



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 17:15.]

The Chair: — Good afternoon everyone. Being the hour of 5:15 right now, we're going to convene the meeting. I'd just like to welcome the members to the committee. We have Mr. Bonk, Mr. Hindley, Mr. Hart, Ms. Lambert, and Ms. Heppner, and Ms. Sproule here. I'm the Chair.

We're going to be considering the 2016-17 Crown Investments Corporation of Saskatchewan annual report. Minister Hargrave, please introduce your officials and make your opening remarks if you would, please.

Crown Investments Corporation of Saskatchewan

Hon. Mr. Hargrave: —Thank you, Mr. Chair. I will introduce my officials.

I'm pleased to be here this afternoon to appear before the Crown and Central Agencies Committee to speak to a number of reports on the Crown sector. Those reports include the '16-17 Crown Investments Corporation of Saskatchewan annual report; the financial statements ending March 31, 2017 for CIC [Crown Investments Corporation of Saskatchewan] Asset Management Inc.; First Nations and Métis Funds Inc.; Gradworks Inc.; Saskatchewan Immigrant Investor Fund Inc.; the 2016 Capital Pension Plan annual report; and the 2015, 2015-16, and the 2016-17 Crown Investments Corporation and subsidiary Crown payee disclosure reports.

With me today to assist in answering your questions are senior officials from Crown Investments Corporation: Mr. Blair Swystun to my right, president and CEO [chief executive officer]; Ms. Cindy Ogilvie, vice-president and chief financial officer to my left; Mr. Travis Massier, corporate controller behind me as well; and Ms. Joanne Johnson, executive director of communications; and Ms. Angela Currie, my chief of staff.

I have a few opening comments, and then we are prepared to provide answers to any questions on the documents before you.

The CIC 2016-17 annual report includes two sets of financial statements, consolidated and separate financial results. CIC's consolidated results are the focus of my remarks, that is, the Crown sector viewed as a single combined entity. This report covers the 12 months ending March 31st, 2017.

CIC's role as the financial self-sufficient holding company for Saskatchewan's eight commercial Crown corporations is to develop broad policy control, provide strategic direction, direct investments, and route dividends into the provincial government's Consolidated Fund.

CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations as well as operate as a Crown corporation itself. CIC also assists Crown boards in discharging the responsibility of overseeing and directing the management of the Crown corporations.

CIC provides sector leadership in promoting best practices in governance. The corporation oversees and manages a comprehensive framework designed to strengthen governance,

performance management, and accountability to subsidiary Crown corporations. Performance management includes quarterly financial and performance reporting to the CIC board of directors.

The Crown sector had a successful year, reporting 399 million in consolidated net earnings in 2016-17, a 225 million increase compared to the same 12-month period in '15-16. Factors that contributed to the strong earnings in '16-17 include customer growth, constant restraint and efficiency measures, investment earnings, and non-cash market value adjustments on natural gas inventories and hedges.

Throughout the year the sector experienced many challenges, including balancing rates and service to the customers for SaskPower and SaskWater; utility infrastructure expansion for SaskPower, SaskTel, and SaskEnergy; increased competition at SaskTel and SGI Canada. These challenges continued into '17-18 and also as we move forward into '18 and '19.

Investment infrastructure was a consistent focus throughout the sector. During '16-17, 1.4 billion was spent on capital projects focused on infrastructure renewal and enhancements to meet the demands of growth. Total Crown assets were reported at \$18 billion at March 31st, 2017.

In 2016-17, SaskTel continued with its fibre to the premises initiative, wireless network growth and enhancements, improvements to rural infrastructure, and the addition of two tier III data centres in the province. It also focused on enhancing the customer experience through the Customer Experience First program. Challenges in the information and communications technology sector continued to include rapidly evolving technology, increasing competition, and regulatory instability.

SaskPower continued to be challenged by regulatory requirements regarding greenhouse gas emissions, the need for new and increased energy supply, evolving technologies, aging infrastructure with growing capital requirements, and the changing expectations of stakeholders and customers. In '16-17 SaskPower invested \$866 million in Saskatchewan's electrical system to meet the growing demand.

Continued customer load growth and a cold winter with peak demand records and a focus on efficiency savings contributed to SaskEnergy's strong fiscal results in '16-17. This strength was expected to continue as load growth provided additional revenue. Efficiency initiatives and cost restraint measures continued, and low commodity rates provided value for the customer.

SaskEnergy focused, then and now, on providing safe and reliable service to its customers through continuing investment in the integrity and reliability of its pipeline systems.

