



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Ms. Colleen Young, Chair
Lloydminster

Mr. Ryan Meili, Deputy Chair
Saskatoon Meewasin

Mr. Fred Bradshaw
Carrot River Valley

Mr. Terry Dennis
Canora-Pelly

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Warren Kaeding
Melville-Saltcoats

Mr. Kevin Phillips
Melfort

[The committee met at 15:57.]

The Chair: — Welcome, members, to committee. In committee tonight is myself, Colleen Young, as Chair; members Fred Bradshaw, Terry Dennis, Warren Kaeding, Glen Hart, Kevin Phillips. And substituting for Ryan Meili tonight is Ms. Nicole Sarauer.

**General Revenue Fund
Non-Budgetary Appropriation
Saskatchewan Liquor and Gaming Authority**

The Chair: — We'll now begin our consideration of the General Revenue Fund non-budgetary appropriation for Saskatchewan Liquor and Gaming Authority. Minister Harrison, please introduce your officials and make any opening comments.

Hon. Mr. Harrison: — Sure. Thank you very much, Madam Chair. I appreciate it. Thank you to committee members for being in attendance today. It's a pleasure to be here with our officials: on my right, Barry Lacey, our president of SLGA [Saskatchewan Liquor and Gaming Authority]; on Barry's right, Val Banilevic, our director of financial services; and on my left, Raynelle Wilson, director of strategy and business improvement.

And it's exciting to be here to talk about SLGA. And I think members are well aware, committee members are well aware that this has been a period of significant change for SLGA. Committee members will be aware government's transitioning to an expanded private liquor retailing system, converting 39 SLGA liquor stores to private operators and granting 11 new permits to private retailers in communities that have been underserved.

This is a process that began back in November of 2014. That's when government announced a public consultation process to hear from Saskatchewan residents and stakeholders about the future of the province's liquor retail system.

You may recall there was a consultation website with an online survey, and people could also share their views and opinions about liquor privatization. When the consultation process ended in January 2015, about 7,000 people visited the website and more than 6,000 took the online survey. Approximately 3,000 of these visitors also submitted written comments. Key stakeholders also had their say.

[16:00]

Government considered all this feedback, and in November 2015 we announced the implementation of an expanded private liquor retail system for the province. The retail store permittees were selected through a request for proposal process that began last summer. As of today, nine SLGA stores have been converted to private retailers and a private operator is also up and running in Aberdeen. The remaining conversions will continue in the months ahead. Part of the expanded private liquor retail system included the introduction of a level playing field where all retailers now operate under the same rules.

It's been quite a bit of work behind the scenes to make this happen, and there have been many changes for retailers. I'm pleased to say that overall this new system has been met with approval by the province's approximately 700 liquor retailers, and we continue to work with them in this new operating model.

The past year has also seen significant strides in the craft alcohol industry. SLGA introduced new policies and regulations to make it easier for the craft alcohol industry to market their products. The result is a growing and vibrant industry, with some of our Saskatchewan producers being recognized on the world stage for the quality of their products.

The change to our liquor retailing system, the level playing field, and craft industry changes were all made after consultation with our key stakeholders. Looking forward, SLGA will continue to engage our customers to ensure we're creating an environment that meets the needs of our customers while still ensuring a responsible regulatory regime.

One more topic I would like to address today pertains to SLGA's continuing journey when it comes to health and safety. In 2009 SLGA was listed as a priority firm by the Ministry of Labour and Workplace Safety. As a priority firm, SLGA was one of 50 employers with one of the higher injury rates in Saskatchewan. It's the kind of designation no business wants to have, but it was an important wake-up call. Since then, SLGA has been working hard to reduce injuries and design safe practices for all of our workplaces.

Last year SLGA met injury reduction targets and passed a rigorous audit of its safety management system. Those results moved SLGA from the priority list to the maintenance phase by Saskatchewan's Workers' Compensation Board.

Some SLGA employees have also been singled out in recognition of their work to further SLGA's safety agenda. WorkSafe Saskatchewan sponsors a Safe Worker Award to highlight the important contribution workers make to eliminating or reducing injuries and illnesses in the workplace.

Echo Stringer, who works in SLGA's Moose Jaw liquor store, was one of the three finalists in the province for the 2017 Safe Worker Award in recognition of her exemplary commitment to workplace health and safety. This is the second time an SLGA employee has been a finalist for the provincial WorkSafe award. Lisa Reddekopp from Unity was a finalist for the 2015 awards. Also that year, SLGA's employee health and safety team was honoured with the Premier's Award for Excellence for leadership in the public service for their work in the development and implementation of innovative safety and attendance support initiatives at SLGA.

SLGA's director of employee health and safety has also been recognized broadly. Kevin Mooney has been asked to speak about SLGA's safety journey to various groups and was also featured as a provincial safety leader in the last issue of *Saskatchewan Business* magazine. SLGA will continue to make the health and safety of its employees and customers a top priority into the future. And I look forward to questions and comments from the committee. Thank you.

The Chair: — Thank you, Minister Harrison. Before I open the floor to any questions I would just ask that, whenever any officials speak, if you could please introduce yourself for the purposes of *Hansard*. Thank you. I'll now open the floor to questions. Ms. Sarauer.

Ms. Sarauer: — Thank you, Minister Harrison, for those opening remarks. And I'd like to thank the officials for being here to answer some questions this afternoon.

I'd like to ask a few questions about . . . Minister Harrison, you already spoke a little bit about the fact that an extensive RFP [request for proposal] process has been concluded and the awarding of those contracts, as well as the status. I understand that the tender process that had been conducted was going to be reviewed at the end of that process. I was wondering if I could get some details on the status of that review and what the findings were.

Hon. Mr. Harrison: — Yes. Thanks for the question. I guess the short answer is that, you know, we've very recently concluded the RFP process, and we're going to be continuing to review that process. But it will be concluded within the next year, and we'll be able to move forward at that point.

Ms. Sarauer: — So just to be clear, could you specify when that review will be concluded?

Mr. Lacey: — Our intent is before we go, I guess before the next time we go out with a process where we award additional retail store permits, it is our intent to ensure we've reviewed the processes that were undertaken the last time, take into consideration any feedback and comments we got as a result of that process, and then incorporate that into any changes that we might make before we go out the next time, whenever that might be. And currently we don't have any specific date on when we would go out with additional retail store permits in Saskatchewan. That hasn't been determined yet.

Ms. Sarauer: — Right. So I would assume that there's some work that's currently being done then, knowing if . . . First of all, so you are indicating to me that you're not, you don't know yet when this tendering process will be used again, is that correct? Yes? So not knowing when, I'm assuming you're doing some work on it right now just in case it happens, you know, three months from now, six months from now, a year from now.

Hon. Mr. Harrison: — Right. No, that's right. I mean we have no plans to issue additional retail sales permits. There were of course the number of converted stores and then the new RSP [retail store permit] opportunities, which we had 11 new RSP opportunities. But we initially had 12. I mean, the city of Prince Albert had indicated at the front end of that process that they didn't wish to have another full-service RSP. So there is still, you know, that element of there were 12 that were allocated, but only 11 were issued in that regard.

But as far as the process itself, obviously I know the member well knows that there was an adjudication process with senior officials from SLGA and a number of, you know, transparent criteria as to how bids would be adjudicated, along with KPMG being involved as an external party reviewing that as well and

making the recommendations.

There was no — as I've said I think in the House and outside of the House — there was no political involvement. I had no involvement in terms of adjudication, selection, review in any way, shape, or form in respect to the proponents who were successful.

Ms. Sarauer: — What are the factors going into reviewing the process as it had occurred; assuming, as you've said, that SLGA is currently conducting that review?

Mr. Lacey: — So I mean, the key piece of work that we have done on this piece to date is . . . Part of the process was an opportunity for proponents that submitted proposals to the RFP process to be debriefed with respect to the outcome of the RFP process and as it related to their proposal. And so through that process we certainly took the opportunity to ask them and collect feedback with respect to, you know, any concerns or suggestions that they had on how that process could be improved moving forward.

So I would say, you know, the work that we've done to date has primarily focused on obtaining that feedback. And the next steps moving forward, obviously, would then be to look at that feedback, see if there's any commonality between the concerns being expressed, and go back and look at the process that we had undertaken to see if we felt there were opportunities for improvement.

Ms. Sarauer: — Would you be able to share any of that feedback today?

Hon. Mr. Harrison: — I mean, I guess what we would say is, we are still putting it all together and going through some of the commonalities. So part of the process there was a provision for unsuccessful bidders to have a debrief session after they were informed, if they weren't a successful proponent.

So you know, as far as kind of specifics around concerns raised from unsuccessful proponents, of which we didn't announce any of the unsuccessful bidders, I mean there were a number of the stores where there were a large, very large number of bidders and, you know, requested debriefs as to why they weren't successful. You know, we're not going to be identifying specific companies because there would be a lot of them that wouldn't want it to be known publicly that they bid on particular stores or opportunities.

So you know, I think, in a general context, once we put the information together we'll be happy to discuss that in a general context. But I think as far as specific submissions from proponents and stakeholders, we're going to be a bit circumspect about making sure that their privacy is respected on that front.

Ms. Sarauer: — Right. And I'm not asking for the names of specific individuals who have given feedback. I'm asking for a general understanding of what that feedback has been.

Hon. Mr. Harrison: — Yes, and that's fair. Yes. Once we put that all together, I mean I'd be happy to answer questions about that.

Ms. Sarauer: — Great. How many unsuccessful bidders have asked for that debrief session?

Hon. Mr. Harrison: — It's a pretty extensive number. We don't have the absolute specifics. It's over 50 though.

Ms. Sarauer: — Thank you. Since you can't give me any general feedback right now, I will share that I have received some feedback about the process. One of the concerns was a feeling of a lack of transparency in the measurements of the proposals and the factors that went into the awarding. I know, Minister Harrison, you used the word "transparent" when you were describing the process. But I was wondering, not being able to get much more detail from that at this time, I'm wondering if you can comment on that concern at this time.

Hon. Mr. Harrison: — Well I mean, the process was transparent. The criteria that the adjudications were made on were very transparent. They were published. It was open, all of that, you know. And part of the, you know, a part of that transparency process obviously has been kind of behind the scenes with companies who have applied for RSPs.

We worked with companies as far as, you know, questions around submissions and any sort of inquiries they had in that front end of the process. We worked with companies, you know; like I just had answered over 50 debriefs that we did subsequent to any decisions. But we very much endeavoured to be open and transparent about how particular decisions were arrived at in the context of what the criteria were.

So I'll maybe ask, you know, those directly involved, Barry or Raynelle. I'm not sure who wishes to speak to that. But we can address that in more detail as well.

Mr. Lacey: — So I appreciate that comment and feedback around that piece. I guess I just would make a couple of comments with respect to it.

Certainly when we set up the RFP process, we wanted to make sure that the process that we established followed best practices. And it was for that reason that we engaged KPMG to provide us advice and comments with respect to the RFP process as well as the criteria that was included in that process.

I guess I would just say, I mean we've made every, in establishing a process, we made every effort to follow best practices with respect to that type of process, and in addition with respect to, you know, the process we mentioned where proponents could meet with us and seek discussion and feedback on their proposal and how their proposal ranked, how that proposal was rated in that process.

We also took, ensured that we were following best practices with respect to that debrief process as well. I do know that, you know, certainly comments around transparency, I certainly think that yes, where we can improve the process we want to look at that. To some extent though RFP processes themselves with respect to, you know, without knowing the particulars of that comment . . . But I know at times when I've been involved in other RFP process, you'll get comments like, well I want to know how I rated against the winning proponent, so tell me what that winning proponent got and let me understand why I

didn't rate there.

Well it's part of that process to protect proprietary information, etc. We don't disclose what another proponent might have.

[16:15]

So I do know at times . . . I don't want to discount the transparency feedback because I think certainly we should look at the details of that. But that would be an example where I can certainly appreciate at times the frustration of a proponent who likely has put significant effort into making their submission and then, you know, us indicating that that would not be appropriate practice for us to kind of compare his proposal to the winning proponent proposal. So that would just be an example I know where in the past I've, you know, I've had proponents disappointed that we aren't able to share more information on why they rated the way they rated compared to others.

Ms. Sarauer: — Thank you for that comment. I appreciate that. So just so that I understand, you have shared and you did share with the proponents the factors that were going to be considered when determining the successful applicant, right? Yes. Did you also share the weighting of what each factor would be?

Mr. Lacey: — The weighting was included in the RFP document. So for the various factors they would know how they were weighted, yes.

Ms. Sarauer: — Thanks. Moving on, I did want to ask a couple of questions about the status of the physical structures of these, the 39 conversions. How many of the new RFPs, the successful RFP applicants, have actually also taken over the physical buildings or will be taking over the physical buildings?

Hon. Mr. Harrison: — Okay, we can answer that. So out of the 11 conversions that are operating right now, three are operating in the premises that had been the SLGA premises, and those are in Foam Lake, Rosthern, and Lanigan.

Ms. Sarauer: — Okay. I'm trying to do quick math here and that is definitely not my strong suit. So there's 28 that are still in the process of becoming operational. How many of those are taking over the physical structures?

Hon. Mr. Harrison: — Yes, we can. I'll do my best in terms of addressing that. So there are going to be . . . we estimate there are going to be seven additional that would be in the SLGA premises. I can speak to two. Five of them are still proprietary for a variety of reasons yet, but Waskesiu and Outlook are going to be the next two that are in the existing premises of SLGA stores.

Ms. Sarauer: — Sorry, can you explain why you can't speak to the other five?

Mr. Lacey: — So if I understood the question correctly, with respect to why at this point in time we believe it would not be appropriate to disclose the other communities in which successful proponents might move into the existing infrastructure or building that SLGA is in. And so the primary reason around that is we want to ensure there's a, I guess what I

would say, a fair bidding process for those properties. We put them out for a bid.

And I'm just going to, I mean, I'm just going to paint an example here. So if we said that in community A it was one of the communities where we know the prospective proponent will be bidding on that specific building, what it does is it does open up the opportunity for other unsuccessful proponents, as an example, to know then that their proposal was, you know, their proposal was predicated on them being successful in the bid process for that infrastructure. So now we, to some extent, have disclosed that proprietary information business plan that was included in their submission and, you know, we're making that known publicly before that bid process has even happened. I don't know . . . I hope I'm making sense there, right?

Ms. Sarauer: — I'm not fully understanding. So I was trying to . . . What I was trying to keep track of was how many, in total, physical structures moved to the private enterprises as a result of the completion of the RFP process. And then through that I could find out how many physical structures are still outstanding in terms of you're going to have to separately . . . you're going to have to separately deal with them, which was going to be — now I'm giving away my cards — but going to be the next line of questioning. I'm sure that's not too shocking. So now I'm a little bit confused as to what numbers we're talking about here.

Hon. Mr. Harrison: — I'll take a swing at the explanation here as well. So there have been five . . . So there's 28 properties that are owned by SLGA out of the conversions, which isn't all of them, but there's 28. So of those, five have been successfully acquired by the RFP successful proponent.

