a bit of a difference, but still somewhat higher than the target of 41.01 that we hit for the 15-month period and the 38 per cent number that you quoted was for the 12-month period for the calendar year of 2015.

Ms. Beck: — You did answer the question. My next question was around the number of people surveyed, and you did provide that answer, so thank you. One of the programs or initiatives of STC that I did have some level of involvement with when I was working at the hospital as a social worker was the medical pass

system. And I'm just wondering if you could maybe expand upon what that pass system is and provide some details in terms of how many people access that program every year.

Mr. Grice: — Sure, I'll try to answer the question, and if I need Dean I'll call him in. But last year in 2015-16, we sold about 1,664 of those passes. They are a pass that sold for \$66.20 and they are valid for a 30-day period for any amount of medical travel they need on a specific corridor. So if they're a dialysis patient and they're travelling from P.A. [Prince Albert] to Saskatoon, they can ride for \$66 for the month, any number of times they need to on that corridor.

Ms. Beck: — It's certainly appreciated by those who have to access that program for sure. I'm just looking if I had any more sticky notes in here, points that I wanted to discuss. No, I think . . . and I perhaps should have provided this opportunity to others, if there were any highlights that you wanted to make with regard to the annual report or anything that you wanted to flag. I think I will conclude my comments there. Thank you.

The Chair: — Thank you. Seeing no further questions, I'll begin by . . . The 2009 report volume 1, chapter 14 has no new recommendations for the committee to consider, so I will ask a member to move that we conclude consideration of this chapter. Mr. Nerlien.

Mr. Nerlien: — Thank you, Madam Chair. I move we conclude consideration of this chapter.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concluded our consideration of the Provincial Auditor chapters for STC, but we will look to consider conclusion of the consideration of the 2015-16 Saskatchewan Transportation Company annual report as well. And I will ask a committee member. Mr. Nerlien.

Mr. Nerlien: — Thank you, Madam Chair. I so move.

The Chair: — Mr. Nerlien moves to conclude the consideration of the STC annual report. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business for STC, but we'll move right into SOCO seeing the time is fairly close to that as well. If you would like to switch officials down there, Minister.

Saskatchewan Opportunities Corporation

The Chair: — Moving ahead . . . All right, thank you. We are now here to consider the Provincial Auditor chapters and annual reports for Saskatchewan Opportunities Corporation. And I will turn it over to Ms. Ferguson to introduce her officials and to make her presentation on the 2015 report volume 1, chapter 29.

Ms. Ferguson: — Thank you, Madam Chair, Deputy Chair, members, Minister, and officials. I've got with me this afternoon Ms. Regan Sommerfeld. Regan is the deputy

responsible that . . . SOCO is included in her responsibilities. And behind her is Ms. Kim Lowe, and Kim is our committee liaison.

As indicated by the Chair, we're looking at chapter 29 of our 2015 report volume 1. This chapter reports the results of our follow-up of three recommendations that we originally made in our 2012 report volume 1 regarding maintaining facilities at Innovation Place Saskatoon in a sustainable way.

As noted on page 282 of the report, at January 31st, 2015 SOCO had partially implemented the recommendation that it document for each of its facilities the current condition, key risks, and remaining lifespan in the context of the facilities' intended use.

[15:00]

We found that SOCO had assessed and documented facility condition in an asset management plan for each of its 16 facilities, and we found that these plans included an overview of the purpose of the facility, results of the building condition assessment surveys, facility service history, and information on technical and aesthetic obsolescence. However at the time of the follow-up, which was in January of 2015, not all key information had been documented. It had not yet documented key risks, remaining lifespan for the identified service objective, rehabilitation or replacement activities required, and associated costs within the short- and long-term. Management indicated at that time that it hoped to complete this work by December of 2015.

Also noted on page 282, in January of 2015, SOCO had partially completed the second recommendation that it expand its corporate maintenance plan to include all maintenance objectives and priority strategies for the short- and long-term. Although they had collected information on facility condition and maintenance planning for the asset management plans, at that time they had not yet compiled information from past . . . from asset management plans into an overall short- and long-term plan. They had indicated that they had expected to complete that once the first recommendation was fully implemented.