The Canadian property and casualty industry is highly competitive and continues to evolve rapidly. SGI Canada focused on new strategies for growth, working closely with brokers to support great customer experiences, omni-channel delivery, and e-services. Challenges for SGI Canada include increased competition, potential for catastrophic claim losses, and the complete redesign of its websites, including a review of

the claim process with the focus on enhancing the overall customer experience.

The Saskatchewan Auto Fund administered by SGI [Saskatchewan Government Insurance] merits mention. It's not a subsidiary Crown corporation and is not included in the consolidated results. However the Auto Fund had a strong year financially due to exceptional strong equity returns and positive fixed income results. In '16-17 the Auto Fund focused on three key areas: traffic safety, customer centricity, and operational excellence. The focus continues today.

SaskWater focused its efforts on growth of core lines of business, cost efficiencies, and negotiating agreements to achieve cost-of-service pricing. This strategy led to another profitable year for the Crown. Revenues from potable, non-potable, and certified operations and maintenance lines of business increased during the year with the addition of new customers. SaskWater's revenue forecast includes plans to invest in new and existing infrastructure as well as explore opportunities with respect to remote monitoring services for communities who own and operate their own infrastructure.

Sask Gaming adapted its products and services to provide an outstanding guest experience while operating in a mature market. With the number of guest visits and spend per guest expected to remain steady, the corporation actively worked to adapt its products and services to appeal to a wider demographic of guests.

During 2016-17, 10 new start-up companies were established at SOCO [Saskatchewan Opportunities Corporation] research parks, bringing the total to 151 since 1993. Seventy per cent of these companies were still operating in Saskatchewan at the time of the report.

Of course everyone is aware of the windup of STC [Saskatchewan Transportation Company]. 2016-17 marked the last full year of operations for that company. Reflecting on this period, I again want to commend the management and staff of STC for their professionalism and excellent customer service during the transition period following the announcement of the windup and through the final days of the operation. Those were some very difficult days, and they maintained their usual high levels of service.

As part of transformational change, the Crown corporations worked to identify efficiencies and pursue collaboration initiatives with other Crowns and executive government. These initiatives included a well-known project such as e-billing and Sask 1st Call, but also included projects for joint infrastructure installation, enhanced public safety, fibre sharing, and collaborative brokering on services.

These are just a few examples of collective efforts that improve services for citizens and saved over a \$180 million from '14 to 2017. In fact the Crown collaboration team was awarded as the Premier's Award of Excellence in 2017 for the work done in this area.

During '16-17, CIC paid a dividend of 219 million to the General Revenue Fund, an increase from the budgeted figure of 204 million. Crown dividends are a return to the citizens of

Saskatchewan on the equity that has been invested in the Crowns. They support valued programs such as health care, education, and social services, amongst others.

Consolidated debt for this sector increased by 366 million to 9 billion in '16-17 to fund capital spending in the Crowns. In '16-17 the debt ratio was 62.6 per cent, consistent with the prior year. Debt ratio is used by CIC to monitor the Crowns' financial health and is carefully managed to ensure it remains at prudent levels and is consistent with industry standards.

Return on equity was 8.3 per cent in 2016-17, slightly less than the target of 8.7 per cent due to the SaskPower earnings being below budget, but offset by higher earnings at SaskTel, SaskEnergy and SGI Canada.

The government is committed to responsible growth, which means borrowing on a prudent basis, not borrowing beyond our means. Debt and dividend levels are managed within a framework that benchmarks against industry practices and considers reinvestment needs.

The financial aspect of the Crowns is not the only way the sector contributes to the province and engages the people of Saskatchewan. In '16-17 the government undertook a broad renewal initiative to enhance diversity and achieve gender equality on the Crown boards. As a result, Crown boards achieved 53 per cent overall female representation. There are two female board Chairs and five female Vice-Chairs, including the first Aboriginal female Vice-Chair appointed to the Sask Gaming board. This focus continues for the Crown boards today, maintaining overall gender parity.

In addition, overall diversity representation on the boards improved in the sector. Aboriginal representation reached 10 per cent, up from 5 per cent, and included the first Aboriginal board Chair appointed to the SaskPower board. Representation of visible minorities members also increased from 5 per cent to 10 per cent in 2016-17. Board diversity is a very relevant issue in governance discussions at the corporate level in recent years. We are proud of the progress we have made in this area and look forward to continuing this trend in the future.