We expect — but we don't know — we expect though that there's going to be a handful more that are successful in bidding on the building. Of course there's a process for divesting the asset. I mean, it's not just because they're going to be the retail permittee in that community that they would automatically be able to have first bid on the building. There's a process that we use across government to divest these assets.

So I guess there's five, so far, out of 28. We expect that there will most likely perhaps be a handful more, five more. We don't know that for sure yet, and we can't really speak to which communities those are just because it's going to be a competitive bidding process.

Ms. Sarauer: — No, that's okay. And thank you for that. I don't necessarily need to know the locations of them. So there are, so I fully understand, there's 23 physical structures that still have to be dealt with. So let's talk . . . What stage are you at right now with dealing with those 23?

Hon. Mr. Harrison: — Well it depends because there's, in the urban centres, there's . . . or centres over 5,000 people, there's 18 months that the successful proponent has to open up a new facility. So we won't shut down an existing store until they open the new one, so it really depends as to when that new facility gets up and running. It's 12 months in communities under 5,000 for them to be opened up. So it's very much dependent on the individual project as to when those buildings would be put through the processes of being sold.

Ms. Sarauer: — Okay, fair enough. So you've said that 11 are operational right now . . .

Hon. Mr. Harrison: — Yes.

Ms. Sarauer: — Three of which — now this might be when the numbers got a little bit mixed up — but three of which have also taken over what was once the SLGA store. So there's eight . . . You're making me do so much math. There's eight buildings that right now would actually have to be going through the process because they're in communities where the new stores are operational. So can you speak to the process of those right now?

Hon. Mr. Harrison: — Okay, I think we've got a good explanation. So after a store closes, like there's a conversion, a new building opens. It takes us about four to six weeks to actually finish with the building that we were in, to have everything moved out and appropriately close the building down. So after that four- to six-week period to fully close the building down, we then issue a request for bid, which basically means we put it on the market. You know, so out of the eight that there are, three have been sold through that process right now. Five are in kind of varying states of that other process, whether they're in the four- to six-week period of being closed down or they're on the market. And as you can imagine, I mean, not all these things go overnight in terms of being sold as well. So there's still that process that we would be going through, so in varying stages on the other five.

Ms. Sarauer: — Thank you. How much were those three properties sold for?

Hon. Mr. Harrison: — I mean, we don't have the specific numbers in front of us right now, but those will all be public and we are happy to provide those. When there's an order in council process, cabinet has to approve the sign-up of the OCs [order in council] and we haven't done that that, but when that happens obviously the order in council approvals are public immediately thereafter.

Ms. Sarauer: — So you're stating that the order in councils will have that number of how much it was sold for. Do you know when those order in councils are planning to be . . .

Hon. Mr. Harrison: — We were just talking about the processes that we're going through. We're not finalized yet, but we'll have them at that point as soon as we can. And, as the member knows, order in councils are published the Monday after the Wednesday cabinet meeting.

The Chair: — Thank you, Mr. Harrison. The time for this committee now being complete, I'll ask, Minister Harrison, if you have any closing comments.

Hon. Mr. Harrison: — No. I'd like to thank the member for her questions, appreciate them, and want to very much thank our officials for their support here as well today.

The Chair: — Ms. Sarauer.

Ms. Sarauer: — Sure, I'd also like to thank the officials for answering my questions. Sorry it was such a lightning round —

30 minutes of fun. And, Minister Harrison, thank you very much for those answers, and to the committee for their patience, as well as the Chair. And thank you to Hansard as well.

The Chair: — Thank you. I now state that this committee will recess until 6:30 p.m. Thank you.

[The committee recessed from 16:30 until 18:29.]

The Chair: — Welcome back, committee members. Colleen Young as Chair this evening. Sitting in on committee as well is Fred Bradshaw, Terry Dennis, Warren Kaeding, Kevin Phillips, and Glen Hart. Substituting for Ryan Meili this evening is Cathy Sproule.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

Subvote (SW01)

The Chair: — We will now start our consideration of lending and investing activities for vote 140, Saskatchewan Water Corporation, loans, subvote (SW01). Minister Moe, please introduce your officials and make any opening comments you choose.

Hon. Mr. Moe: — Thank you very much, Ms. Chair. And I want to, in addition to your thanks, thank all members of the committee for taking some time tonight for consideration of these estimates for Saskatchewan Water Corporation. I'll keep my comments very short and allow, I think, the next 30 minutes or so for some questions and good discussion with respect to Saskatchewan Water Corporation.

But I have with me to my right, the president of SaskWater, Doug Matthies. I have to my left Eric Light, vice-president of operations and engineering. To my far right, I have Jacquie Gibney, vice-president of business development and corporate services. And I have in the gallery Tyler Lynch, my chief of staff from my office.

So Ms. Chairman, I have a couple of brief, opening comments or remarks in order to leave, as I said but they'll be very brief, to leave as much time as possible for questions.

SaskWater's done well the last number of years, adding to its customer base and helping support the growth in the economy and thereby in the province of Saskatchewan. In 2017-18 SaskWater plans to continue to seek new service opportunities to work on construction of new facilities, to upgrade existing infrastructure, and to operate as efficiently as possible.

Net income for 2017-18 is budgeted for \$5.8 million which will result in a return on equity of 9.1 per cent. To support its capital construction program, the corporation is budgeted to borrow \$30.5 million while also repaying \$7.6 million. Note that part of the capital budget is for construction of a new non-potable water supply system at Buffalo Pound Lake. SaskWater does not yet have confirmed commitments from customers for this project, and it'll only proceed with agreements being signed.

So Ms. Chair, that concludes my opening remarks, and both myself and our officials will be pleased to take any questions and provide answers as they see fit. So again, thank you to the committee members, thank you to you, Ms. Chair, and I would turn it back to you.

The Chair: — Thank you, Minister. I'll open the floor to questions, but just before I do, when officials speak, would they please introduce themselves for the purpose of *Hansard*, thank you. Questions? I acknowledge Ms. Sproule.

Ms. Sproule: — Thank you, Madam Chair, and thank you, Mr. Minister. Welcome to the officials here tonight. I know I have a short period of time. And as I was preparing tonight, I realized we met three times last year, so we've certainly got a lot of information from the corporation, whether it's annual reports or the water quality report or of course the Auditor's report, we were in on that, and then of course the estimates from last June.

But I will start off, Mr. Minister, with following up on some of your opening comments. And if you'd just tell us a little bit more about the new non-potable water supply project at Buffalo Pound. And I guess particularly what I'm interested in is, why would you borrow 30 — I think you said 30 million, yes — borrow \$30 million if that project isn't going ahead?

Hon. Mr. Moe: — The \$30.5 million that is anticipated or budgeted for borrowing is for all of our capital projects across the province, not specific to the one project. \$81 million is our entire capital investment. \$45.5 million would come from other sources, vis-à-vis customers and such. About \$5 million would then come from resources that we have, and \$30.5 million would be the ultimate amount that would be borrowed for the entire suite of capital infrastructure planned for SaskWater this year.

As in any case, if there isn't signed contracts as we move forward, those dollars will not be invested. But at this point, the plan is that we're working on that particular contract and will be moving forward when it's signed. If it's not signed, we wouldn't be moving forward with it.

Ms. Sproule: — Thank you. Last year in committee, Minister Cox indicated that there was a major project coming up, and he said I can't really reveal who it is at this point in time, 2.4 million for that. Is that something you can tell us about now, 2.4 million?

Hon. Mr. Moe: — So that particular project was a regional water supply system for the community of Melville. \$2.4 million was the anticipated budgeted amount last year of which that project was signed a few days after committee last year and was moved forward on. The continuation of that project in this year's budget is the \$9.6 million that's indicated for the Melville potable water supply system and treatment plant in this year's budget.

Ms. Sproule: — Is that the total for the entire project, or will there be more in next year's budget?

Hon. Mr. Moe: — The total cost of that project, depending on the final design details that come, will be \$33 million in total over the next number of years and, I say again, depending on

precisely what design comes out of that, could go as high as 40 million, so between 33 and 40 million.

Ms. Sproule: — Thank you. I just want to touch on one other discussion we had back in June of last year, Mr. Light, where we were discussing putting pump stations on a curve in relation to greenhouse gas emissions. And you indicated that you had put some of your major pump stations on that curve. I'm just wondering, that was about a third, I believe, you had already done this work with. But are there others that you've done since we spoke, and what's your plan for the remaining two-thirds?

Hon. Mr. Moe: — I'll turn it over to Eric to continue that conversation from last December, I believe.

Mr. Light: — Thank you very much. Eric Light, vice-president of operations and engineering, SaskWater. So since we met last in June, we have put one more system on the curve. And what we have planned for this year coming up is we've got two systems that we're going to . . . One that we're going to put on the curve and another one that's already on the curve that we're going to add some remote pressure sensors to further refine the operation of that system. And then the other thing that we're going to do this year is we're going to complete pump efficiency studies for two more systems, so then we can put them on the curve the following year. So that's our plan.

Ms. Sproule: — And what percentage of all of your operations would that represent, once you get those two on?

Mr. Light: — From a water volume perspective, it's around 22 per cent of our total water volumes. And from a total number of pump stations . . . Let me just think here. Okay, yes, it's around 22 per cent of the total volume.

Ms. Sproule: — What is your goal in terms of total water? Is 22 where you want to sit, at or are you aiming for 50 per cent or . . .

Mr. Light: — I think that, as we've discussed previously, the systems that we're focusing on are our larger ones, and I would estimate that . . . Well we're certainly shooting for more than the 22 per cent. And I would say that we'll probably end up somewhere in the 40 to 50 per cent range when we're done.

Ms. Sproule: — Did you have a further comment?

Mr. Light: — Yes, I guess some of our systems are more suited for efficiency gains on the curve, where you have a number of different customers as opposed to a system where you might have one large customer that has a fairly consistent water use. And so there's not a lot of variation, and so then there's less opportunity to get efficiency gains as opposed to where you have a lot of different customers, that their water volume is changing all the time, yes.

Ms. Sproule: — All right, thank you for that clarification.

Minister Moe, in December we talked about one of your board members at the time was Mr. LaBelle, and we were talking about the way the corporation is governed, and I had asked if we could get a copy of multilateral instrument 52-110. I don't know if you were able to locate that document, and perhaps you

could table it with the committee. And there was another document too that you said you were going to do some digging. It's the determination of independence that was made by the governance and corporate social responsibility committee. Were you able to locate that?

Hon. Mr. Moe: — What I'll do is I'll read you a letter. It was sent to the committee on January the 18th, 2017, with respect to those requests on December 13th, I believe was when we met, 2016. So would you like me to read the letter?

Ms. Sproule: — Yes, please.

Hon. Mr. Moe: —

On December 13, 2016, a member of the Crown and Central Agencies Committee requested SaskWater provide a copy of the Multilateral Instrument 52-110 document used to assess the independence of directors. The member also requested an explanation of the independence determination for one board member, Mr. Lionel LaBelle.

I am pleased to attach a copy of the document requested.

Specific to Mr. LaBelle, he has had no material relationship with SaskWater from a business perspective. Mr. LaBelle did disclose to the board other positions he has been appointed to in the service of the Government of Saskatchewan as potential conflicts of interest, which are all noted in the minutes. The SaskWater board did not determine any of Mr. LaBelle's other roles to interfere with his independent judgement from a governance perspective. Furthermore, none of his . . . roles allowed him to have direct control over SaskWater, CIC or any other CIC subsidiary corporation.

That was, as I said, tabled with the committee January 18th.

Ms. Sproule: — All right. Thank you very much for that. I will search through the committee documents to find that. Were you able to submit as well multilateral instrument 52-110? Did that get tabled?

Hon. Mr. Moe: — Yes.

Ms. Sproule: — Thank you. I apologize for that. I will locate that through the committee.

The Chair: — Ms. Sproule, CCA 36-28 was tabled March 14th if you want to look it up.

Ms. Sproule: — CCA 30 . . .

The Chair: — 36-28.

Ms. Sproule: — Twenty-eight. March 14th?

The Chair: — If you want a copy of it.

Ms. Sproule: — I will seek that out with the clerks, yes.

The Chair: — Okay.

Ms. Sproule: — Thank you very much.

All right, I'm just looking now at CIC [Crown Investments Corporation of Saskatchewan] and the dividends that we know other Crowns have been contributing over the years. And certainly, I believe, SaskWater's first contribution was 1.9 million. I don't know if it's called a contribution, but anyway the dividend that was paid was 1.9 million for, I believe, March of 2016. I'm not sure about the years, but I'm just wondering. Is there a subsequent dividend that has been assessed by CIC? Or what is the timing on that?

[18:45]

Hon. Mr. Moe: — Okay, the reference to the March 31st, 2016 . . . over the budgeted '15-16 year, the dividend paid was 1.929 million. The budgeted dividend for the year of '17-18 would be 1.455.

Ms. Sproule: — Thank you very much. I just wanted to also touch base in relation to CIC. As you know, today the government passed third reading of Bill 40, and the Minister of Justice expressed some severe concerns about the lack of a definition of privatization. Has SaskWater ever felt a concern about the lack of definition of privatization and expressed those concerns through CIC?

Hon. Mr. Moe: — No.

Ms. Sproule: — I'm sorry. I'm not sure if Hansard . . .

Hon. Mr. Moe: — Oh, no.

Ms. Sproule: — Okay, thank you very much. Since the bill was introduced — when was that? — in June of last year, has there been any expressions of interest or any people talking about possibly buying into SaskWater, investing in or purchasing shares, or any kind of arrangements where they would take on a part of the ownership of SaskWater Corporation?

Hon. Mr. Moe: — No. No.

Ms. Sproule: — Do you anticipate that there would be any kind of projects where you might be seeking out investment from third parties through some sort of sale of SaskWater ownership?

Hon. Mr. Moe: — With respect to anticipating, you know I won't surmise what may or may not happen, but we haven't been approached, and we don't foresee anything like that.

Ms. Sproule: — All right. Okay, I'll just leave that for now.

Just looking a little bit now . . . I would like touch base on the 2016 water quality report. I know it's normally tabled with the annual reports, but there are just a couple items that perhaps we could touch base on today. And I'm always interested in the drinking water quality report, starting on page 8 this year, where we talk about SaskWater-owned water treatment systems and, then following that, the certified operation maintenance water treatment systems.

So I noted that there are a couple that seem to have ratings that don't meet Water Security Agency permit-to-operate

requirements. So I'm just wondering if you could update the committee on the status of those treatment systems. First of all, is the Cadet . . . I assume it's a regional water . . . I'm not sure what the acronym means. But Cadet, Elbow and Wakaw-Humboldt for the SaskWater-controlled ones, so could you share with committee what sort of led to those negatives ratings and what is being done to address that?

Hon. Mr. Moe: — Eric Light will speak to the details of these numbers.

Mr. Light: — Okay. On the Cadet system — regional water supply system is the acronym — each one of the highlighted water quality parameters . . . There's footnotes on the bottom, in this particular case on page 10, that provide an explanation on why those occurred. So for example, on the Cadet Lake one, footnote 5 talks about that there was a postal service error, so there was some samples that were missed on a couple of weeks there. And there was also an advisory issued during the oil spill on the North Saskatchewan River when the intake was closed, and the water source was changed to a different water source as a precautionary measure.