Then finally as noted on page 283, SOCO has implemented the recommendation related to identifying and using performance measures to better monitor the effectiveness of its facility maintenance activities. Our office plans to do our next follow-up and report the results on that next spring, I guess, so is when we plan to do that further work. So that concludes our presentation.

The Chair: — Thank you, Ms. Ferguson. I'll turn it over now to Minister Hargrave to introduce his officials from SOCO and make his opening comments.

Hon. Mr. Hargrave: — Thank you again, Madam Chair, and the members of the committee. It's our pleasure to be here for the committee's consideration of matters pertaining to SOCO, specifically called for the annual report for 2015-16 and the Provincial Auditor's report for 2015 volume 1, chapter 29.

Joining me today are president and chief executive officer, Van

Isman; vice-president and chief operating officer, Ken Loeppky; and chief financial officer, Brent Sukenik.

The purpose of the corporation is to create, encourage, and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

As you're aware, SOCO operates the research and technology parks in Regina and Saskatoon on land leased from the universities of Regina and Saskatchewan respectively. Collectively these facilities contain 27 buildings with approximately 1.7 million square feet of office, laboratory, greenhouse, and pilot plant space. At the present time, SOCO has 162 tenants leasing space; 84 per cent of these tenants are private sector businesses and research organizations all involved in the technology field.

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 and life sciences, information and communication technology, and mining and other engineering technology. Primary clusters of focus in Regina are energy, environmental, and information and communications technology.

During the 2015-16 fiscal period, SOCO generated a net income of \$1.65 million. However a far more important statistic is that during this fiscal period, 10 new technology businesses were started within the parks. And I'm advised by the officials here today that they are on track for equalling or exceeding this number of new tech start-ups in 2016-17.

So we'd be happy to answer whatever questions the committee may have. Thank you very much.

The Chair: — Thank you, Minister Hargrave. Any questions from committee members at this point in time? I recognize Ms. Beck.

Ms. Beck: — I think that I'll just start as we've done with others who've presented and specifically presented with regard to the recommendations of the auditor, provide the opportunity to speak. Well in this case we have ... The third recommendation has been noted to be implemented. But I'll just focus on the two that, at last update, were partially implemented and allow the opportunity to speak to the concerns that, the recommendations that were noted by the auditor and then to report upon progress towards those recommendations.

So starting with the first recommendation that SOCO "document, for each of its facilities, current condition, key risks, and remaining life span in the context of the facility's intended use."

Mr. Loeppky: — Okay. Thank you for the question. So we've spent the last couple of years since the last report to the Provincial Auditor working on developing our guiding principles and then going through a process of understanding what our key risks are for our buildings. And then for each property, we collected and consolidated information on the purpose and the intended use of the properties, service

objectives, expected lifespans. We included design characteristics, current conditions of the building and its key systems, and then we incorporated a summary of sort the key findings of our annual, or every two years we do an inspection report. And we've consolidated the findings from those reports and then included a discussion on any recent improvements. We also have a summary of the service life, as I mentioned, of all the major building components.

So we incorporate that information in a process that we use in our business planning and budgeting planning to sort of bring all of that collection of information together and have a discussion about the status of the properties and to help us focus on what our ... what we should be devoting our maintenance activities, maintenance resources, financial resources, and capital resources towards maintaining effectively the buildings in a more sustainable manner.

Ms. Beck: — All right, thank you and reporting ... And that actually was going to be my question. So you do have an allocated amount to do and that gets allocated based on that assessment into preventative maintenance and upgrading of the buildings.

Mr. Loeppky: — Yes, effectively what happens is that we bring the people that are involved in operating and managing the buildings together along with the data that we collect from the different data points that we bring in, and then we have a discussion about, over our operating budgets — what the issues are, and how should we address them — through maintenance operating dollars or through capital planning. At the same time we have a 20-year horizon of the expected lifespans of the major components that is slowly moving, that horizon slowly moves towards us. When it gets into the sort of four- to seven-year period, we start paying a little more attention to it. When it gets within a three-year period, it's really something that we're talking about for future planning.

Ms. Beck: — Okay. So these would be relatively new buildings most of them. Would that be the case?