The Crown sector's commitment to corporate social responsibility continued in '16-17. In 2012, CIC and the four large Crowns committed \$10 million to support the launch of STARS [Shock Trauma Air Rescue Society] in Saskatchewan. In '16-17, the Crown group renewed their commitment to STARS Saskatchewan for an additional \$10 million over the next 5 years for an overall total of \$20 million. The Crowns are proud to contribute to this life-saving service available to all citizens in the province.

Our role, CIC and its subsidiary Crowns, is to carry on supporting Saskatchewan's growing economy and population in the most effective, efficient, and transparent way. We will continue to ensure our Crowns are capable of providing continued quality services at a reasonable cost. Our appearance here today also facilitates examination of funds managed and operated by CIC. These funds also form part of CIC's mandate to responsibly invest, manage, and oversee operations that benefit diverse parts of our province: First Nations and indigenous peoples, asset investments, building the workforce

in Saskatchewan, providing investment options in a difficult market, providing stability for those invested in the Capital Pension Plan.

Finally, the Crown Investments and subsidiary Crown payee reports for 2015, 2015-16, and '16-17 are also on the list for review. We will certainly answer any questions the committee has related to those as well. Mr. Chair, this finally concludes my remarks today. My officials and I would be pleased to answer any questions after I have a drink.

The Chair: — Thank you, Mr. Minister. And I guess I would just request your officials, please identify themselves when they first answer a question, for the record, if we could please. Do any members have questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much. First of all, welcome to the minister and the officials for appearing before the committee and I look forward to your comments today as we ask questions.

[17:30]

There may have been some misunderstanding in terms of the scope of the next 45 minutes. I believe the agenda was changed to just to consider the annual report for '16-17 for the corporation overall. I don't know if you were notified of that or not.

A Member: — No.

Ms. Sproule: — Okay. And I think we probably won't even get through that at this point in time, but we'll start and see where we end up.

Thank you for your work on gender diversity and First Nations and visible minorities. I think that's really important work and you need to be recognized for that. So I think . . . I know it's near the end of your comments, but it's certainly important and I think reflects our province better. So thank you for that.

All right. Now I'm new to this, so I'm looking forward to exploring Crown Investments Corporation. As I look at your consolidated financial statement, it's an \$18 billion overall representation, so this is likely one of the largest corporations in Saskatchewan, if not the largest corporation, I don't know. So lots of ground to cover. I won't focus on the major subsidiaries of the major Crowns because I know we'll have other time in committee to look at their annual reports.

But first of all, if you could explain for the committee how your dividend policy operates.

Mr. Swystun: — Good afternoon. I'm Blair Swystun, president and CEO of Crown Investments Corporation. The dividend policy is designed to balance the needs for competing uses of cash. So the profits that are generated by Crown corporations can be used in one of three ways: one is to provide a dividend back to the owner; a second is to reinvest back into the operations of the company, and there's, as the question noted, a very heavy capital investment in Crown corporations, very large investment, and there's a need to sustain that infrastructure. So that's the second use of cash. And then thirdly, if debt is at a

level that's considered to be above what is considered to be prudent, sometimes capital can be allocated to reducing debt.

So there's three possible uses of debt: the dividend policy looks at the cash flows that come out of a corporation and then balances the respective needs, whether it's to maintain the financial health of the Crown corporations so that debt doesn't get to a level that's too high; or secondly to reinvest back into the operations of the company; or thirdly, to provide a cash return back to the shareholders of the province through CIC.

Ms. Sproule: — I notice on page 17 of the annual report in question, you're talking about debt reduction and saying that "No funds were used for debt repayment. CIC . . . does not carry debt." So what does that debt reduction refer to then, if you don't carry debt as CIC?

Mr. Swystun: — So as the minister noted in his opening remarks, there are two sets of financial statements in CIC's annual report. One is a consolidated set of financial statements, and that includes all of the subsidiary companies. That's the \$18 billion in assets. The second set of financial statements is what's referred to as the CIC's separate statements, and that isolates the activities of CIC at the holding company level only. So that statement refers to CIC at the holding company. We have no debt for CIC itself. All of the debt relates to the operations of each of the operating companies.

Ms. Sproule: — Thank you. Do you have budget estimates for dividends for the Crowns in '17-18?

Mr. Swystun: — So each year the dividends projected for each Crown corporation are included and reflected in the provincial budget. And I think we would have that somewhere in our documentation as well . . . thank you, Travis. So on page 152 of the annual report, there actually is a set of information that looks forward to the upcoming year — that would be fiscal '17-18 — and that actually shows the projected earnings for each of the subsidiary Crown corporations as well as their projected dividends.