Yes, and the Cadet system supplies Melfort and area. It's a regional system that supplies Melfort. Yes, so that would make it a little bit easier to understand, for sure.

Ms. Sproule: — Thank you. I'm just looking at all the footnotes now. For Elbow it was missing of a sample, but it sounds like that was resolved later the next week. For Wakaw-Humboldt, footnote 7, there was one low-chlorine residual submitted with bacteriological sample on September 12, 2016, and then the bacteriological result was negative. Can you explain what that means?

Mr. Light: — Yes. So what that means is that the bacteriological sample passed negative, meaning that there was not a presence of bacteriological organisms in the sample when the test was done. So it's a good test.

Ms. Sproule: — So then why would you indicate on the water quality that it doesn't meet the permit-to-operate requirements?

Mr. Light: — So the initial test was not taken, and then so there was a follow-up test that was done, which is the standard protocol, and that test passed. So the bacteriological sample that was planned to be taken the week of May 30th of 2016 was not taken, so then the EPO, the environmental protection officer, was notified of that occurrence. There was a follow-up test to confirm that things were okay, and that test passed, and so it was good. But because the sample was not taken, then it needed to be flagged.

Ms. Sproule: — Thanks. Just one further question, on page 21, I was just looking at some of the precautionary drinking water advisories, and I noted that a number of them were related. Some of them were explainable by power outages and other things like that or work being done on the line. But there's three or four that are just unplanned depressurizations. So for example town of White City, town of Elbow, northern village of Air Ronge, and the Lac La Ronge Regional Water Corporation, those four seem to have had depressurization. But there was no reason given for the depressurization, so I'm just

wondering if you have that information or if that's something you could share with the committee, just to understand why these are happening.

Mr. Light: — Yes, typically an unplanned depressurization would have been because of a leak in the distribution system that would've had to have been repaired.

Ms. Sproule: — Okay, thank you. And just above there, there was a comment about "The Gravelbourg water treatment plant had a PDWA on July 11th due to water treatment issues at the plant being related to high organic loading in the raw water supply." That's the only time I saw that. Is that a common occurrence, or how does that take place?

Mr. Light: — So the water source for Gravelbourg is Thomson Lake, and it has some seasonal changes in its water quality. So each year in February and typically in the summer, there's changes in the water quality that can cause some treatment challenges. And so that's what that comment references.

Ms. Sproule: — That's where I took my swimming lessons, was Thomson Lake. Are there any other water treatment plants that have that kind of issue, or is it just Gravelbourg?

Mr. Light: — It would just depend on the water source. I mean certainly Thomson Lake is a little bit unique. It's definitely a very challenging water source for sure.

Ms. Sproule: — If you mean high organic loading being algae, I can confirm that that is indeed the case, so yes. All right, oh just a little bit about future activities, I think we have a few minutes remaining. But I know you talked a little bit about your planned borrowing for the next few years, but we've heard a lot from you in terms of the projects that are under way. And I think certainly we talked about the one now is, I think, Melfort? Is that the new one?

A Member: — Melville.

Ms. Sproule: — Melville. We had work going on in Wakaw-Humboldt regional storage expansion. These were all described by Minister Cox last June. I'm just wondering if you wanted to take a couple minutes to tell us what's on the horizon for your corporation.

Hon. Mr. Moe: — So the largest municipal project that we have in the works here this year is that Melville project, or that portion of that larger Melville project, a number of other smaller projects in addition to that. But one other one of note for this particular year is some pipeline and storage upgrades to the community of White City and again a number of other smaller projects associated with that. But about 2.6 million directly there and another 0.1 million, so 2.7 million total with a number of projects in and around there.

Also in fairly active discussions with the community of Elbow on their lake intake and raw pipeline replacement with that community. Doing some upgrades or some replacement program to the Sioux canal. Doing a number of various meter system replacements in the community of Wakaw. We're doing a swab launch and some retrievals.

And one other thing that we maybe just glossed over or didn't mention with respect to some of the greenhouse gas emissions is we're doing some pumphouses with some solar panels which is part of obviously the emissions reductions as otherwise we're getting that product — power — from SaskPower. But we're looking at doing some solar panels on some of our pumphouses as well, to look at the efficiency of that.

Ms. Sproule: — Thank you. Just one — probably the last — question here. On January 18th, you announced a tier rate adjustment. You don't go through the rate review panel at this point in time, or do you? No.

Hon. Mr. Moe: — We did not appear before the rate review panel as communities have other options. It's voluntary to utilize the services of SaskWater.

Ms. Sproule: — My question is this: we see that 77 per cent of the people affected by the rate adjustments are in the city of Saskatoon, and there's an increase of around nine and a half per cent. I'm just wondering, in light of the budget announcements where the payments in lieu of taxes were cancelled for the city of Saskatoon, they've had to revisit their budget. Do you anticipate further rate increases from the city of Saskatoon as a result of that?

[19:00]

Hon. Mr. Moe: — So the 77 per cent or 48,000 residents that you would be referencing are the SaskWater customers that we have in and around the city of Saskatoon. And that rate increase, nine and a half per cent in 2017, nine and a quarter per cent in 2018 mirrors, virtually mirrors the rate increase that Saskatoon, the city of Saskatoon put forward. I think they put forward a three-year rate increase. We put forward a two-year rate increase. But for those customers of SaskWater and that water supply, that's water that we purchase from the city of Saskatoon and then pass it on to those 48,000 individuals. So that 9.5 per cent and 9.25 per cent rate increase mirrors the first two years, I guess, of the three-years projection that the city of Saskatoon has put forward. And we don't perceive that changing.

Ms. Sproule: — I guess my question was, in light of the changes in the budget where the city of Saskatoon lost \$11 million because of the clawback of the grants in lieu of taxes, have you done any analysis as to whether that may impact, there may be rate increases coming, or you're feeling it will stay the same?

Hon. Mr. Moe: — Yes, we based our rate increases on the first two years of the three years that they put forward. So we haven't been contacted by the city of Saskatoon with respect to any changes in those water rates over the first two years of the three years that they announced anyways.

Ms. Sproule: — All right. Thank you, Madam Chair, Mr. Minister, and officials. I appreciate the time tonight, and I'll ask that question next year because we'll know more about it. All right, thank you very much.

The Chair: — Thank you, Ms. Sproule. Seeing that there are no further questions and the time is complete for consideration

for the Saskatchewan Water Corporation, the committee will adjourn its consideration of vote 140, Saskatchewan Water Corporation, loans, subvote (SW01). Mr. Minister, if you have any closing remarks.

Hon. Mr. Moe: — Closing remarks would just be very short in thanking the officials from SaskWater for their time here this evening, thanking all the committee members for attending, yourself, Ms. Chair, and thanking Ms. Sproule for her questions which are always well-thought-out and appreciated. Thank you.

The Chair: — Thank you. We will take a short recess now just to change officials out for SaskTel's estimates.

[The committee recessed for a period of time.]

The Chair: — Welcome back, committee members. We have Mr. Warren McCall substituting in for Ryan Meili on these estimates.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

Subvote (ST01)

The Chair: — We will now start our consideration of lending and investing activities for vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). Minister Duncan, please introduce your officials and make any opening comments.

Hon. Mr. Duncan: — Thank you, Madam Chair, and members of the committee. Good evening. It's our pleasure to be here this evening on behalf of SaskTel and the Government of Saskatchewan. And I would like to take the opportunity to make a few opening remarks, but first I'll introduce the officials that have joined me this evening.

To my right is Ron Styles, the president and CEO [chief executive officer] of SaskTel. To my left is John Meldrum, vice-president, corporate counsel and regulatory affairs. And behind us, Darcee MacFarlane, vice president, corporate and government relations, and Scott Smith, senior director of finance.

SaskTel continues to show why they are the market leader here in Saskatchewan. In 2016-17 SaskTel has done an excellent job expanding and improving its services as it followed through on its promise to invest more than \$300 million in overall capital expenditures right here in Saskatchewan.

Most recently, at the end of March, SaskTel announced that it has completed its ambitious LTE [long-term evolution] wireless network expansion. The service is now available to 99 per cent of the population. This comes on the heels of a general expansion in coverage that saw SaskTel build 14 new cellular sites in 2016-17. SaskTel now has 798 stand-alone cellular sites, approximately six times that of their closest competitor.

Other key initiatives include SaskTel's recently announced agreement with Ericsson that will allow them to use Ericsson's

MediaFirst Internet protocol television platform to bring IPTV [Internet protocol television] service to 100,000 households in 300 rural communities when it launches in 2018. In addition to their own capital spending on infrastructure upgrades, SaskTel has been very successful in accessing additional funding for rural Internet infrastructure through the federal programs such as Connecting Canadians. High-speed Internet remains a focus for SaskTel. The company now has DSL [digital subscriber line] high-speed Internet available in 431 communities, 329 of which have accessed speeds of up to 10 megabits per, or more. Wireless Internet continues to be a target for growth. SaskTel's fusion service has been upgraded to provide rural customers with download speeds of up to 10 megabits per second. After adding fusion service to nine more towers in 2016, it is now available in 714 communities. SaskTel's Infinet fibre optic network is still expanding in our province's major centres. Expansion of fibre services is moving on to Yorkton, and SaskTel has begun a pilot project in Rosthern to assess the feasibility of fibre deployment in smaller communities.

Over the past year, SaskTel has worked diligently to serve the people of Saskatchewan. They have continued to aggressively invest in their core services while expanding into growing business markets such as data centre hosting. Going forward, SaskTel is well positioned to help provide this province with the communications services it needs to succeed in a connected world.

Thank you, Madam Chair, and members of the committee. We'd be pleased to take your questions.

The Chair: — Thank you, Minister. Before I open the floor to questions, if I could just ask officials, when they're speaking, to introduce themselves the first time for the purposes of *Hansard*, thank you. Now I'll open the floor to any questions. I recognize Mr. McCall.

Mr. McCall: — Thank you very much, Madam Chair. Mr. Minister, officials, good evening, welcome to the consideration of (ST01). And again it's always sort of a good point of departure for a wide-ranging discussion about one of the best-loved public utilities in the province of Saskatchewan, which is SaskTel and its various subsidiaries.

Just to go through these things as methodically as possible, could the minister describe for the committee the borrowing that is under consideration here tonight and how that fits into the overall debt load of the corporation and future borrowing requirements that may be arising?

Hon. Mr. Duncan: — Thank you for the question, Mr. McCall. So this year it's \$100 million that is going to be borrowed. Much of that is the replacement of short-term promissory notes. So when SaskTel reaches a certain level in terms of the short-term promissory notes, they are able to bundle those together and then replace that with debt that's procured through Finance.

Mr. McCall: — So how does that fit into the debt picture of the corporation overall?

Hon. Mr. Duncan: — So by the close of 2018, the estimate is that the corporation will be at just over \$1.1 billion in gross

debt. The public debt is estimated to be at \$967 million, so we're approaching \$1 billion.

Mr. McCall: — Thanks very much for that. Just for the record, what is the current debt load or the debt limit, borrowing limit of the corporation?

Hon. Mr. Duncan: — Yes, \$1.3 billion is the debt limit of SaskTel.

Mr. McCall: — So you know, 1.3 billion minus 1 billion, you've got 300 more room to go. Any anticipation around . . . Other of the Crown corporations have come to the legislature in past, in the not-too-distant past looking to increase their debt limit or their borrowing capacity. Do you anticipate any such move on the part of SaskTel in the immediate future?

Hon. Mr. Duncan: — So at this point, I would anticipate at some point over the next year that we would need to look at increasing, legislatively increasing the debt limit for SaskTel. You're right; we're closing in on the \$1.3 billion debt limit. That's been in place since 1991, so it has I think served the corporation well as it's grown its business over the last couple of decades. But we'll have to, I would say sooner rather than later, revisit that number overall.

[19:15]

Mr. McCall: — Do you anticipate that coming in the year? Next year, two years? Any sort of indication in that regard?

Hon. Mr. Duncan: — We're having discussions. We're working closely with SaskTel to identify . . . You know, we want to ensure that obviously we can hit the proper legislative calendar, so we don't want to miss that window and leave SaskTel in a position where we've bumped right up against that limit. So I would say that there's a likelihood that we'd be coming forward in the next legislative cycle with an amendment to the Act.

Mr. McCall: — Any idea in what amount?

Hon. Mr. Duncan: — You know, I don't want to say this evening. I think we're still going through those discussions, but it certainly would be an amount that will not just serve the company for a year or two. Certainly, you know, the practice in the past — for example for SaskTel specifically — had been that the debt limit has been a significant number that ensures that the company has the ability to operate in a fashion where they don't have to come back to the legislature on a regular basis.

So I think that, you know, the fact that the last time the debt limit was increased was 1991, you know, we'll use that as a guide in terms of forecasting what would be an appropriate amount. So I don't have a number for you this evening, but you know, when the time comes to introduce legislation, it will be for more than just a year or two of cushion for the company.

Mr. McCall: — Thank you for that. Just to get it on the record, in terms of the different subsidiaries of SaskTel, is that a consolidated debt number, or are you . . . [inaudible interjection] . . . it is.

Hon. Mr. Duncan: — Yes, it's consolidated. That's correct.

Mr. McCall: — Thank you for that. So currently about a billion dollars of debt. One billion, 1.3 billion as the limit, and 100 million under consideration here this evening. That extra 200 million dollars that we're thinking about or we're considering here this evening, where do those pressures come to bear?

Hon. Mr. Duncan: — I would say it's really on the capital expansion programs that have been undertaken by the corporation. Certainly, you know, in my opening comments I've been able to talk a little bit about the over \$300 million capital program that SaskTel has engaged in over the last year. And that's been a pretty consistent number over the last couple of years in terms of their capital outlay, and I think that it's also reflective of the fact that the business is growing for SaskTel. They've done a good job of not only deploying capital but also seeing revenue returned off of that capital, to the point that even though that number has gone up, the debt ratio has remained pretty static. In fact we actually saw a little bit of a dip in 2016-17 in the debt ratio.

So you know, I think with the deployment of capital in the future and the revenue that the company's going to be able to attract because of that capital deployment, we'll see, you know, that debt ratio remain pretty consistent.

Mr. McCall: — In terms of debt-to-equity, any sort of thoughts on the near- to medium-term for the corporation?

Hon. Mr. Duncan: — Current debt ratio remains below the long-term target that's been set out by the corporation of about 55 per cent, so quite well below that 55 per cent long-term target. The '17-18 debt ratio is, in terms of the budgeted amounts, it would be approximately 51.2 per cent, so again below that 55 per cent long-term target.

As I said, in the last couple of years we've seen it fluctuate around that 49 to 52 per cent. It actually took a dip last year, going from just under 52 per cent in the previous year to — '16-17, the year that's just ended — down to 47.9 per cent, well within not only that long-term range that's been set out by the corporation but also, in terms of industry average, quite favourable compared to where much of the industry is at. And certainly on the cable side, cable companies are generally into the 60s and 70 per cent. So I think we're in a pretty good position with respect to the debt.