Mr. Loeppky: — The first building that was opened in Innovation Place, Saskatoon was 1980. So there's a number ...

Ms. Beck: — I guess that was longer ago than I want to admit.

Mr. Loeppky: — Yes, and there are, of course at that age, there's some of the major building components are starting to have been replaced, roofs that sort of thing. So yes, we're starting to ... Our newest building I think was opened in 2009. So quite a span there.

Ms. Beck: — Thank you. I guess just moving on then to the second recommendation as last updated in the 2015 report as being partially implemented, and that was the recommendation that SOCO "expand its corporate maintenance plan to include all maintenance objectives and priority strategies for the short and long term." And I think that we perhaps have largely answered that, but is there anything you wanted to add to that in terms of the recommendation or subsequent actions?

Mr. Loeppky: — No, I think we've covered the majority of it. Really it's the idea of having a horizon and letting the horizon

move towards us. And then, I guess, the other interesting part about it is, if you have something that comes into the near horizon that we believe the life of it is still, based on the inputs we have, that it doesn't need attention, we push it . . . we'll push it further out into the . . . and let it come back towards us again. And there's lots of input from our front-line staff and management because really we believe we have a lot of smart people working for us, and they need to contribute to those decisions.

Ms. Beck: — So just so I'm clear and I'm not . . . We're having discussion not only on the auditor's report but also on the annual report as well, and then we'll vote that . . . have the votes at the end, the conclusion. Or do we want to vote on the auditor's report first of all?

The Chair: — We would like to deal with the auditor's report first and the chapter that's under discussion and the recommendations before we move on the annual report.

Ms. Beck: — I think I may have missed that last time.

The Chair: — You did but I didn't want to interrupt you, Ms. Beck. You were rolling along there so that's why I threw them both in at the end, but yes.

Ms. Beck: — I will pause.

The Chair: — Thank you. The 2015 report volume 1, chapter 29, has no new recommendations for the committee to consider, so I will ask a member to move that we conclude consideration of this chapter. Mr. Kaeding.

Mr. Kaeding: — I so move that we consider . . .

The Chair: — Mr. Kaeding has moved that we conclude consideration of the 2015 report volume 1, chapter 29. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our consideration of the Provincial Auditor chapters for SOCO. And we will now move into consideration of the 2015-16 annual report of SOCO. Minister Hargrave, do you have any further comments with regards to SOCO?

Hon. Mr. Hargrave: — No, I don't. We'd just be happy to answer whatever questions the committee might have.

The Chair: — All right. Any questions from committee members at this point in time? Ms. Beck.

Ms. Beck: — Thank you, and thank you for being here first of all today and for your comments, your opening comments, Minister Hargrave. You had noted in your opening comments that \$27 billion, I believe, as you had noted in the last . . . and a fairly large footprint, 1.7. I also noted 162 tenants, and I didn't catch the percentage that were private tenants, the proportion of private tenants of the buildings.

Hon. Mr. Hargrave: — Eighty-four per cent of our tenants are private sector businesses.

Ms. Beck: — What would make up the remaining tenants?

Mr. Isman: — Those would be university research units and private sector industry associations that focus on some of the research activities. By way of example, Ag-West Bio.

Ms. Beck: — Thank you. And just out of curiosity, are they fully utilized or is there a percentage of vacancy within the two campuses, for lack of a better term?

Mr. Isman: — Thank you for that question. We were sitting at 10 per cent vacancy as of March 31st. As of September 30th, we've been able to reduce that to 7.9 per cent, so tracking in the right direction.

Ms. Beck: — And has that fluctuated over years, been sort of stable around that 7 to 10 per cent?

Mr. Isman: — Going back into the last decade, there was typically fairly low vacancy, sometimes less than 3 per cent. Typically our objective is to aim for 5 per cent vacancy, and the reason why we target a 5 per cent vacancy is it allows us opportunity for new tenants that are in new technologies and new companies that are starting up. So we've seen it fluctuate up and down. It's a tad higher than we would like to see it right now but it's certainly in pretty good shape.