Ms. Sproule: — So you're projecting a dividend of 180 million for '17-18 then?

Mr. Swystun: — So in the 2016-17 annual report, I would just note there's two sets of dividends that are referred to here. One are the dividends into CIC from subsidiary Crowns. The \$180 million reflects CIC's dividend as the parent or the holding company to the General Revenue Fund. That was the projection at the time this report was prepared.

I'm reminded that at the end of the fiscal year, that amount plus an additional \$25 million from proceeds from the sale of assets at STC were also paid. So the total at the end of fiscal '17-18 was actually 205 million.

Ms. Sproule: — You already have that number then. Okay. And then for '18-19, what is your projections for '18-19?

Mr. Swystun: — The dividend from CIC with the General Revenue Fund for fiscal '18-19 is targeted at \$206 million.

Ms. Sproule: — So it sounds like you're anticipating a fairly

flat rate of return.

Mr. Swystun: — I think it would be fair to say that the earnings outlook going forward is expected to be similar to the previous year.

Ms. Sproule: — What impact has the increase in the provincial sales tax from 5 per cent to 6 per cent had on the Crowns?

Hon. Mr. Hargrave: — The impact of the 6 per cent PST [provincial sales tax] has no major impact overall because . . . I mean it does impact the projects that we're doing and the costs, some of the costs that we have going in the Crowns and construction jobs and whatever that they may be doing. There are those costs. But that revenue comes right back into the government, so really at the end of the day there's really no cost at all to the government.

Ms. Sproule: — Thank you, Mr. Minister. I'm just wondering, though, can you provide the committee with the incremental amounts that affect the Crowns? I understand that that money comes back to . . .

Hon. Mr. Hargrave: — Is that for the whole 6 per cent or for . . .

Ms. Sproule: — For the expansion. Obviously there's new tax on construction services and insurance products, but from 5 to 6 per cent on existing.

Hon. Mr. Hargrave: — Each Crown might have that information. We don't have it wrapped up in a total at CIC.

Ms. Sproule: — Okay, that's fair. Are there any rate increases contemplated for any of the Crowns that have not been made public as of yet?

Hon. Mr. Hargrave: — And all summer we'll be going for a review to the rate review panel. But there's a possibility at SaskEnergy of reduced rates based on commodity pricing, not on the delivery charge but based on the commodity pricing. SaskWater, but it wouldn't affect this fiscal year. There's a possibility of a rate increase there, but again it's under review. As SaskPower, I mean, with the demands on SaskPower, and that'll go at the rate review panel will consider that one as well.

Ms. Sproule: — Thank you. In terms of SaskPower, I know that you mentioned there's a 62.7 per cent debt ratio right now overall. Is that . . . Like it's consolidated; it's an average of the debt ratio. Is that correct?

Hon. Mr. Hargrave: — Yes, that would be correct.

Ms. Sproule: — And if I understand correctly, SaskPower's debt ratio is now over 75 per cent, which is in the dangerous zone. So what sort of work does your board do, Mr. Minister and executive officials, to ensure that the Crowns keep their debt ratio within an acceptable range?

Hon. Mr. Hargrave: — The 62.7 per cent is an aggregate of all the Crowns. SaskPower is at 75.7, but when you compare it to industry, industry average is what . . . Each Crown has to stand alone based on industry standards and what the rest of the injury

is. In comparison to other provincially owned Crowns, we're actually in pretty good shape.

BC Hydro, for example, is at 103 per cent and New Brunswick Power is at 116 per cent; Manitoba Hydro is at 90.3 per cent. So really, when you look at SaskPower in relation to other provincial power corporations, we're in pretty good shape.

Ms. Sproule: — And I'm sorry, Mr. Minister, what was the first company you referred to, 100 and . . .

Hon. Mr. Hargrave: — BC Hydro.

Ms. Sproule: — BC, and that was 106?

Hon. Mr. Hargrave: — 103.6, yes.

Ms. Sproule: — Okay. Thank you. CIC AMI [Asset Management Inc.], I think the mandate currently is to divest the assets that are in that company. And perhaps you could explain, first of all, what is CIC AMI and how did it come to be. And why are you divesting?