Mr. McCall: — And I guess overall, reading the third quarter report, there's an estimate — and the minister has referenced this — a return to the Consolidated Fund of \$100 million. Am I understanding that correctly? Or does the minister have anything he'd like to say about the return on that equity and how that translates to the dividend into the Consolidated Fund?

Hon. Mr. Duncan: — So I'd say that the return on equity over the last number of years has been very positive for the company, the actuals for the '16-17 year roughly in that 15 per cent range. We're targeting and budgeting for a little bit lower than that this year, but certainly I think a very strong performance is expected in the next year.

In terms of allowing the company to return a dividend to the

Government of Saskatchewan, we've had, I would say, a bit of a break that has been given for SaskTel over the last at least two years. The actual percentage in terms of the dividend declared versus the net income is 22 per cent for '16-17. It was less than 30 per cent the prior year. I'm just quickly looking at my numbers here. I would say about \$190 million has been returned to the general revenue, at least to CIC, since 2013. And we're forecasting to declare a 90 per cent dividend in '17-18.

Mr. McCall: — I guess if you could expand on the dividend policy versus retained earnings and how that goes to servicing the sort of relentless and rapacious capital needs for an entity like SaskTel? What is the dividend policy going forward? What is the retained earnings or, you know, own-source revenue for capital policy?

Hon. Mr. Duncan: — I think I would say that, you know, generally speaking, the dividend policy, I would say that that's made in conjunction with CIC and the treasury board and determining the outlooks for future budgets. You know, I think we have recognized in the last couple of years that SaskTel is making a significant investment in infrastructure. You know I think, you know, over the last just . . . I would say that we'll try to find the number here, but even over the last five years the capital infrastructure has been pretty significant for the company, and I think that that's been borne out by, you know, when you look at the revenue of the corporation over those number of years.

So we have recognized that and have, you know, I would say, given a bit of a break for the company, especially in the last two years in terms of the amount of the dividend that's been declared. But you know I think historically looking back on the last number of years, you know, it's fluctuated anywhere from a 22 per cent declared dividend to a 90 per cent. So you know, I think there's a number of factors in terms of when that dividend policy is set.

Mr. McCall: — Thanks for that. In terms of the interaction of SaskTel with CIC and treasury board, as the minister points out . . . And one of the challenges certainly for the Crowns generally, for SaskTel particularly — and it's great that you've got a former head of CIC on board here tonight to provide lots of perspective on these questions — but in the current environment, how does SaskTel interact with CIC in terms of the setting of these very important goals that we're talking about here tonight?

Hon. Mr. Duncan: — You know, I would say the best way to describe it is it's a very consultative process, working with the board of SaskTel in setting out the direction and the plans for the company going forward, working with CIC in looking at those plans, taking into account kind of the overall picture of government.

So you know, I would say that there's quite a great deal of back and forth between SaskTel, between CIC, between the board of CIC as we, you know, work in conjunction to balance off all the different, competing priorities in terms of not only the future needs of SaskTel and the growth and the demand for services for an organization like SaskTel with, you know, how it fits in with the bigger picture of the CIC board and the general priorities of the government.

Mr. McCall: — The minister's talked about stuff that is under way again around the normal sort of processes of government and the Crown sector planning cycles. There's been the shift to the new fiscal year-end. But I guess one question I'm interested in is how does SaskTel interact with the whole push for transformative change?

Hon. Mr. Duncan: — I think the best way for me to answer that would be, you know, we have certainly had a great deal of conversations with, in this case, with SaskTel about what they view the business, so to speak, to look like into the future. Where are there perhaps some opportunities that SaskTel could facilitate, both in terms of the transformation of how government interacts with citizens as well as the role that SaskTel could play just in terms of how industry is developing new technologies. SaskTel obviously can help be a part of and facilitate that and perhaps be a part of the solution to what people are looking for in terms of new technology.

So we go through a process and have gone through a process where a number of ideas have been generated by the management of SaskTel. We do an evaluation of those in terms of how it fits in with the priorities of the government — whether that be how SaskTel is utilized in the education system, how SaskTel is used in government at large, as well as, you know, some pretty, I think, interesting ideas in terms of how SaskTel could help facilitate, you know, just the way that citizens interact with technology and the role that SaskTel could play.

[19:30]

Some of those ideas we advanced to say we need some more information on what that would look like. And others, frankly, the answer is, that sounds good but it sounds a part like it's your business and so just do it, you know, just implement that where you see fit. So that's kind of the process that we've undertaken.

Mr. McCall: — I guess in terms of . . . And again there are wiser people around this room than myself when it comes to matters of ICT [information and communications technologies] and the sector; that's for darn sure. But in terms of the only thing more sort of unrelenting than capital needs in the sector is the pace of change.

And like certainly SaskTel has been in the transformational change business for many, many years now and in a pretty significant year-by-year basis certainly for the past couple of decades. And you know I look no further than my iPhone and think back to my BlackBerry and then think back to my PalmPilot and then think back to, you know, carrying around quarters, you know. I can tell you about that sometime.

Anyway, but anyhow, SaskTel has been very successful in meeting the sort of unrelenting challenges of the sector they're in and doing a very good job, as the minister has pointed out in terms of the capital program, in terms of the balance sheet. And there's some other aspects that we'll get into with that generally.

So I think, you know, transformational change is sort of what SaskTel has been doing for decades now. In terms of the specific transformational change endeavours of the government,

how does SaskTel formally interact with that process? I guess, what is that process and what impact does it have on SaskTel, and then, of course, how that translates into the hard figures we were considering here tonight.

Hon. Mr. Duncan: — Mr. McCall, I really appreciate the question. I'm going to make a few comments and then turn it over to somebody that can actually talk about technology beyond what I can.

Mr. McCall: — Amen.

Hon. Mr. Duncan: — Yes, okay. And by the way, in your analogy in terms of the changing of phones, I think you forgot bag phone in the back seat of a car, but that's one I remember.

So you're right. I mean in terms of the transformation of SaskTel, you know, I look at the line alone that 50 per cent of SaskTel's revenue are from products and services that didn't exist five, six, seven years ago. I mean, that's how quickly the pace of change that technology is changing, and I think SaskTel has done a great job in keeping up with that.

You know, I'll have Mr. Styles speak on a concept to kind of give you a flavour of the transformation that the company's looking at, and maybe perhaps some examples of just that communication that goes back and forth between SaskTel and whether it's the Ministry of Environment that, you know, is looking at some technological solutions, base solutions for some issues that they were facing.

But you know, one that the president has talked to me about on a couple of occasions and that we have discussed with some of my colleagues in terms of, you know, the continued . . . An example of the transformation of the business that they're in is, you know, the fact that agricultural producers can buy sensors to monitor their grain over the winter to check for spoilage and heat and things of that nature while they're maybe vacationing in another country or wintering in another country. And SaskTel can help facilitate that ability for a producer to ensure that their grain isn't spoiling or that a bin isn't on fire somewhere while they're away on holidays.

So that's just one example of the ideas that, you know . . . It's not perhaps, you know, SaskTel would be the link between that producer that would be interested in that and a company that may want to unveil that technology. It might not actually be the business that SaskTel would necessarily directly be involved in, but SaskTel would be an important part of linking the two together. That's just one example. I'll maybe . . . Machine-to-machine is something that, you know, gives me visions of *Terminator 2*. So I'm a little not sure about it but I'll maybe have Mr. Styles calm everybody's fears after I gave you that analogy.

Mr. Styles: — So my name is Ron Styles. I'm president and CEO at SaskTel. The minister's actually done a very good job of explaining what machine-to-machine is. And so in the example of the grain bins, for instance — and we have a relationship with a major company here in Saskatchewan — it's simply a matter of a sensor, a machine essentially, in the grain bin and it does a series of monitoring. And through our communications network and some special software, that

information is delivered to another machine who actually tracks what's going on. And where there is a bit of a problem, you know, they would report it then to maybe the farmer's friend, neighbour, relative, something and take care of the particular issue.

But it's equally applicable, the concept of machine-to-machine, to things like oil wells, monitoring pressure, volume, things like that as well. It's been applied to construction machinery as well. And so construction machinery that gains access to GPS [global positioning system] coordinates, okay, though a system such as our own, they can level the site to, you know, in a very, very precise manner given the amount of altitude that they're looking to get to.

So it's got very wide applications. We're just on the cusp of it today and some of it is working through our present networks. Other examples that are starting to come to the fore, you can see it in places like Home Depot, for instance: fridges, for instance, that have computer technology built right into them. And so using machine-to-machine technology and SIM [subscriber identification module] cards which are sort of the base to it, information on that particular piece of equipment — a refrigerator, for instance — is provided back to a factory they can keep track of performance: when maintenance might be required, when the water filter maybe in the fridge needs to be replaced, things like that, and actually advise the owner.

You know, there's a whole variety of these. The OnStar service right now with GM [General Motors] is a very good example of it. OnStar provides the capability to read all of the different performance characteristics of a particular vehicle, and it forwards it back to the factory. And if you're an OnStar owner, the factory, the machinery in the factory will actually send a report out to the owner of the vehicle to talk about, you know, when they might have to go in and get a particular service maintenance carried out.

So there are lots and lots of applications, again very much in its infancy. The next big move forward in this is thought to be 5G, which is another type of network of very low latency. So very, very fast speeds, essentially fast enough that you would be able to control a vehicle. So it is the forerunner of self-driving vehicles for instance.

So again, you know, it's really a case of applying the technology or applying the ideas and concepts. It's just open to people's minds and willingness to be able to accept some of what you can do with that technology. And so we're just on the cusp of it right now, but it's becoming an important line of business for us as well, as it is for a lot of the other telcos in Canada.

And as the minister explained, our real involvement in this is providing the platform, the sensors. It's probably not going to be part of our business, and the machinery that receives the signals as well probably won't be part of our business. But it's providing the platform that allows all this to take place and occur, and occur in a way and a price that makes it all economical because you're talking very small amounts of data. It's not like doing a video or something. You might be sending 10 or 15 packets a day between two different machines. But a very interesting area; it's got lots of potential and lots of

possibility ahead of it.

Mr. McCall: — It's a fascinating subject, and one I can very quickly escape down the rabbit hole with too much. Sadly though, it's estimates, and I've got some questions that need answers. But I guess just to say, I mean, as the minister had pointed out in terms of 50 per cent of the profitability of the corporation attaching to lines of business that weren't part of the picture within years is, again, really wraps up the whole fact of the dynamic, ever-changing sector that SaskTel is operating in, the great work, the leadership, and the men and women that do the work at SaskTel do. And there have been some very thoughtful, some good foresight on different investments and plans that have been executed by SaskTel. So, come out of the rabbit hole, sound like the "Amen Chorus" or something. But SaskTel has done a tremendous job in meeting these challenges and has maintained that value for the people of Saskatchewan in such a vast number of ways.

Anyway, back to transformative change. How does SaskTel interact with something like the transformative change committee of cabinet?

Hon. Mr. Duncan: — So if there are ideas that are generated, and one of the examples is the machine-to-machine, that's something that we would've taken and discussed at the committee level.

Mr. McCall: — Has SaskTel been party to discussions about the future of CIC? Is it an appropriate entity as a holding company? And is there any sort of consideration about changing the relationship that exists now, where you have CIC as the holding company reporting in to executive government? Has SaskTel been party to anything along those lines?

Hon. Mr. Duncan: — Not that we're aware of, no.

Mr. McCall: — Thanks for that. In terms of the men and women that do the work at SaskTel, there have been different . . . It's been a bit of a challenge to get a clear picture on how the general call that's gone out for 3.5 per cent savings from compensation of people that work, not just in executive government but in the Crown sector as well. What is SaskTel's understanding of that call from executive government? And then, in turn, how is SaskTel responding to that call?

[19:45]

Hon. Mr. Duncan: — So how each Crown meets the 3.5 per cent target is really up to the corporation to work within their structures to find the right balance that works for their staff, their business, and the bottom line of the company. SaskTel has met with the representation of the unions that do represent the employees of SaskTel, and those discussions, I expect, are going to continue into the future.

Mr. McCall: — Of the collective bargaining agreements that cover the in-scope employees of SaskTel, are any of those in an open period right now?

Hon. Mr. Duncan: — Two are open and the main bargaining unit is . . . the contract's closed right now. But there's two subsidiaries that are open.

Mr. McCall: — Just for the record, which subsidiaries and what kind of FTE [full-time equivalent] complement is involved?

Hon. Mr. Duncan: — So the two subsidiaries that are in an open contract are DirectWest and SecurTek, and it's approximately 2 to 250 . . . a couple of hundred employees between the two of them.

Mr. McCall: — Well I guess in the case of the . . . We'll start big and move smaller. In terms of the different in-scope employees that are party to collective agreements that are closed, that have been concluded, how does 3.5 per cent, how does that direction from cabinet impact those individuals?

Hon. Mr. Duncan: — You know, I would say that — because there have been some initial meetings but those, you know, meetings continue and will be ongoing meetings — I think it's too early to say how the results of those meetings would affect the employees of the company.

Mr. McCall: — Certainly and — you know, feel free to correct me if I'm wrong — my understanding was that the 3.5 per cent reduction in overall compensation was to be sought in this budget year. Is that correct?

Hon. Mr. Duncan: — Yes, that's correct, in this budget year.

Mr. McCall: — So in terms of the timeline, again how does that get accomplished for the folks that have collective agreements that have been concluded previous to this where you've got a measure that amounts to opening up those collective agreements to seek 3.5 per cent? How does that impact folks with a closed collective agreement?

Hon. Mr. Duncan: — So I would say that, in the case where there are open contracts, that, you know, certainly that will be a part of the negotiation for those contracts that need to come to a conclusion or a resolution. In terms of a closed contract, it's really about a discussion to say this is the challenge before the Government of Saskatchewan and that it's really about a discussion of how . . . You know, we are hopeful that the men and women, whether it's SaskTel or any other government entity that is funded either by the government or by the Crown corporation, will essentially participate in the fiscal situation that is before us.

Mr. McCall: — In terms of the collective agreements, the two that are open, any indication as to when those are expected to be concluded?

Hon. Mr. Duncan: — I have no idea.

Mr. McCall: — I guess something that's . . .

Hon. Mr. Duncan: — [Inaudible] . . . I mean they're open contracts, the two that we're speaking of. They're open contracts, so it's a negotiation. So for me to say when I expect that the negotiations will end, I can't say that today.

Mr. McCall: — I guess one of the things about negotiations is that it implies that give and take. And when you arrive at a collective bargaining agreement, it represents give and take. It

represents the negotiations that have gone on. So is there an expectation for the — not to, you know, harp on the point but consider the folks that have already, feasibly made concessions to arrive at a collective bargaining agreement — to go back in and say, you know, here's 3.5 per cent more of wage reduction that we'd like you to consider. How's the minister think that's going to work out?