Ms. Beck: — Thank you. One of the things that we've noted from other officials who've been with us today have been, of course last year some difficulty and some restraint measures implemented in various areas. I'm just wondering if there were any restraint measures that were implemented for SOCO and Innovation Place in the last calendar year?

Mr. Isman: — Thank you for that. There were fundamentally two main fiscal restraint areas, or restraint areas within the fiscal year that we worked towards achieving.

[15:15]

Obviously there's efficiencies that we were working towards, but they are not necessarily restraint. One was in terms of the amount of training that was being done within the corporation, and we did not restrict training. And certainly safety is part of our corporate culture, and so there were no restrictions in terms of any type of safety training.

But we did pull back the amount of training that was being done for employees. We had set a target of, originally going into the year, of five days. It was reduced to three days. We actually came in slightly beyond the three day per employee mark and we were pleased with how that worked out.

The other was on out-of-province and out-of-country travel, which was restricted.

Ms. Beck: — So some of the training, you noted that you kept that away from areas that dealt with safety. But typically, those training days, what types of training would employees be undertaking?

Mr. Isman: — There's a considerable amount of training that we do in terms of different types of efficiency measures that

people would be working towards. We do concentrate a fair bit in terms of communication and problem resolution with our staff, and that has paid off remarkably well for us. So we've pulled back in some of those areas, but we've really focused on . . . Like I say, we have not retrenched at all in the safety area and we have maintained some training as budget permits.

Ms. Beck: — Thank you. And, Minister, you had noted that there's a mix of tenants and sort of they are grouped according to different areas, ag and life sciences, for example, and energy. Are you happy with the tenant mix? Is it the mix that you're looking for? There's a number of mixes, both the type of enterprises that are there and the private mix and some of the university bodies that occupy the spaces. Is that something that . . . You're happy with the status quo? Or is there some desired movement there in terms of mix of tenants?

Mr. Isman: — I think generally speaking we're actually quite pleased with the mix that we do have. We certainly see from time to time some of the sectors suffer with the economy in particular areas, and accordingly you see ebbs and flows with regards to number of new tenants coming into a particular cluster area or the number of new people that are employed within those specific areas. And typically, often as one comes down a little bit, another one goes up a bit.

In addition to that, we're also taking quite a bit of interest in terms of making sure that we're being perceptive to emerging clusters and emerging sectors that in, still in technology obviously, that may be coming forward. So we're sort of keeping our eyes and ears open in that regard of making sure that we're going to be responsive to what is happening within the province.

Ms. Beck: — And is that in part, I guess, the 5 per cent target that allows some of that flexibility if you have some vacancy at different times or is . . . Yes.

Mr. Isman: — That's correct.

Ms. Beck: — Okay. Thank you. One of the things I'm going to note, and I'm looking at page 13 which provides a business model, a simplified business model here. Just wondering about the outcomes, if those are measured. And is that reported on through like a scorecard as we've heard previously or is it reported on through other means?

Mr. Sukenik: — There are a few items that are reported on through our balanced scorecard.

Ms. Beck: — Okay.

Mr. Sukenik: — One of them is the new technology companies. We have two measures, one that reports the new start-ups each year, and another one that reports companies entering our parks from outside of the province. So those are the two balanced scorecard measures.

We do also track the success of our start-ups in Saskatchewan. One of our new measures, and you don't see it in this report, but the new measure itself has noted where we're tracking the success of our start-ups as if they survive in the province. So historically we've looked at whether the new start-ups have

been in our park. We expanded that to whether they're successful in the province. So, and I think as of the . . . Right now we're looking at about 70 per cent of our start-ups that started in our park are still operating in Saskatchewan.

Ms. Beck: — How far into the future do you track that progress for those companies? Like are you tracking them at the five-year mark or . . .

Mr. Sukenik: — That is as of the current time.

Ms. Beck: — Current time.

Mr. Sukenik: — So anything that . . . Anybody or any companies that . . .

Ms. Beck: — So at any point in time that business that came out of the park and about 70 per cent were still operating . . . [inaudible].

Mr. Sukenik: — Correct. Yes.