Mr. Swystun: — So CIC Asset Management Inc. is a company that's existed for several decades under several different names. If you go back to the 1980s, the name of the company was CIC Industrial Interests Inc. Early in the 2000s, that company was actually spun off from CIC and renamed Investment Saskatchewan. And the government made a decision to discontinue these kinds of investment activities in about 2008 and, at that time, the mandate was reset to wind the operation down, and then it was brought back inside of CIC.

The purpose of the company historically had been to undertake investments primarily within Saskatchewan for economic development purposes. So the government, through CIC and through this company in particular, was an active investor in a variety of different investments over the years, whether as an owner or an equity investor or, in some cases, through loans and other kinds of investment instruments.

Ms. Sproule: — In terms of divestiture then, what is the plan? How soon will you wind it down?

Mr. Swystun: — So the mandate to wind down the operation was provided in 2008 and here we are, 10 years later, it's largely complete. The remaining investments are quite minimal and they're largely investments. Because these tended to be economic development types of investments and there's an inherent high risk in some of those kinds of investments, the exit from the investments can sometimes be quite difficult, quite involved. It involves shareholder agreements and it also obviously centres around the ability to actually sell an investment.

[17:45]

So there's a few investments that are left. They're carried on the books at a very nominal amount and they are only held today because it has not been possible to exit those investments to this point in time.

The second aspect of the operations of this particular company

would be that it assumed various environmental liabilities resulting from some past economic development investments over the past several decades. And there's a fairly substantial amount of remaining environmental liabilities associated with past investments from the '80s and '90s.

Ms. Sproule: — And just a quick question here. I am looking at the financial statement. I know it's not fully up for discussion today. But it looks like there was a significant amount of investments that were converted to short term in the past year and so that there only remains \$4 million basically. Is that been a liquidation then? Is that a liquidation of those investments?

Mr. Swystun: — The investments the member's referring to relate to funds that have been set aside to satisfy environmental liabilities when it will eventually be necessary to remediate. The investments were placed in bonds of various terms to maturity. And all that's happened here is the bonds, as another year goes by, have become one year closer to maturity and that requires a reclassification of those investments on the financial statements from long term to short term.

Ms. Sproule: — I'll have more questions on CIC AMI when we actually consider the financial statement.

Moving on then, the CIC Economic Holdco, can you describe that for the committee and describe the plans for that company or entity?

Hon. Mr. Hargrave: — We don't have a lot of details on it, the Entrepreneurial Fund. But it owns 45 per cent. It has a 45 per cent stake in the Entrepreneurial Fund, which was created years and years ago. And it's similar to the AMI where there's a couple of investments in there that are very hard to get out of. And that is sort of still the long-term plan or the short-term — ideally short-term plan — but it still may take some time to divest of those investments. They're very similar.

Ms. Sproule: — Okay. I'm going to move on now to the Saskatchewan Immigrant Investor Fund. I just have a few questions about that fund. If I understand correctly, the fund was created by the federal government, and I think has been wound down on their part in 2014. I could be wrong on that number.

Anyways, the Government of Saskatchewan's choice for the funds was to create the Headstart on a Home program which you know about. And I just have a few questions about this. One of the things about the Headstart on a Home program is that it was described as providing affordable or entry-level housing. And I'm just wondering if CIC has a definition of what entry level, like what range we're talking about when we say entry-level housing.

Hon. Mr. Hargrave: — Yes, there is a definition. Pricing and style for the entry-level homes is dependent on ... The municipality must have a target price at, or below, the average MLS [multiple listing service] sale price of a similar unit in a similar location. Headstart was actually quite successful and surpassed that mandate to construct more than 1,500 entry-level homes throughout Saskatchewan.

Ms. Sproule: — So could you provide to the committee the

actual pricing that the municipalities established for that program?

Hon. Mr. Hargrave: — Yes. We'd have to undertake to get that to you. I mean, we have it, but we don't have it with us.

Ms. Sproule: — Thank you very much, Mr. Minister, and just for the record, I would ask that you table it with the Clerks so that that record is made public.

Hon. Mr. Hargrave: — Yes.

Ms. Sproule: — Thank you. So you're saying 1,500 entry-level housing units were created as a result of the program?

Hon. Mr. Hargrave: — Yes, 1,500 entry-level homes were ... [inaudible] ... in Saskatchewan, yes.

Ms. Sproule: — Right. How many construction companies have defaulted on their loans from the SIIF [Saskatchewan Immigrant Investor Fund Inc.] fund?

Hon. Mr. Hargrave: — There's just been the one, the one company that defaulted.

Ms. Sproule: — And when did they default? And how much was the loan for?