Hon. Mr. Duncan: — Well I'm not going to speculate on how it's going to work out. This is, in terms of open contracts, this will be a part in terms of what will ultimately — you know, I would hope — would be a negotiated settlement. And in terms of a closed contract, it will a part of a discussion to say this is the challenge that is being faced by the Government of Saskatchewan and see where those negotiations in terms of open contracts go and the discussion in terms of the closed contract. I think we've been pretty upfront with that, that this is a discussion that we're going to have.

Mr. McCall: — Obviously the relationship is different with out-of-scope employees. This all, all of it, takes place against a backdrop of employees that are highly skilled, highly sought after, work in a highly competitive sector, you know, be they in scope or out of scope. So with the out-of-scope contingent, how has the direction around a 3.5 per cent reduction in overall compensation proceeded?

Hon. Mr. Duncan: — So it certainly has been communicated with out-of-scope staff, but we haven't had any, there haven't been any steps in that direction at this point. I think the corporation is focused first on in-scope. But again I think it's important to say this is: 3.5 per cent is the target. In terms of the overall compensation, it is going to be up to each organization, each corporation to work within its structure to find that right balance that works for not only the staff, their businesses, and their bottom lines.

Certainly in a competitive Crown, in a Crown corporation that is in a very competitive environment, that's something that's going to be factored in by management in terms of ensuring that they cannot only achieve the goal that's been set out by the government, but also ensure that they are continuing to be able to recruit and retain staff, especially highly skilled staff in a highly competitive environment. And so that's why there's that latitude or flexibility in terms of . . . this is the overall goal; now each corporation has to figure out what is best for them to try to achieve that goal.

Mr. McCall: — And I guess, just so I'm clear on this, how is this . . . You know, cabinet makes a decision — I'm presuming — with advice from the cabinet committee on public sector compensation or maybe not in this case, maybe in this case in consultation with the CIC ministers or the CIC board ministers. What are the mechanics of this decision? How does this get both decided and then communicated out to the individual Crowns? And then how does that in turn . . . what are the expectations for reporting back? Like is there a direction that some action must be demonstrated by a certain date? How does that work?

Hon. Mr. Duncan: — So, Mr. McCall, you know, I can't speak to any timelines. I think that certainly this was first formally announced by the government. It's been well communicated to

CIC, to the various Crown corporations. There's been dialogue back and forth in terms of how, you know, this is going to proceed, ensuring that the corporation does know that they have that flexibility to determine the best way to get to the goal that's been set, based on their own business circumstances, what's best for their staff, best for the organization.

So I would say it's an ongoing dialogue between CIC, between the various heads of the Crown corporations, you know. I think there's been some meetings amongst that group to kind of talk about, you know, what might work well for their corporation, what might not work as well. So there's been, I would say, a number of discussions about this going forward. But I can't speak to a timeline.

Mr. McCall: — Again I guess, in terms of being one of the higher profile initiatives under the budget and one of the directions that's gone forth from the budget finalization process and then the announcement of that budget, am I understanding correctly that the 3.5 per cent must be made up one way or another? Or is there some latitude where the respect for individual entities comes back and, you know, their operating environment is such that 3.5 per cent is not on? Is that an option to come back and say that that doesn't work?

Hon. Mr. Duncan: — I would not characterize it as a one way or another. I would say that my read of it would be that each organization will work within their structures to find the right balance that works for not only their staff, the business, the bottom line of the organization, obviously in the case of a Crown corporation. But I wouldn't characterize it as an either-or.

Mr. McCall: — So in fact coming back to CIC, coming back to cabinet and saying that, in the case of SaskTel, we can't come back or we can't arrive at, you know, measures that add up to 3.5 per cent of overall compensation, is that an option?

[20:00]

Hon. Mr. Duncan: — Well I would say it's an option, but as the minister, I would have a difficult time accepting that as an option. Certainly the president can come back to me and say that this is going . . . you know, give his, you know, best guess or best opinion in terms of trying to achieve it. But at the end of the day, whether it's an option that I would choose to accept to take to my colleagues, that's a whole different question.

Mr. McCall: — So if the good folks of SaskTel come back and say, look, we can't get 'er done, is that the point where the minister says, you're going to get it done, and you're going to come back with something that adds up to 3.5 per cent of compensation overall? Am I understanding that correctly?

Hon. Mr. Duncan: — Well I can't speculate on conversations that haven't taken place yet. But you know, I would say just in terms of myself, as a minister, you know, I would have to have a pretty good reason why I would take forward something that would not achieve the goal that's been set out by the government.

Mr. McCall: — What reasons might those be? You know, this isn't highly speculative or anything, you know. Like, you know

the corporation. You know the different agreements that are open. You know who's in scope and who's out of scope, and you know how to count to 3.5 per cent in compensation. So how does that get done?

Hon. Mr. Duncan: — Well I think you premised your question by saying this isn't speculation. But actually everything that you just laid out is in fact speculation.

Mr. McCall: — I guess either it's a meaningful part of the budget, or it's just some kind of sham, shameful communications exercise where it doesn't mean anything. So can we either count on it as part of the budget or not, I guess, is one of the questions this raises?

Hon. Mr. Duncan: — Well I would say that the Finance minister certainly is counting it as a part of the budget, and so I take that seriously. You may want to call it a sham to his face but, with respect to Minister Doherty, I'm not going to call it a sham to his face.

Mr. McCall: — I guess one of the things that we've had a hard time figuring out, you know, being close observers with this whole process, is how it's worked out for teachers, where it was going to be directed one day and then the next it wasn't going to be directed. So in terms of how this relates to things like labour law, the undertakings of this government, what's lawful, what is not, and what you can count on in a budget and what you can't, these are all fair questions. And to get an answer where it's, you know, I hope it works out. That's not something you can count on.

Hon. Mr. Duncan: — Is that statement or a question?

Mr. McCall: — Both.

Hon. Mr. Duncan: — Well again, this has been laid out as a part of the budget by the Finance minister and it has been communicated to management of SaskTel that this is a part of the budget that SaskTel will have those discussions with their union, and those discussions have begun.

Mr. McCall: — I'm just a hard-working opposition politician looking for some clarity here, Mr. Minister, looking for some certainty, looking for a budget that adds up to the numbers that are presented. And again, you know, like in terms of what the minister's presenting here tonight there's a whole lot of water to go under the bridge yet, I guess.

But in terms of how the budget numbers add up and then the impact of that on people's lives, this isn't just some sort of like . . . You know, people need to know how these things add up, what the actual impact is on the bottom line for the men and women working for SaskTel, let alone throughout the rest of government. So if the minister doesn't have any more detail to lend to the conversation, more clarity to provide for the folks that are looking to this Assembly for certainty, for things they can count on . . . Is that what the minister's telling the committee?

Hon. Mr. Duncan: — I would say what I'm telling the committee is that I sincerely hope that the management and the union can work collaboratively to address the compensation

issue that has been put forward by the government.

Mr. McCall: — Moving on. In terms of the passage of Bill 40 today, whereby 49 per cent of any of the previously protected Crowns under *The Crown Corporation Public Ownership Act* are now open to some kind of a divestiture around 49 per cent. How does the passage of Bill 40 impact SaskTel?

Hon. Mr. Duncan: — I would say that it only impacts SaskTel in the event that there is ever an offer put forward for a minority interest in the company that reaches certain benchmarks and criteria that have been set out by the government in terms of something that truly strengthens the Crown corporation for the future, something that protects the head office and jobs and potentially grows head office jobs here in the city of Regina, that can grow the bottom-line revenue and income number for the corporation. And so I would say to that, that's the extent that it has an impact.

Mr. McCall: — There's been a tremendous amount of talk around SaskTel and its future, first in a question of the risk assessment that was conducted after the Bell Canada purchase of MTS [Manitoba Telephone System] and the different hurdles that that play has gone through, but certainly the Goldberg assessment that was undertaken by the corporation. A question I'd have for the committee is why, or I guess what was the involvement of the holding corporation, Crown Investment Corporation, in the Goldberg assessment of risk for the corporation going forward?

Hon. Mr. Duncan: — So aside from review of the terms of reference prior to Goldberg being hired, there really was no involvement of CIC. This was really at the direction of the board in consultation with the minister at the time. So really there wasn't involvement with CIC.

Mr. McCall: — Why wasn't there involvement with CIC?

Hon. Mr. Duncan: — Well, I would say that it was really at the . . . And again this is prior to when I was the minister, so I'll maybe perhaps have . . . If Mr. Styles sees that I don't have all the answers to this . . . But I think it was really the board, a process of the board, that the board thought that this would be an important thing for the company to engage an outside expert to look at what potentially the risks of SaskTel being really the only regional carrier left in Canada should the MTS, as it now has gone through, MTS sale to Bell. So again CIC did look at the terms of reference prior to the contract going out, but it wasn't at the insistence of CIC. I think the board was very much on top of this issue.

Mr. McCall: — Was there any conscious consideration given to involving CIC in that process? And again feel free to . . .

Hon. Mr. Duncan: — Sorry, Mr. McCall, just for clarification, you're not asking . . . Or I won't put words in your mouth. Are you asking why CIC didn't do the risk assessment? Or did CIC order a risk assessment? I'm just not sure, you know . . . I'll repeat again that CIC was brought in in terms of having a review of what the terms of reference would be when Goldberg was eventually chosen to do a risk assessment. But I guess I'm not sure I understand the CIC part of the question.

Like you know, SaskTel as a part of environmental risk assessments on an annual basis in terms of their business plans, this is not, I think new territory. I think what obviously was different though was MTS and potentially being sold to an entity like Bell Canada would certainly potentially create some risk. So I'm just not, I don't understand maybe the premise in terms of CIC's involvement. CIC was involved, but CIC didn't, you know . . . SaskTel I would think, in fairness to the board and to the management of SaskTel, didn't need CIC to tell them to do this, if that's the question.

Mr. McCall: — I guess what I'm looking for is a more precise understanding of the involvement of CIC as the holding corporation, as an entity that's expressly tasked with the good stewardship and coordination of the sector in terms of the aims and goals of government overall. But certainly CIC would seem to be a . . . I'm not suggesting that it should be CIC themselves doing the risk assessment or an evaluation or, you know, pick your terms. But I'm just looking to have a better understanding of their involvement in that process, as they should be, as the holding corporation — one would think.

Hon. Mr. Duncan: — So again this would've been prior to my becoming the minister. So I'll have Mr. Styles speak to the role that CIC played in this.

Mr. Styles: — So when the question was raised with SaskTel, what are the impacts of Bell buying Manitoba Tel in the province, it was raised in the same context as when Bell and Telus for instance moved into the province and began to compete against us. The same context as which Xplornet now is going to move into the province, or has moved into the province through the purchase of YourLink and will probably become a larger competitive threat for us as well. And there's several others — MCS [Multipoint Communications Systems] as well is making some moves here into the province.

So I would suggest to you that what happened in terms of the review around the MTS Bell deal is no different than our examination of other competitive threats that occur. The process at the direction of government and then with our board was that, you know, make this more public; make it more transparent, and that's exactly what happened. But anytime that there's a change in the marketplace . . . It could be Shaw introducing a brand new product such as their new TV platform, I believe called blue star, I think. I don't want to give it too much hype, but they've introduced a new business platform into the market. We analyze that in terms of the impact on the company.

[20:15]

It's just the transaction with Bell and Telus was a little larger and the impacts were not just around, as a competitive thread, but it has an impact on suppliers. So for instance, there's a lot of people doing underground work right now tied to fibre to the prem. If Manitoba ramps that up, it's going to have some potential impact on us.

So you know, it was really the type of analysis that the corporation has done on a regular basis. We do it every year. It's sort of one more of these environmental factors that we need to do, and so it was just seen to be part of our regular business planning processes.

Our board is best positioned because they're responsible for strategic planning and business planning for the corporation, and they're best positioned to oversee it in conjunction with management. So I would call it just continuing with our regular processes. All of it feeds back to CIC. We report back to CIC each year when we do performance management days. You know, we provide the results of that assessment and how we're going to deal with those kind of competitive threats or with changes to the marketplace that are ongoing.

So I would describe it as sort of regular processes, regular work. CIC takes the same role as they would in anything that we've done. We end up, it goes back to the board and to CIC. They provide their analysis and overview, and that filters into the decision making that the board of directors at CIC make each year.

Mr. McCall: — Thanks for that. And again we're looking to get some things on the record here in terms of what has actually transpired. And I'm glad to hear that CIC was involved as they normally would be. And I guess the one, you know, in terms of good stewardship of public assets, public enterprise, there's always that examination, evaluation that need go on. So absolutely that should be part of the annual cycle, and certainly we look forward to our discussion of that in the annual report.

I guess the one thing that was different in terms of this, or different inasmuch as we haven't had, you know, a more public conversation about the possible sale of SaskTel, we haven't had something like that in a larger way since the mid-'90s. And again that was something that CIC led the way in terms of talking to the broader public.

But that kind of existential question is a bit of a new aspect in terms of where things are at with SaskTel. The Premier did a lot of musing and a lot of talking about different approaches to the question of the sale of SaskTel to come up with, rightly, finally, that SaskTel should not be sold off.

But in the wake of that, we've had Bill 40 proceed and, you know, a definition of privatization brought forward where he could sell off 49 per cent of the corporation. And different from the broader question we've had around the sale of SaskTel previously is that that would take place without consultation or asking the people of Saskatchewan for permission in either an election or a referendum.

So I guess SaskTel has been very much at the heart of those considerations and speculation. Certain things have been made clear there; certain other things haven't. A question that needs to be answered — and again in terms of an entity like SaskTel, which operates in such a highly competitive environment — something like a potential tax loss to the federal government, if you've got more than that 10 per cent, if you've got more than a 10 per cent share being privately held, which SaskTel is definitely open to.

Has there been any work conducted on the part of SaskTel and the able minds in the leadership team there on how a deal would be structured to provide opportunities for a minority shareholder to purchase up to 49 per cent of the corporation, but at the same time working to shield it from federal tax implications? Has there been any work done on the part of the

corporation in that regard?

Hon. Mr. Duncan: — No.

Mr. McCall: — So that's interesting to hear. So the minister's saying there's been no such work done around possible structurings or tax shields or anything like that. The minister's saying that unequivocally.

Hon. Mr. Duncan: — Are you going back to . . . How far are you going back? To the mid-'90s that you referenced?

Mr. McCall: — No.

Hon. Mr. Duncan: — In terms of . . . Sorry, was that a no?

Mr. McCall: — No, I'm not going back to the mid-'90s.

Hon. Mr. Duncan: — No, we haven't . . .

Mr. McCall: — Say on the minister's watch.

Hon. Mr. Duncan: — On my watch. In terms of . . . No. No.

Mr. McCall: — In terms of inquiries that have been made about the possibility of purchase of some part of SaskTel, have there been any inquiries made of the minister or of officials with SaskTel?

Hon. Mr. Duncan: — There have not been any formal discussions or dialogues with any company in terms of what a deal could look like or the structure of a deal. There has not been a formal offer by any entity put forward either to myself or to the president and CEO. Obviously the CEO has commercial relationships with a number of companies across the country. You know, I think it's fair to say that this has been a newsworthy, of-interest item, and so there has been, I think, some conversations about confirming the position of the Government of Saskatchewan. But there hasn't been formal discussions about a structure of a potential offer.