Ms. Beck: — Okay. Thank you. One of the things that is noted as we get further into the annual report is — I think it's on page 15 here — one of the priorities that the board of directors has indicated is more new and developing technology businesses rather than larger technology businesses. I'm not sure if anyone could comment in terms of why that focus was made, or the decision to focus on those smaller, new, perhaps emerging businesses rather than larger tech companies.

Mr. Isman: — Thank you for that question. It was a healthy discussion that our board went through in terms of the strategic planning exercise that led to some of that new direction. And one of the things that came out of it is a belief that we need to do more to support the development of new technology companies in Saskatchewan. We certainly have a very healthy mix of large technology companies and small tech companies, but we also have lots of technology companies that are doing research and development work that are national or multinational companies that are based out of the parks, in particular in Saskatoon but also in Regina.

Where the board saw a particular niche was a real opportunity to see some of the offshoot development that was going to come from new businesses that were being started in relation to some of those. And often it might be someone who was an employee of one of those larger companies, that they say, hey I've twigged on something here and I want to go off and start my own business in this particular direction.

And accordingly there was a strong desire to make sure that we were offering a welcoming environment and we're focusing in terms of making sure that we are supportive of that key area which has always been a primary target market for us to begin with. So it's a nice mix from that perspective.

Ms. Beck: — Thank you. Thank you for that answer. And I think this will be my final question, and I'm looking at page 16. Looking around job creation for the 12-month period ending in December of 2015, it's noted here that there was a decrease in 371 employees at Innovation Place, and a further decrease in the subsequent to make up to that 15-month period. I'm just

wondering what that was a result of, and if there are any plans to mitigate those job losses, or what the plan for it was on those.

Mr. Isman: — You will recall I talked about the ebb and flow in different sectors. We've seen a very significant retraction in terms of the mining technology field in Saskatchewan. A lot of the mining technology work that some of our tenants are doing involves design work and technology development for new mines and mine expansions, and with what has happened over the course of the last couple of years in relation to commodity prices has largely been the effect right back into the tech development area.

Ms. Beck: — So largely those losses were in that mine development, technology around the mining.

Mr. Isman: — Specifically yes, mining was by far our area that was hurt the most.

Ms. Beck: — Okay. Thank you. I think I will conclude my questions there. So thank you.

The Chair: — Thank you. Seeing no further questions, I will now ask a member to move that we conclude consideration of the 2015-16 Saskatchewan Opportunities Corporation annual report. I recognize Mr. Kaeding.

Mr. Kaeding: — I so conclude.

The Chair: — Mr. Kaeding has moved that we conclude consideration of this report. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. And that concludes our business with Minister Hargrave and his officials today. And I want to say thank you for putting in such a long day and bringing your officials along who have done a very fine job of answering questions that were put before you. So thank you for your time and your patience in dealing with the committee today. Any final comments, Minister?

Hon. Mr. Hargrave: — I'd just like to thank you and the committee and Ms. Beck for all her questions. They were very good. And I'd like to thank the Provincial Auditor for being here and bringing her staff in helping us, as well as my officials who were very co-operative in being here. And it was a long day, but all the committee members were here for the long day, so thank you very much for your time.

The Chair: — Thank you, Minister, and that concludes our business with you. So if your officials want to leave and then we will deal with the final business of the day with our Provincial Auditor.

[The committee recessed for a period of time.]

[15:30]

Standing Committee on Crown and Central Agencies

The Chair: — Thank you, everyone. Our final business of the day is the consideration of Provincial Auditor chapters related

to our committee in particular. Ms. Ferguson, please introduce your officials and make your presentation.

Ms. Ferguson: — I think we've introduced Kim innumerable times this afternoon, and so Kim's going to lead this presentation.

Ms. Lowe: — All right. There's two chapters before you: 2015 report volume 1, chapter 33; and the 2016 report volume 1, chapter 38. The chapters before you this afternoon do not contain any recommendations. Rather they provide your committee with an overview of the overall status of the committee's recommendations resulting from our office's work, the status of its consideration of our work, and the status of the committee's review of annual reports of CIC and the subsidiary corporations.