Hon. Mr. Hargrave: — Yes, in '16-17. The loan was for about \$10 million, and there's a provision for a total of a \$6.5 million loan loss.

Ms. Sproule: — Now I'm just looking at that loan loss. It looks like it's increasing. End of '16, it was projected to be 5.3 million and now we're looking at 6.5 million. Can you explain to committee why that amount is increasing?

Hon. Mr. Hargrave: — Well it's gone down because the sales of those units have been very slow. Market has declined and market prices have declined. And so that generates potentially a larger loss as those units are slowly being sold.

Ms. Sproule: — I note that you indicated that there's impaired loans at \$10 million. So could you describe for the committee what those impaired loans are, and what that means?

Hon. Mr. Hargrave: — Yes. The impaired ones are just loans that are in arrears. But they're not deemed as uncollectable, they're just in arrears.

Ms. Sproule: — And then there are 7 million that are past due but not impaired. So is that less risky then, the extra 7 million?

Hon. Mr. Hargrave: — Yes. That's a lesser amount of arrears, so then they break it into categories.

Ms. Sproule: — It's all relative, isn't it. So right now or as of March 31st, 2017, you had a total of \$17 million in loans that were in arrears. What's the figure for 2018, or have you got that figure yet?

Hon. Mr. Hargrave: — No. We wouldn't have that figure yet.

Ms. Sproule: — We'll stayed tuned for that. Is there any concern about further defaults, and how is CIC going to handle those?

Hon. Mr. Hargrave: — No. There's only the one project, the one project that we first mentioned with the loan loss provision set up that we're concerned with.

Ms. Sproule: — Of the 1,500 entry-level homes that were created by the program, how many of those have been sold?

Hon. Mr. Hargrave: — I should clarify. When I said 1,500 that was ... the target was on entry-level homes that were constructed. The target we had was 1,500. We actually constructed 2,186 homes. And a total of 1,779 homes have been sold.

Ms. Sproule: — Okay. Thank you. What is the interest rate for the loans on this program?

Hon. Mr. Hargrave: — The weighted average interest rate of the loans would be 4.9 per cent on those units.

Ms. Sproule: — And what's the projection for '17-18?

Hon. Mr. Hargrave: — Well mortgage rates have increased nationally here modestly. But so probably the weighted average may go up a quarter-point or a half-point. All depends on the mortgage rates.

Ms. Sproule: — Thank you. I note that SIIF is paying \$1.4 million in management fees in '16-17. Who is the management company that receives that?

[18:00]

Hon. Mr. Hargrave: — That would be Westcap Management and they're based out of Saskatoon.

Ms. Sproule: — And is Grant Kook or K-o-c-h, is he the owner of that company? Is that privately held?

Hon. Mr. Hargrave: — I'm not sure of the ownership structure. He's the CEO of the company, Grant Kook, yes.

Ms. Sproule: — He's also the Chair of SaskTel, is that correct?

Hon. Mr. Hargrave: — That's right.

Ms. Sproule: — Any conflict of interest in terms of those two representations, as a manager for SIIF?

Hon. Mr. Hargrave: — I don't see any case. SaskTel is SaskTel.

Ms. Sproule: — For the \$1.4 million in management fees, what sort of work is completed in terms of that fee?

Hon. Mr. Hargrave: — Quite a bit that they do actually. They provide all the management services of course and admin services. They approve the projects. They collect the loans. They work with the developers. They handle all the accounting. They make sure the loan ... they pay the loans to the federal

government. They manage the short-term investments. That's sort of the short list of what they do.

Ms. Sproule: — Could you provide the committee with a breakdown of their invoicing, like, how do they get paid? Is it on a monthly basis or is it billed by the hour or how do you receive the billings for Westcap Management?

Hon. Mr. Hargrave: — The management fee is equal to 2 per cent of the current loan balances and calculated and payable monthly. Yes.

Ms. Sproule: — So it's just a flat 2 per cent of whatever the loan balances are.

Hon. Mr. Hargrave: — [Inaudible] ... balances are ... [inaudible] ... reduces.

Ms. Sproule: — Do you know how many people are on staff for Westcap Management?

Hon. Mr. Hargrave: — No, I don't.

Ms. Sproule: — Is that something you could find out?

Hon. Mr. Hargrave: — The problem with that is I mean they do other things, right? So to say exactly how many people work on this particular file, I mean they could have a lot of staff out working on other projects as well. So I mean, could we find out? I guess we could, but it wouldn't sort of be adequate or relevant information to this file.