Mr. McCall: — So what, you know, what constitutes an informal expression of interest?

Hon. Mr. Duncan: — Well I would say, for instance, when prior to the beginning of the session when the Premier had openly mused about the possibility of privatizing the company and going to a referendum with the people of Saskatchewan, that certainly would have been in the news and in the trade papers, and people in the industry would have saw that. That position has since been taken off the table, so to speak. And so, you know, that would have been a part of communication with any number of companies to say that, no, the Government of Saskatchewan is not looking to privatize SaskTel.

Mr. McCall: — So were there communications in written correspondence or email inquiring as to the sale of SaskTel and possibilities that might exist thereto before the Premier made his announcement closing the door on full privatization of SaskTel? Were there inquiries made?

Hon. Mr. Duncan: — No.

Mr. McCall: — Since the Premier has closed the door, have there been any informal conversations or expressions of interest as regards the possibilities for a private entity to purchase up to 49 per cent of SaskTel?

Hon. Mr. Duncan: — Again, there have been no formal conversations with respect to an offer or the potential structuring of an offer. But certainly in the course, as Mr. Styles has indicated to me, in the course of the ongoing commercial business relationship that he has with a number of companies, it has been a topic of conversation on an informal basis.

Mr. McCall: — So there haven't been conversations with the minister.

Hon. Mr. Duncan: — No, the only conversation that I would have had would have been a very brief encounter with a company where I — this would have been post-March 6th — where I restated the position that the position of the government was no longer would we entertain the privatization of the company and take it to a referendum to the people, but that the Premier had talked about looking at, you know, potential partnerships. That was the extent of the conversation. There wasn't and hasn't been any follow-up since.

Mr. McCall: — So in terms of . . . There's just been one entity that the minister, himself, has engaged in a discussion with about the future of SaskTel.

Hon. Mr. Duncan: — Yes. Again, this was a really brief encounter with a couple of representatives of a company, where again I stated what has publicly been stated by myself and the Premier in the past, and the conversation quickly moved on to another significant Saskatchewan asset.

Mr. McCall: — It's like you're baiting me. In terms of the conversation, did it take place in the minister's office? Did it take place in this building?

Hon. Mr. Duncan: — Yes. It took place in this building. Yes.

Mr. McCall: — Was the point of that meeting . . . You know, did you have an agenda? Was the minister caught unawares by this discussion?

Hon. Mr. Duncan: — Well I'm not sure what the prior discussion was. I wasn't a part of the meeting.

Mr. McCall: — So who was the discussion with?

Hon. Mr. Duncan: — Well it wasn't with myself, so I'm . . .

Mr. McCall: — In 2007 when you ran as part of a government that said you'd be the most open and accountable government in the history of this province. How does that square with the answers that you've just given?

Hon. Mr. Duncan: — I think that squares quite well. I've indicated that I had a very brief discussion with a Canadian company in which I stated privately with them the public position of the Government of Saskatchewan, in that prior to March 6th the Premier had publicly mused about the potential sale of SaskTel, provided that it was supported through a

referendum of the people of Saskatchewan, and that subsequent to March 6th that position had changed, but that the government would, should it make, reach a level in terms of a benchmark in terms of positive contributions to the company and the province, that the government would entertain partnership ideas. That was the extent of the conversation. So I'm clearly saying, privately I said this to a company, which I've said publicly.

Mr. McCall: — When did this meeting take place?

Hon. Mr. Duncan: — Subsequent to March 6th. I don't have the date in front of me.

Mr. McCall: — After March 6th.

Hon. Mr. Duncan: — That's correct.

Mr. McCall: — So the minister stated the position of the government. Could he, you know, reiterate that for us? What the terms of the sale would be, is another way to interpret that.

Hon. Mr. Duncan: — The Premier had indicated prior to March 6th in a very notional way, in terms of strengthening the company for the long term, in terms of protecting the head office and growing the head office if there was a potential to grow the head office and head office positions, to grow jobs in the province depending on which . . . in terms of potentially improving the balance sheet of the company, growing the company in terms of the number of employees, that prior to March 6th, the government, the Premier had mused about the potential of — should it be supported by a referendum of the people — of privatizing the company. Subsequent to March 6th, the Premier indicated that that is not the direction that the government is going to go, but I would say notionally those goals still exist.

[20:30]

At the end of the day what we are looking to do is to determine whether or not there is the ability to strengthen the Crown corporations for the future. What that looks like, people will have different metrics of what that looks like. I don't have a number of how many jobs it would mean, or what the . . . in terms of the number of head office jobs or any number factors. That would have to be determined again if there ever is to be an offer put forward, which I don't know if there is. It's all hypothetical.

Mr. McCall: — We passed a very real piece of legislation earlier this day which opens the door to a 49 per cent sale of any of the previously protected Crowns, one of which is SaskTel of course. In terms of what a 49 per cent sale of SaskTel would look like and what the implications are for that, is the minister indicating to the committee that there hasn't been work done preparing draft legislation for the SaskTel Act that would enable such an equity stake being taken in the Crown corporation?

Hon. Mr. Duncan: — To my knowledge there has not been work on a draft piece of legislation to amend SaskTel's Act that would allow for a minority interest to be taken by a third party in the corporation. There absolutely has not been work done on

a draft bill.

Again there is no offer. There has not been a formal conversation about what an offer may even look like. Aside from some notional ideas, there is no set criteria in terms of what an offer would have to check off in terms of notional ideas. I mean, I've mused about them now, but the same ones obviously that the Premier has mused about again in the past.

So again we're talking about hypotheticals. I understand that Bill 40 is not a hypothetical. It is a real bill, and it has been passed by this legislature. But there is no offer. I can't give you an evaluation of the potential of an offer because we don't have an offer. There has been no formal offer made. There's been no formal conversations about what an offer would look like. This is all speculation.

Mr. McCall: — Again the minister's indicated that he's had a meeting, indicated that the position had changed when responding to inquiries from the individuals in that meeting. So again, that this is some kind of speculative exercise . . .

Hon. Mr. Duncan: — Sorry, Mr. McCall, what was the second part there? Sorry, one, there wasn't. I didn't have a meeting. I ran into some people and outlined clearly what had already been publicly stated by the Premier.

And then your second part, I don't . . . I think you said that something has changed . . .

Mr. McCall: — You know, please, please be clear for me. Help me understand, Mr. Minister.

Hon. Mr. Duncan: — Sure.

Mr. McCall: — Did you have a meeting, or did you just run into somebody in the hallway at the legislature here?

Hon. Mr. Duncan: — There's lots of people in this building on any given day.

Mr. McCall: — So you just ran into somebody in the hallway. You had a brief discussion about whether or not SaskTel was for sale or not. The position had changed, so then you moved on to the discussion of another asset.

Hon. Mr. Duncan: — Sorry, the position . . .

Mr. McCall: — Am I remembering what you've just said 10 minutes ago?

Hon. Mr. Duncan: — Sorry, sorry, sorry, the position? What position had changed?

The Premier announced on March 6th, the first day of the sitting, that yes, the position had changed.

Mr. McCall: — Yes.

Hon. Mr. Duncan: — Right.

Mr. McCall: — Yes.

Hon. Mr. Duncan: — So then in the one time that I've spoken to a company on this topic, I communicated what the Premier communicated on March 6th, that yes, there was a change that was communicated publicly on March 6th.

[20:45]

Mr. McCall: — Did the meeting take place in your office? Or did you run into them in the cafeteria or in the hallway? What happened?

Hon. Mr. Duncan: — That's an actual question?

Mr. McCall: — Yes, yes, you're darn right it is.

Hon. Mr. Duncan: — I fail to see the relevance of it.

Mr. McCall: — You can't provide the date of the meeting, so we can't check it against the lobbyist registry. You can't tell the committee who the meeting was with so that there's any sort of verification to be done around what the offer was . . . [inaudible interjection] . . . The minister's trying to construe it as lots of people are in the legislature, and sometimes you run into them, and maybe you have these conversations about the future of SaskTel . . .

The Chair: — Mr. McCall, Mr. McCall . . .

Mr. McCall: — And then you move on to the sale of another asset?

Hon. Mr. Duncan: — Sorry, sorry, what the offer was? There wasn't an offer. I've told you. We have not received an offer. There was no conversation about an offer. I simply communicated what had already been communicated publicly.

Mr. McCall: — So how long does the minister think it's going to take before some kind of equity offer comes forward with SaskTel?

Hon. Mr. Duncan: — I have no idea.

Mr. McCall: — Well thanks for that. We'd agreed on an hour and a half for consideration of SaskTel's estimates, and I thank the minister and officials for this discussion.

The Chair: — Seeing that there are no further questions and our time has been completed for these estimates, the committee will adjourn its consideration of vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). Mr. Minister, do you have any closing remarks?

Hon. Mr. Duncan: — No, Madam Chair, other than to thank members of the committee for their consideration and Mr. McCall for his questions.

The Chair: — Thank you. Mr. McCall, do you have any closing remarks?

Mr. McCall: — I've said my piece, Madam Chair.

The Chair: — Thank you. We'll take a short break to recess and change officials before the next estimates. Thank you.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

Subvote (SE01)

The Chair: — Welcome back, committee members. We will now start our consideration of lending and investing activities for vote 150, SaskEnergy Incorporated, loans, subvote (SE01). Minister Duncan, please introduce your officials and make your opening comments.

Hon. Mr. Duncan: — Thank you, Madam Chair, and members of the committee, for allowing us to appear this evening. First I'll introduce my officials. With me this evening, to my right is Mr. Ken From, president and chief executive officer; Christine Short, vice-president of finance and chief financial officer, to my left. Mark Guillet is the vice-president, general counsel and corporate secretary. He's seated behind us, as well as Mr. Randy Greggains, the vice-president of SaskEnergy and TransGas operations.

We'll be pleased to answer questions on subvote 150 after a few opening remarks. We will be tabling our annual report this summer, and full financial details from 2016-17 will be released at that time.

SaskEnergy is projected to achieve consistent profitability over the five-year forecast period and has continued to deliver solid results despite challenging economic conditions experienced in Saskatchewan and Western Canada over the last five years. Industry-based standards and best practices for transmission and distribution companies in North America have rapidly evolved in recent years, leading to increased investment in infrastructure renewal. SaskEnergy TransGas has made investments in its infrastructure to accommodate growth within the province and these new standards while still maintaining an industry-average debt ratio.

Safety remains SaskEnergy's number one priority for customers, the public, and our employees. To maintain a safe and reliable distribution and transmission pipeline network while supporting provincial growth, a system integrity budget of more than \$90 million was actively managed in 2016-17. This will increase to more than \$100 million for 2017-18. In addition in 2016-17, SaskEnergy invested a further 196 million in capital projects to meet the energy needs of its growing customer base, with an investment of \$292 million expected in 2017-18.

SaskEnergy added more than 4,000 new residential, business, and industrial customers last year, bringing the total customer base to over 390,000 with an additional 4,500 customers forecast for 2017-18.

The net income result for the 15-month period ending March 31st, 2016, was 135 million. The March 31st, 2017, net income result for SaskEnergy will be released at the annual report tabling announcement later this year.

SaskEnergy continues to actively work on efficiency measures and productivity improvements, achieving 42 million in savings between 2009 and 2016. Focusing Crown collaboration initiatives, process changes, leveraging technology and revenue opportunities, SaskEnergy is projecting 4 million in savings from operating efficiencies for the 2017-18 fiscal year. SaskEnergy continues to focus on providing high levels of customer service at competitive rates while realizing operational cost efficiencies. Their strategy remains focused on safe and reliable service, efficient operations, and supporting provincial growth through the timely delivery of necessary infrastructure. Thanks to these ongoing efforts and strong results in core areas of focus, SaskEnergy is well positioned to continue to achieve its business goals.

With that, myself and the officials would be pleased to answer questions on subvote 150.

The Chair: — Thank you, Minister. When your officials speak for the first time, if they would just mention their names for the purposes of *Hansard*, thank you. I'll open the floor now to questions. Mr. Meili.

Mr. Meili: — Good evening, Ms. Chair. Good evening, committee members and all of the officials. Mr. From, Ms. Short, good to meet you. I am new so this is going . . . Some of my questions might seem a bit elementary, but really trying to get a better understanding of the Crown corporation and then perhaps dig into some deeper questions.

So just to clarify — the minister's remarks were quite helpful there — you're projecting 4,500 new customers next year, and there were how many new customers last year?

Hon. Mr. Duncan: — That's correct. We are forecasting in 2017-18 4,500 new customers, and last year it was just over 4,000 new residential, business, and industrial customers that were connected.

Mr. Meili: — Okay, thanks very much. In terms of the profit in the last year and the year before and the year prior, so the last three years, could you give me those numbers, and then tell me what's projected for the year to come.

Hon. Mr. Duncan: — So going back, I'll go back to 2012. So the net income 2012 was \$107 million. In 2013 it was \$79 million. There was a non-cash adjustment in 2014 that actually would then on paper essentially show a \$33 million loss. But there was a non-cash-related item. In 2014 an \$85 million net income. And for the 15 month . . . so for SaskEnergy's year, that would have been the 15-month year because of the change; it would have been 111 million in the 2015-16 year.

Mr. Meili: — Okay. So you said 79 — just to be 100 per cent clear, there was something just a little off there — '13, 79 million, is that right? And then there was a loss in '14. And then 85 in '14 as well. So I got two '14 numbers. Just forgive me if I misheard.

Hon. Mr. Duncan: — Yes in 2014. So there was an operating income of \$47 million, but there was a non-cash adjustment of a negative \$80 million dollars, which that brought it down to the negative 33. 2015, it was 85 million. And then the following

year would actually be a 15-month period because of the change in the calendar for the Crown corporations, so that it's \$111 million. But again, that's not a 12-month, normal year. That's the new 15-month year.

Mr. Meili: — Yes. So it would be kind of consistent with the 85 in the year prior . . .

Hon. Mr. Duncan: — Yes.

Mr. Meili: — If you average it out over that period, just out of interest, what was that non-cash adjustment? What was it that meant that 45 million was profit, but then there was the 85 adjustment? What was that about?

Ms. Short: — I'm Christine Short. I'm the vice-president of finance and chief financial officer. The non-cash adjustments that occur year over year are the result of what we have to do, from an accounting perspective, to mark our gas marketing contracts to the market price. So we enter into the contract. It's a fixed price, but the accounting rules require us to record the actual market price at the time of the financial statements, so at the time that they're issued.

So in that particular year, the actual value, the contract price, as I said, was fixed. But at the reporting period, which is a point in time, natural gas prices dropped such that the value of those contracts, had we entered into them that day, were actually \$80 million less than what they were the prior year. So each year we do have that non-cash adjustment that affects our net income. That year there was a significant drop in the price of natural gas at December 31st that resulted in that loss.

Mr. Meili: — What is your sense of the stability of the natural gas prices at this point and the likelihood of major adjustments in the year to come?