In your review of our work and recommendations, your committee makes recommendations. Your committee includes its recommendations in its report to the Assembly. The committee's last report related to the review of our work of our office was the eighth report to the twenty-seventh legislature, which was tabled on January 6, 2016. That report included 66 recommendations. By March 31st, 2016, CIC and its subsidiaries had fully implemented 83 per cent of the committee's 66 recommendations and partially implemented 91 per cent of the remaining recommendations. At March 31st, 2016, the committee had not considered 14 chapters from our four different reports related to seven Crown corporations and the committee. At the conclusion of this meeting the committee will have eight chapters from three different reports related to three Crown corporations left to consider. We understand the committee plans to consider these chapters at the December 13th meeting.

In addition, the committee is responsible for examining annual reports of CIC and its subsidiary corporations. At March 31st, 2016, the committee had not yet completed its review of the annual reports of CIC and its subsidiary corporations. We note that the committee considered various annual reports for CIC and its wholly owned subsidiaries along with the 2015-16 annual reports of three of its subsidiary corporations during today's meeting.

Our office encourages the committee to review the related chapters in our reports and the annual reports of CIC and its subsidiaries in a timely way, in that review of these documents contributes to the committee's fulfilling its important role — that is, holding the government accountable in its management of CIC and its subsidiary corporations. And that concludes my overview.

The Chair: — Thank you for that overview. And I'll turn to the committee to see if anyone has any questions of the Provincial Auditor's report. Ms. Beck.

Ms. Beck: — I just want to say thank you, Kim, for that report and for the update, the very timely update to that report acknowledging the work that has gone on here today. And I think, important to acknowledge Stacey's work with regard to ensuring that we all have the officials and documents that we need in front of us, and a plan to go through this work.

And I tell you, it feels a lot better at the end of the day today than it did at the beginning. We've gone through a lot and I certainly concur with the comments that were made in terms of ability for this committee to function in its oversight role when we have a clear table as opposed to when we have a very full table. So I thank you for your remarks and for your comments and your presence here today. It certainly does help us do our work and it is appreciated.

The Chair: — Thank you, Ms. Beck. Mr. Bradshaw.

Mr. Bradshaw: — Yes, I would also like to thank Ms. Ferguson. She's got to have one of the quietest voices, so you have to listen closely to what she says, but very, very, very good. And when you get to my age, your hearing isn't quite as good as it should be. So, anyway. And also to Stacey who I know certainly helped me and I know helps you in the way things go.

The Chair: — I would also like to add my thank you to Stacey and of course the Deputy Chair for working with us to ensure that we keep bringing these reports forward on a more current basis so that, you know, they can be dealt with. And we can continue to keep the government accountable as well. I agree that that's part of it.

And I thank the Provincial Auditor and her officials and crew for the work that they do in ensuring that the recommendations that are put forward are acted on as well and they have the opportunity to scrutinize them and report back to this committee as well. So thank you on that matter as well. Ms. Beck, did you have . . .

Ms. Beck: — Just one addition. I was remiss in not acknowledging the role of the Chair and co-operation and planning that went into this. And that commitment to ensuring that we do in a timely fashion while still executing our role of oversight to make a priority to become current on these reports. And that is appreciated as well as the co-operation and work of committee members. Thank you.

The Chair: — So seeing that there are no questions in regards to this report, I move that the 2015 report volume 1, chapter 33 and the 2016 report volume 1, chapter 38 have no new recommendations for the committee to consider. So I will ask a member to move that we conclude consideration of these chapters.

Mr. Dennis: — I so move.

The Chair: — Mr. Dennis has moved that we conclude consideration of the 2015 report volume 1, chapter 33 and the 2016 report volume 1, chapter 38. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So thank you to our Provincial Auditor and her people again once today. And thank you to all the committee members for your time and commitment to ensuring that we get through this long and tiring day, but I believe that we've accomplished a lot. And I would also like to thank our recorders in the back for putting in the same amount of time as the rest of us as well. So thank you, ladies, for your patience

with us and for making sure that any mistakes we said and names are corrected in those reports.

So seeing that we have no further business today, I will ask a member to move a motion for adjournment. Mr. Bradshaw so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until Tuesday, December 13th, 2016 at 8:30 a.m., folks. Thank you.

[The committee adjourned at 15:39.]