Ms. Sproule: — Like 1.4 million ... Are they still approving projects, or are new projects being developed? I understood the ...

Hon. Mr. Hargrave: — No. There's no new projects on the go.

Ms. Sproule: — So they're not approving projects anymore. That was one of the things you said ...

Hon. Mr. Hargrave: — [Inaudible] ... the mandates of ... [inaudible] ... yes.

Ms. Sproule: — I don't know if you have anything to add. There's some discussion with your officials. Do you see this management fee going forward in the future, or are you looking at re-evaluating it at any point in time to see if there's value for the dollars? That's a very large management fee.

Hon. Mr. Hargrave: — The board actually is looking to review the management fees. The management fees automatically come down as the program shifts down. But the board is looking at reviewing those fees.

Ms. Sproule: — Could you provide the committee with a copy of that review once it's complete?

Hon. Mr. Hargrave: — Once it's complete. Yes.

Ms. Sproule: — Thank you. In terms of the default, the company that is defaulted, were all the dwellings completed before the default or were there incomplete dwellings?

Hon. Mr. Hargrave: — They were incomplete and they've since been completed. But they were incomplete.

Ms. Sproule: — So who completed them?

Hon. Mr. Hargrave: — The project went into receivership so from that, other contractors were brought in to complete the work and fix the . . . There were some structural damage or structural repairs that needed to be done, so other contractors were brought in to finalize the work.

Ms. Sproule: — And so how many completed dwellings then have you had to take possession of as a result of that default?

Hon. Mr. Hargrave: — The receiver is holding them. We don't own them.

Ms. Sproule: — All right. And what community is this default in?

Hon. Mr. Hargrave: — Prince Albert.

Ms. Sproule: — All right, thank you. Oh, running out of time. A few questions on your pay disclosure report for '16-17. First of all, the shock trauma air rescue service, or STARS, there was \$400,000 in '16-17; I think 800,000 the year before. And I think you mentioned in your opening comments that from 2016 forward there's an additional, is it 20 million across the Crowns. So what sort of considerations go into . . .

Hon. Mr. Hargrave: — I think it's an additional 10 million for a total of 20.

Ms. Sproule: — I'm sorry. Thank you. So an additional 10 million. Your contribution last year was 400,000. What will it be in '17-18?

Hon. Mr. Hargrave: — The same.

Ms. Sproule: — 400,000?

Hon. Mr. Hargrave: — Yes.

Ms. Sproule: — For CIC. So what sort of considerations are made when you look at supporting one particular charity to the tune of \$20 million in total? And what was the selection process for STARS?

Hon. Mr. Hargrave: — It was a coordinated effort throughout the Crowns and it was looked at a service that was extremely beneficial to all the citizens of this province. But it also looked at the fact that this could also benefit the Crowns. For example, SGI when they're going out to automobile accidents, if they're saving lives, you know, as bad as it sounds, I mean, that does save money for SGI. You know, the most important thing obviously is the life that we're saving, but it does save money for SGI in payouts and/or injuries.

SaskPower thought for their workers that were working and the rest of the Crowns, that a lot of it had to do with if their workers are injured somewhere out in the field, that STARS would be able to provide prompt service and hopefully save lives of their employees.

Ms. Sproule: — All right. I do have more questions on that, but I think I would like to move on. On your suppliers and on page 3 of the payee disclosure report, there is a company called Dream Management Corp. for \$776,000. Can you describe to the committee what work that company has provided for CIC?

Hon. Mr. Hargrave: — It's the office rent for the CIC offices.

Ms. Sproule: — And then Forkast Consulting, 142,000.

Hon. Mr. Hargrave: — Yes, they're a consultant to the Saskatchewan rate review panel.

Ms. Sproule: — All right. Navigant Consulting for 476,000.

Ms. Ogilvie: — Hi, it's Cindy Ogilvie, for the committee's information. And that payment, that Navigant Consulting, they were a consultant that supported CIC and SaskPower in the procurement process related to the Swift Current generating station that's currently being built.

Ms. Sproule: — So half a million dollars. And why would that show up in CIC's report and not in SaskPower's?

Ms. Ogilvie: — CIC was directed to undertake a procurement process that would consider whether or not SaskPower or a private sector generator should be building the Swift Current generating station, so we had some expert consulting advice provided to us. So they were actually working for CIC because we were overseeing the process related to the procurement.

Ms. Sproule: — Is that a normal process for SaskPower when they're doing procurement?