Ms. Short: — The natural gas market is very volatile, so it's very hard to determine what the price of natural gas could be at any particular reporting period.

SaskEnergy has undertaken strategies that will minimize the volatility in those adjustments year over year, so we have taken steps to try to avoid that volatility going forward.

Mr. Meili: — The minister mentioned that the debt/equity ratio was similar to other companies in the field. Can you tell me what that debt/equity ratio is?

Hon. Mr. Duncan: — So it has been pretty consistent around the 60/40 range over the last . . . Sorry, I apologize. I have the go-forward-looking numbers. I'll just find the go-back numbers here. So yes, it's been pretty consistent in that 60/40 range. It has kind of fluctuated up to 63 per cent then, kind of, back down to the 59 range but roughly 60/40 debt to equity.

Mr. Meili: — And the total debt of SaskEnergy at this point?

Hon. Mr. Duncan: — Including both long-term and short-term debt, 1.3 billion.

Mr. Meili: — And that's up a hundred million and change from last year then?

Hon. Mr. Duncan: — That's correct.

Mr. Meili: — Is there a debt limit set within the corporation? Is there a point at which we're not permitted by legislation to go any further?

Hon. Mr. Duncan: — Yes, and it's 1.7 billion for SaskEnergy.

Mr. Meili: — So it's within sight if we continue to climb. What drove the increase? As a percentage of that debt, it's not a huge increase, but it's still a hundred million dollars. What drove that increase in the last year?

Hon. Mr. Duncan: — So it's a combination of new customer connects, so bringing on new customers and the capital that's required for that, as well as the system integrity. SaskEnergy has certainly been focused, particularly in the last number of years, on ensuring the safety and reliability of the system and has really redoubled efforts into the safety component of the system.

Mr. Meili: — In terms of capital investments of that type in the year ahead, what are we looking at in terms of expenditures there and what are the main focuses?

Hon. Mr. Duncan: — SaskEnergy is forecasting a further \$292 million in capital projects in this upcoming year. Approximately 117 million of that is based on customer connections, and much of the bulk of the remaining funds will be spent on public safety and securing gas supply.

Mr. Meili: — I assume that there are things you'd like to do and things you are able to do. And probably the list each year, that's not an equivalent list. There are things that you choose not to do: defer maintenance or defer investments. Has the increase in or . . . And particularly the addition of PST [provincial sales tax] to construction, which will be increasing the cost of most capital projects by 4 to 5 per cent, something like that, once all is accounted in, is that having any impact on your choices in terms of the deferred maintenance efforts you're going to undertake?

[21:00]

Hon. Mr. Duncan: — So I would say no it's not, I would say, a major consideration. Certainly the priority is on the safety and the reliability of the system, and so really any of the effects of an increased PST really goes into the rate of providing the service, so basically that's how it'll be handled.

Mr. Meili: — The rates will go up or the debt will increase, but you won't be choosing not to do projects as a result of the increased PST. Is that a fair description?

Hon. Mr. Duncan: — Right. I think particularly with respect to the safety of the system, there won't be a decision to not do projects that are, you know, pretty important because of it.

Mr. Meili: — That's good to hear that you wouldn't delay anything that would put people at risk, delay fixing anything that would put people at risk. It does mean that that increase in PST and its application to construction does either affect the debt load of the Crown corporation or the rates. Are we

expecting rate increases for SaskEnergy in the next 12 months?

Hon. Mr. Duncan: — SaskEnergy doesn't normally put applications for rate changes till usually the summer to prepare for the fall. So there's analysis under way to make a determination, both on the commodity as well as the delivery. So it's too early to say whether or not there'll be an increase or decrease either way. Oftentimes some of those increases or decreases will net out because the cost . . . because of how much, in terms of your bill, is weighted in terms of the actual commodity and how much is the delivery side. So there may be a rate increase on one side and a rate decrease on the other side. That's a part of the calculation, though, that the corporation's undergoing right now.

Mr. Meili: — Right, the cost of delivery and the cost of the gas. Okay. Makes sense. I'm just noticing one difference here in the lending and investing activities: the forecast and estimated for 2016-2017 was 100.221 million, has decreased to 58.991 million. Can you tell me a little bit about that change and what's involved in those lending and investing activities and what might have changed.

Hon. Mr. Duncan: — Sorry, Mr. Meili, could you just repeat the question?

Mr. Meili: — Sure. If you're looking for the reference, I'm looking at page 144 of Estimates from 2017-2018, the schedule of lending and investing activities, where we had a decrease of 100,221 to 58,991 for SaskEnergy.

Hon. Mr. Duncan: — So the reference on page 144, that's the amount on an annual basis of the debt that matures. So last year it would have been a higher amount of debt that was maturing. This year it's a reduced amount.

Mr. Meili: — So it's really just the lifespan of that debt.

Hon. Mr. Duncan: — Yes.

Mr. Meili: — And that's why there's a difference year to year. Okay, thanks very much. And then in terms of the statutory loans, again a small difference from 192,600 to 186,900. Anything that's changed there? Or how does that get calculated year to year? What's happening there?

Ms. Short: — So the estimate for 2016-17 included those higher maturities. So we would be reinvesting back into the long-term debt. 2017-18, those maturities are lower so there's less requirement going forward.

Mr. Meili: — Thank you very much. In the budget document this year, there was a statement that government business enterprise was . . . Actually, I'm sorry; I'm just going to scrap that question. It seemed like a good idea till I remembered that I'd asked something earlier that took care of it.

So I will move on to something that has been getting a lot of attention, and that's the question of grants-in-lieu. Now SaskEnergy pays grants-in-lieu to dozens of municipalities, ranging from 5.6 million to the city of Saskatoon to some smaller communities of less than 10,000. Actually I'd like your understanding of what those payments are in lieu of exactly and

how those contracts break down. What are you paying for?

Hon. Mr. Duncan: — I guess the best way that I would describe it with respect to SaskEnergy, knowing that much of these agreements predate even SaskPower being a company — it was at one point a part of SaskPower — but it's essentially in lieu of the municipality that is receiving the payment having created their own gas company distribution company. So it's a payment for the ability for essentially to not have the municipality own and operate their own gas company.

Mr. Meili: — So the opportunity cost? Now it's called grants in lieu of taxes, and my understanding is what've you've described is true but not entirely true. It's not the whole story, that it's partly the opportunity cost, but also property taxes and other services.

Hon. Mr. Duncan: — No, and I think that's where the confusion lies, is that it's probably called the wrong thing. Yes, we certainly understand the concept of grants in lieu of taxes. So rather than paying property taxes, it's a grant in lieu of paying the property tax on a building, for example.

This really is a payment in lieu of a municipality foregoing their ability to create a gas distribution company decades ago. So it's really not tied to what otherwise would have been paid by way of property taxes by the company.

Mr. Meili: — Does SaskEnergy pay property taxes?

Hon. Mr. Duncan: — So SaskEnergy does pay, and it kind of gets a little bit complicated here. But in the event that SaskEnergy leases a building and the owner of that property does in fact pay property taxes, SaskEnergy does, in those cases, pay . . . basically it's a flow through. So SaskEnergy will pay the property tax. So for example, in the city of Regina, SaskEnergy leases the head office and pays approximately \$800,000 in property taxes to the city of Regina. That continues.

There is also then property taxes paid on a number of facilities in which SaskEnergy purchased the property from an owner that did pay property tax, and SaskEnergy just has continued the practice of paying property taxes. There are other instances where, as formerly a part of SaskPower, where it was exempt from property taxes. And so there are some places where SaskEnergy just does not pay property taxes. But this year, I think nearly three and a half million dollars will continue to be paid in property taxes by SaskEnergy.

Mr. Meili: — Okay. So then . . . And perhaps it's somewhat different between SaskPower and SaskEnergy as well, and that might be where I'm needing a little correction. So thank you.

So when it comes to SaskEnergy, we're talking entirely opportunity cost. Is there any breakdown in terms of . . . We've got the town of Carrot River and other communities here. Does the contract look the same? Is there a contract for each of these municipalities?

Mr. Guillet: — Mark Guillet. It is a very complex system that was put into place. There was actually nine agreements that were entered into with incorporated cities in the 1950s, from

1954 to '59. So there is written agreements with those cities.

For the other 100 towns and villages, there was no formal written agreements that were put in place. It was done as the gas system developed and gas was brought to these other communities. There was a SaskPower board minute that granted and said they will provide the same arrangement that had happened with the nine incorporated cities. So for the 86 towns and villages, they received 5 per cent of the gas sales within their community as equivalent of a franchise fee, basically, is for forgiving their ability to develop a delivery system.

[21:15]

Then as the system developed further out, that then dropped down because of the investment required and more costly to bring the gas to those further communities. It dropped down to 3 per cent for those 13 communities. And then after that, it was more investment, and there was no more . . . [inaudible] . . . grants-in-lieu that were being provided to those communities. So there's only written agreements for the nine incorporated cities in the 1950s.

Mr. Meili: — So the nine original cities are at 5 per cent and then a bunch of other communities were also at 5 per cent. Then there were some more at 3 per cent and then there were a bunch more at zero per cent. I'm just trying to make sure I understand.

A Member: — Yes.

Mr. Meili: — Excellent. Okay. And so when we look at these numbers for 2015-16, that's all based on those formulas. That hasn't changed and that's all essentially the lost opportunity cost.

Now what happens to those agreements, the nine, with the incorporated cities and then the subsequent handshake agreements, it appears? What happens to those now that we've got Bill 64, is it? Keep my numbers straight.

Hon. Mr. Duncan: — So the basis of the bill would be that the agreements are terminated.

Mr. Meili: — Okay. And terminated permanently? There will no longer be these payments being made for the foreseeable future.

Hon. Mr. Duncan: — Yes. So the monies that were collected and returned to those 109 communities, those payments will continue to be collected by SaskEnergy, but the monies will be paid directly to the Government of Saskatchewan.

Mr. Meili: — Then it's the Government of Saskatchewan's decision whether or not to transfer those on to those cities.

What are the implications for SaskEnergy in terms of, I guess, the relationships with those communities now that those payments are no longer being made? What does this mean to you that this is no longer happening?

Hon. Mr. Duncan: — So I'll maybe take a stab at this and then I'll . . . if any of the officials have anything more to offer. I don't think it necessarily changes the relationship between

SaskEnergy and those communities. This was the decision of the Government of Saskatchewan. You know, I think as even just the discussion here tonight, it's a very complicated arrangement that goes back a number of decades. So even the public discourse around grants-in-lieu, you know, people, I think, have thought that that meant grant in lieu of property taxes, which in fact in these cases actually doesn't mean grants in lieu of property taxes. So I think I would just say that I don't think it affects the relationship between SaskEnergy and those communities.

Mr. Meili: — With SaskEnergy no longer providing this money to the communities, and the Government of Saskatchewan no longer providing this money to the communities, why does it make sense to continue to extract this money from SaskEnergy? Why would we have a standing circumstance where we are taking 3 or 5 per cent of the sales of SaskEnergy and just automatically applying it to the GRF [General Revenue Fund]? How does that make sense?

Hon. Mr. Duncan: — So I think in the past . . . I mean this was . . . In the past it was really just a flow-through from the customers to the municipalities. You know, I think it has been stated by members of the government, and this is a part of trying to return the government back to balance knowing that municipalities have, I think, benefited greatly as a whole by increased revenue sharing, whereas we've had these payments or grants-in-lieu that not every community benefited by. And so this was a part of, really a part of the government trying to get to balance. And so we still wanted those dollars collected, but instead of it going to the municipalities directly, they would go to the government.

Mr. Meili: — So instead of a flow-through from the customers to the cities, it's a flow-through from the customers into the General Revenue Fund of the government, but only some cities, so that gets a little strange. So now what maybe was seen as unequal before, as a grant being given, is now an actual increase in cost to those cities that previously had it.

I guess the question for me would be, if you had a . . . If you were setting up, if you were managing an energy company, would you put in place, if you're managing a Crown corporation and setting it up, would you put in place this kind of random 3 per cent and sometimes 5 per cent and sometimes siphoning off of the profits of the company directly to the GRF? I mean we don't do that in any other way. There are ways the GRF can get money from Crown corporations, but it's a deliberate thing, not a sort of side tax.

So it seems like . . . I guess the conclusion, and I don't want to interpret too much in the looks on your faces, but I think it's probably something that appears quite confusing as an ongoing practice, that we would have this thing that was set up for a very different purpose now funnelling money into the GRF.

I guess putting it another way, if these contracts could have been voided, if this causes no problem to SaskEnergy and the relationship with the communities, why have we continued to do this for so long? If it was of no problem to cancel that payment, why have we continued to do that to cities?

Hon. Mr. Duncan: — And I think that it was a . . . I mean it's

been a historic practice since going back even to the 1950s, predates even SaskEnergy by a couple of decades. And so as a part of the measure in this year's budget, we've made the decision to change that practice going forward.

Mr. Meili: — Again given that this is kind of an usual business practice for a Crown to have a percentage of funds that is being automatically sent to the GRF each year based on the sales in a particular community — you know, that's not how Crowns operate otherwise in terms of when money goes to the GRF — I'm wondering what the discussions were prior to this decision with SaskEnergy's leadership in terms of what the impact might be on their bottom line. Was SaskEnergy consulted before the grants-in-lieu was cancelled?

Hon. Mr. Duncan: — I mean, the decision was made as a part of the budget finalization process. So CIC is a part of that process and has contact with the different Crowns to discuss issues or items that the cabinet may be looking at as a part of finalization. But I guess at the end of the day, from SaskEnergy's perspective, it really doesn't affect the operations or the bottom line of the corporation. So it's really was just a decision that the government took that didn't really have an impact on the company itself.

Mr. Meili: — They were giving the money to the cities; now they're giving it to the GRF. It doesn't really affect them in a change. Unusual situation going forward, but their bottom line doesn't look that different. Okay.

Speaking of the bottom line, last year there was 5.9 million found in cost-reduction savings and . . . or the year before, and this last year, 4 million. Is that correct?

Hon. Mr. Duncan: — Yes, that's correct.

Mr. Meili: — How were these efficiency found? What are the methods that are being used to do this cost reduction or cost containment?

Mr. From: — It's Ken From, president and CEO of SaskEnergy. There were a number of efficiencies, and I'll just highlight a couple, if I might.

One of them that I want to talk about, that we're very proud of, is our installation of what we call the automated metering infrastructure. And what that does is that allows us now to have actual meter reads every month rather than trying to estimate and forecast what a person's consumption might be. So it gives the customer far better information. It eliminates the need for the meter reading personnel to go out and do the meter reading.

And the other thing it does is, it has reduced the number of calls we're getting. A lot of calls that would come into the office are people questioning our estimation process: you know, it wasn't really that cold; why did I have to pay so much for my bill? And this now, by having actual reads every month, that has really lessened the workload for some of those customer service reps that can now spend their time in talking to customers about efficiencies, about hookups, about other things that are of more value to the customer than just an item estimation on their bill. So that's one of the efficiencies that we have.