Ms. Ogilvie: — It hasn't been, but it was something that we utilized to test the validity of whether or not SaskPower could build and operate cheaper than the private sector.

Ms. Sproule: — Would it be possible to get a copy of the report that they provided?

Ms. Ogilvie: — It was released on the website similar to how SaskBuilds releases their consulting for P3 [public-private partnership] reports. Ours was released as well, so it should be I believe still on the CIC website.

Ms. Sproule: — Okay. Thank you very much. I'll look for it there. Nelson Mullins Riley & Scarborough, I know that's a law firm in Washington, DC [District of Columbia]. They provided services to the tune of \$75,000. Can you share with the committee what that was for?

Hon. Mr. Hargrave: — They provide advice to the Crowns based on changing US [United States] policies regarding climate change and matters of similar nature to that. And that's what that was in regards to.

Ms. Sproule: — Okay. I think I only have a couple more questions. CIC Asset Management Inc. we talked about earlier. It looks like they made a \$20 million payment to CIC, a dividend of \$20 million. Can you share with the committee where that money came from and how that decision was made to make that payment?

Mr. Swystun: — So as I discussed earlier, that investment activity is in wind-down phases. So as investments were liquidated and it was determined that the funds were surplus to the company, they were simply dividended back to CIC as the owner.

Ms. Sproule: — And how much of that was paid to the GRF [General Revenue Fund]?

Mr. Swystun: — Well it would have factored directly into CIC's capacity to pay dividends to the GRF. So in the absence of that dividend, I think it would be fair to say that the dividend to the GRF would have been 20 million lower.

Ms. Sproule: — But typically those dividends are almost attributable to the Crowns from which you received them. So how would that change the rest of the amounts that you have received from the Crowns?

Mr. Swystun: — Well the dividend receivable from each of the other Crowns would have been based on the dividend policy that I described earlier. In the case of CIC AMI, because the operation was in wind-down, if the money was not required it would be retained in the company to pay bills or as a set-aside for those environmental liabilities. It was by definition surplus to its needs and so it was simply paid back to CIC.

Ms. Sproule: — And CIC did not return that to the GRF then. You just kept it for your own operations?

Mr. Swystun: — No. I think it would . . . No. That was . . . Sorry if I conveyed that impression. That's not what I intended to communicate. It would contribute to CIC's ability to pay the dividend to the GRF. So I think in effect it would be fair to say it flowed straight through the General Revenue Fund.

Ms. Sproule: — And this is maybe where I'm having trouble because, if you look at the GRF, it's usually described . . . The dividend to the GRF is described by Crown corporation. And so is AMI included in that breakdown? Maybe it is. I'm sorry, I don't know what page your dividends are on. I've seen them but . . .

[18:15]

Mr. Swystun: — So just to clarify, the information related to the 2016-17 dividend from CIC AMI would be on one page, on page 149 of the annual report. The previous discussion, on page 152, related to the following fiscal year. So we're looking at different fiscal years here.

So this one is, as you can see on this page, it was targeted at 15 million at the start of the year and it turned out to be 20 million. It would have been because there would have been increased cash inflows to CIC AMI. I don't know off the top what that would be specifically attributable to though.

Ms. Sproule: — All right. I see I have extended the time a little bit with these questions, but I do appreciate minister and officials for coming in today and look forward to continued discussion on this annual report and other subsidiary reports.

The Chair: — Thank you, Ms. Sproule, and seeing no further

questions, I'd ask a member to move that we conclude or adjourn considerations of the 2016-17 . . . Okay, I would ask someone to move that we . . . Mr. Bonk has moved that we adjourn consideration of the 2016-17 Crown Investments Corporation of Saskatchewan annual report. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. Mr. Minister, do you have any closing comments you would like to make?

Hon. Mr. Hargrave: — Well I'd like to thank you, Mr. Chair, and the committee, and Hansard as always because they always do spectacular work. And I'd like to thank my officials for being here and being so knowledgeable and helping with all the questions. We will, like I said before, undertake to get back with a few of those answers that we didn't have for you. And we appreciate everybody's time, being as it's kind of an odd time, but we appreciate it. Thank you very much.

The Chair: — Ms. Sproule, closing comments?

Ms. Sproule: — No, just thanks to the officials. Look forward to further discussions.

The Chair: — Okay, I would ask a member to move a motion of adjournment, please. Ms. Lambert has moved the motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee stands adjourned to the call of the Chair. Have a good evening, everyone.

[The committee adjourned at 18:19.]