Others are around some, what might be categorized as, Crown collaboration. When we're doing new installations in communities, rather than the four different utilities — you know, SaskEnergy, SaskPower, SaskTel, and perhaps a cable service — instead of each of them going in and trenching and running it in separately to someone's yard, there's a joint trenching project which actually saves all of the Crown corporations, you could argue probably one-quarter of the costs rather than doing it themselves with a single trench through.

Also with SaskPower and SaskTel and the communication corporations, there's joint line locating which again provides that Crown collaboration, company collaboration in order to reduce the costs and provide the low-cost service to the customers.

Mr. Meili: — Thank you very much. Yes. Digging one trench instead of multiple times, that makes a lot of sense.

Speaking of cost reduction — and we'll get into a bit of familiar territory from your last set of estimates here — the 3.5 per cent. In terms of the collective bargaining agreements in SaskEnergy, where are we in terms of the collective bargaining cycle? Is it expected the employees of SaskEnergy will see a 3.5 reduction in their salaries?

Hon. Mr. Duncan: — So the main contract with SaskEnergy's unionized employees is open. It's been open since February. Negotiations have already begun and continue. And I think with our previous round, I think that the direction that's been given is that, within the context of the operations of the organization, you know, the management is going to be tasked with finding what works best for their organization; for the bottom line of the company, as well as for their staff, in finding an overall 3.5 per cent reduction in compensation costs.

So I guess I would disagree a little bit with the premise in terms of a 3.5 per cent reduction in salaries for employees. We are not mandating how a 3.5 per cent reduction in overall compensation will be . . . Certainly the goal that has been set, that's really for each table to have negotiations around.

Mr. Meili: — So that's for the in-scope compensation expenditures. Does it apply to out-of-scope as well?

[21:30]

Hon. Mr. Duncan: — It will apply to out-of-scope. I think the approach that is being taken by most is to have those conversations either during the open tables of open contracts with the in-scope employees, and then try as best to match up with the out-of-scope employees as well. So certainly the expectation is that this will apply to out-of-scope. But again that's a part of the discussion that management is undertaking.

Mr. Meili: — When we look at the CIC's executive compensation, we see . . . and my apologies to the folks present. It's never nice to talk about the compensation of the people in the room, although the minister will confirm that we've been talking a lot about our compensation in this room lately. The CEO salary, will that also be expected to be affected by 3.5 per cent, and the executives in the Crown corporation?

Hon. Mr. Duncan: — Again certainly it would be our expectation that out-of-scope including senior management will take part in the 3.5 per cent overall reduction in compensation.

Mr. Meili: — Now I understand you said before you don't want to be too directive, but is that something on which you would want to be a bit more directive making sure that those at the top of the scale are feeling some of that pinch as, you know, we've discussed here in the legislature?

Hon. Mr. Duncan: — Certainly, you know, I think it would be fair to say that what we feel as elected officials have taken the leadership role in a 3.5 per cent reduction directly in our remuneration. Again not prescribing what it would look like, but certainly I would expect that our senior leaders would also show leadership in what we are asking them to work with their out-of-scope as well as in-scope employees as well. So yes, I would expect that senior management will take part.

Mr. Meili: — So there's salary, those core compensations. There's also things like the short-term incentive pay. As a physician, I wouldn't have named something STI [sexually transmitted infection], but that's another conversation for another day. Something none of us would want to pass on. But moving right along, is that calculated in that overall compensation? Do you look at those sort of bonuses and that kind of benefit in the consideration of this 3.5 per cent reduction? If I was asking your Minister of Finance, would he say, that's your whole compensation package; I'm expecting 3.5 per cent out of it?

Hon. Mr. Duncan: — Yes, so it will be looked at as a part of the makeup of how our senior management are compensated. So that is a part of it. But I will say that the short-term incentive program, it's tied to achieving some targets and some goals. And so we are not asking anyone to, in hindsight or in retrospect, to go back, in terms of seeing a reduction. So it's kind of . . . It's allocated after the fact. So the board of CIC will go through a process of making determinations of the short-term incentives. And so we're not going back and reducing that for what was achieved in the last year.

Mr. Meili: — So you're saying because it's performance in the last year that's being rewarded, it will be rewarded at the rate that it is . . .

Hon. Mr. Duncan: — For last year.

Mr. Meili: — So then if we were looking at next year's STIs [short-term incentive], we would be expecting that to be 3.5 per cent less?

Hon. Mr. Duncan: — I wouldn't say a direct 3.5, but it will be, as a part of the calculation, how it relates to their overall compensation. Yes.

Mr. Meili: — Okay. That makes sense. In some more familiar territory, we had some discussion of the implications of Bill 40 for SaskTel earlier this evening. I'm interested in the implications of Bill 40 for SaskEnergy. So when we talk about SaskTel, we're hearing about the risk assessment that was done and the market out there in terms of the small, regional carriers and the big players. And maybe this question is more for Mr.

From. But who are the big players? How do we compare in terms of small players? What is our risk in this environment, and who might be seeing us, SaskEnergy, as something they would want to be purchasing in part or partnering with in the way that has been described?

Hon. Mr. Duncan: — I'm going to let Mr. From speak a little bit more, but I just want to be clear that the risk assessment as it related to SaskTel was not a result of Bill 40. In fact the risk assessment was commissioned well before Bill 40 was even a bill before the Assembly. The risk assessment with respect to SaskTel was the fact that SaskTel, after the successful purchase of MTS by BCE [Bell Canada Enterprises], would be the last regional carrier left in Canada. I think circumstances are different for SaskEnergy, but I'll maybe have Mr. From speak to some specifics.

Mr. From: — Sure. Thank you very much. I do want to start by saying that SaskEnergy TransGas, we are a franchised utility. We have a geographic area where we have a monopoly, and with that monopoly comes some obligations to ensure that we are providing, you know, the service at the lowest cost possible. And to that end, we have a regulator, the rate review panel, that will review our rates and review our cost of service to ensure that we are indeed providing the proper service to our customers.

With respect to the size of the organization, we are a utility that, in terms of its number of customers, is probably on the lower half of the utilities in Canada. We certainly have far more pipe in the ground than anyone else in Canada.

What we do is we like to leverage off of the major players within the industry, and some of those are some very technical associations that we participate with. We gain a lot from them, from our membership, in talking about how do we do the Integrity First programs; how do we have the safety; what kind of new technology are there for us to install the pipes, to inspect them, and to prolong their useful life? So we use that kind of leveraging.

Also because we are in what I call the supply basin, and most utilities are not, we are kind of unique in the fact that we have both the natural gas production side of things, and of course, the consumption. And our TransGas, our high-pressure pipeline utility, looks at both sides of that. And what we do is we try to look for customers that can add some value because of their size and give us technology that we can't possibly have.

And I'll give you two examples of how we have participated in that. One is, down in the Weyburn area there's a lot of Bakken oil. You've probably heard about that. One of the peculiar things about Bakken oil is that, in its production, it releases a lot of natural gas. That natural gas is what we call very rich in other components such as butane, propane, and ethane. While in small quantities, those are fine for the pipeline system, generally we like to take them out for two reasons: it makes our pipeline operate better; and secondly, it gives a higher net back to the producers.

So we partnered with a company, and we built a plant near Weyburn. The company financed 90 per cent of it. We wanted to have some skin in the game because it's part of our facility

— that natural gas is coming on our system. So we worked with them, and we got it to a certain mass where, after a couple of years, we sold our interest because we no longer cared about it because it's up and running and it's not part of our franchise. It's not part of our mandate. We have no exclusive rights to that, so we sold that off. And to that end, this pipeline takes our liquids from southeast Saskatchewan all the way to Alberta for the petrochemical business. We added over \$100 million in economic activity in the Bakken area and put in a pipeline that was 300 kilometres in length. So that's how we use partners.

And on a go-forward, one of the things that we want to do to enhance the gas supply into our system, and also to really bring an environmental aspect and reduce the greenhouse gas emissions, is to look at some of those areas where we have flare gas, where the flare gas cannot be economically, using today's technologies, brought onto the system. So we have an RFP to some companies that would have that technology, and we can try to do some pilots with them to see if we can actually enhance what they're doing, what we need to do and, at the same time, reduce the greenhouse gas footprint for both of us.

Mr. Meili: — Those sound like fine examples of partnering and taking advantage of the strengths of the private sector. You're not selling part of SaskEnergy when you do that, of course. Could you see a future where you were putting parts of SaskEnergy — you know the 49 per cent we've discussed as we discuss Bill 40 — up for public sale in terms of share ownership or sale to one or more companies?

Hon. Mr. Duncan: — So I certainly have had the conversation with the CEO, particularly as he's relatively new in the role, that Bill 40 conceptually does allow this. But that's I think the extent of the conversation. There hasn't been any interest expressed.

Mr. Meili: — So in SaskEnergy or with SaskTel, you know, your CEOs and your other people within the organization, no one's being given a mandate to go pursue that kind of partnerships or explore the types of ways that could happen?

Hon. Mr. Duncan: — No, certainly I have given a mandate to the president and CEO to become a part of some of the trade associations, industry associations that SaskEnergy is a part of, and so he's been very engaged on that file. The former president and CEO, Mr. Kelln, was I think pretty active on those files. And so I've said that to Mr. From, that those would be important for him to continue to be a part of and certainly have encouraged him to continue to look for some examples of, for instance, the straddle plant that he described, if there are potential opportunities like that. So you know, that's been the extent of the conversation.

Mr. Meili: — So involvement in trade discussions, looking for those sort of project partnerships, but no instructions to be going looking for a purchaser for part or opening up for sale of portions as public stock?

Hon. Mr. Duncan: — No. But certainly if he does hear anything, I would hope he would let me know.

Mr. Meili: — Yes, I would hope so too. That would be good. And is the same true for SaskTel, that no such instructions have

been given?

Hon. Mr. Duncan: — Yes, absolutely that's correct. We have not been actively seeking offers. I think we had a pretty fulsome discussion in the SaskTel estimates on that.

Mr. Meili: — Yes. There was just that one question that I was left with listening to the estimates, whether . . . You've said that you haven't been actively to date but whether, you know, now with Bill 40 in place, whether that's going to be an instruction for people going forward to pursue those or to seek the opportunity.

Hon. Mr. Duncan: — No. I think that it's well known through the management of the Crowns that the bill is . . . I mean, it was before the House and now it's passed and it certainly does provide for greater ability for potential partnerships than have been possible in the past. But at the end of the day, my interest — and I know that this would be the same for Mr. From and the same for Mr. Styles — is at the end of the day they have companies that they need to run and they're well-managed companies and I expect that they will into the future provide a good return for the people of Saskatchewan.

Mr. Meili: — Certainly. I certainly hope the same. There was a bit of . . . And this is where it's . . . Today in the legislature there was a bit of a discrepancy in terms of some of the language being used, with Minister Wyant talking more about Bill 40 as, just got to get this definition right, but the Premier talking more about the sort of opportunities for partnering and that this is something that we want to pursue to strengthen the Crowns.

[21:45]

And so I really . . . I was left wondering, and again tonight, left wondering whether this is as the Minister of Justice describes, just something to clean up the language and make privatization clear, or whether there's a real desire to move forward with the agenda now that privatization has been defined in that legislation as less than a controlling interest, to pursue those partnerships that would give a less than controlling ownership to others than the Government of Saskatchewan. Does my question make sense, Minister?

Hon. Mr. Duncan: — It does, but I would only want to speak on my own behalf and not on the intent of others.

Mr. Meili: — And I'm not asking you to speak on behalf of the intent of others. It's the clarity on whether this is, whether you see Bill 40, in terms of your role as a leader of SaskEnergy and leader as minister of SaskTel, whether you see Bill 40 as having, taking care of some language that was questionable or do you see it as now a mandate to go forward and seek this kind of opportunity?

Hon. Mr. Duncan: — You know, I would kind of . . . I guess I would kind of cut the difference on the two. It certainly does clean up legislation that was basically around a sole issue that didn't actually define a pretty important word in that original legislation going back to 2005 or '06 or whatever the year was. So yes, it does define the word.

In terms of my responsibilities as minister of two Crowns, first and foremost, if you want to call it direction, my direction to the CEOs that I have a lot of conversation with as the minister responsible is, first and foremost, you have companies that you need to run. That needs to be the priority.

This obviously does allow for some more flexibility in terms of the potential for partnerships. If that does come to fruition, you know, I would say it's less than a, less actively pursue this. I'm interested in them actively running the companies, but certainly keep me as the minister informed in the event that you do have somebody express interest in having a further formal conversation around the potential of a partnership that would relate directly to Bill 40.

I think as both Mr. From and Mr. Styles, if he was here, could speak to is that these companies certainly have in the past, even before Bill 40, have engaged in partnerships. This would just . . . You know, I would say that this is another form of that and so . . .

Mr. Meili: — Now just to paraphrase, it sounds like an openness and not an active pursuit, which I'll be interested to watch and see how that proceeds.

I have one last question. I know the Chair is signalling to me. I'm not ignoring you. I have one last question that I just can't quite leave alone. I listened to the estimates earlier about SaskTel. There was a discussion of a conversation with a company that expressed some interest in the discussion around the possibility of the sale of SaskTel. That's not what I want to ask you about. You dropped a little bomb in there about . . . We changed the conversation to a sale of another Saskatchewan asset. And I really wondered what you were hinting at there.

Hon. Mr. Duncan: — No, I'm sorry if it was interpreted that way. No, it wasn't a sale of another Saskatchewan asset. It was a conversation around a significant Saskatchewan asset, that being Graham DeLaet. They knew I was from Weyburn and wondered if I knew him, and so we, frankly, talked more about Graham DeLaet than we did anything else.

Mr. Meili: — Thank you for clarifying that. That's helpful to not have that lingering concern. Thank you, Madam Chair.

The Chair: — You're welcome. The time being complete for this evening on these estimates, we will now . . . Seeing that there are no further questions as well, the committee will adjourn its consideration of vote 150, SaskEnergy Incorporated, loans, subvote (SE01). Mr. Minister, if you have any closing remarks you'd like to make.

Hon. Mr. Duncan: — No, Madam Chair, other than to thank members of the committee, yourself, as well as Dr. Meili for his questions this evening. And to thank the officials that appeared, not only for SaskEnergy but also of SaskTel, obviously. We had the opportunity to have just a few officials appear with us, but they're representing literally hundreds and thousands of people that work for these two respective corporations. And so through them to our employees, I want to thank them for what they do each and every day.

The Chair: — Thank you. Mr. Meili, if you have any closing

remarks.

Mr. Meili: — Thank, Madam Chair. Thank you to Hansard and the legislative staff. Thank you to the committee members for your patience this evening. I'm pleased to have confirmed that the minister is not planning to put Graham DeLaet up for sale. That's good. And thank you very much to the officials from SaskEnergy. It really was very informative tonight, and I'm very thankful of the work that you and all the people in the Crown corporation do. Thank you.

The Chair: — Thank you. I will now ask a member to move a motion of adjournment. Mr. Bradshaw has a moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee now stands adjourned to the call of the Chair. Thank you, everyone.

[The committee adjourned at 21:50.]