



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Mr. Warren McCall, Deputy Chair
Regina Elphinstone-Centre

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

Mr. Hugh Nerlien
Kelvington-Wadena

[The committee met at 08:27.]

The Chair: — Well good morning, committee members, and welcome to the Crown and Central Agencies meeting this morning. It's a nice, fresh morning out there, and no mosquitoes. I'm Fred Bradshaw, the Chair, and we also have with us Warren McCall, the Deputy Chair. With us also is Steven Bonk, Nancy Heppner, and substituting for Lisa Lambert we have Ken Francis. We also have Hugh Nerlien here and Glen Hart has just showed up.

We have three documents to table: CCA 79-28, SaskEnergy Incorporated: Responses to questions raised at the September 17th, 2019 meeting; CCA 80-28, Crown Investments Corporation of Saskatchewan: Report of public losses, July 1st, 2019 to September 30th, 2019. We also have CCA 81-28, SaskPower Corporation: Responses to questions raised at the September 10th, 2018 meeting.

Committee members, before you, you have a copy of today's meeting notice, which is our agenda. This morning the committee will be considering the 2018-19 SaskGaming annual report and the SGC Holdings Inc. financial statements for the year ended March 31st, 2019. Are there any comments on today's agenda?

Seeing none, Minister Tell, could you please introduce your officials and make your opening comments.

Hon. Ms. Tell: — Good morning, Mr. Chair. Good morning, committee members. To my right we have Susan Flett, president and CEO [chief executive officer] of SaskGaming, and to my left is Blaine Pilatzke, vice-president of corporate services. Directly behind me is Elysse Deis, right there, and Shanna Schulhauser, director of communications, and my chief of staff, Brayden Fox.

Seeing as SaskGaming appeared before your committee as recently as April 2019, I will keep my opening remarks brief. And I know you're all breathing a sigh of relief.

[08:30]

Mr. Chair, SaskGaming's focus in 2018-19 was on sustainable growth. This included reinvestments in gaming technology to stay on the cutting edge of innovation, infrastructure upgrades to enhance the guest experience, and extended operating hours on December 24th and 25th to better serve its guests during the holiday season. That focus ultimately paid off as the corporation endowed 22.4 million to the GRF [General Revenue Fund] to support programs and services that benefit the people of the province. This is on top of the nearly \$430,000 the corporation paid to organizations, community projects, and events through sponsorships and in-kind donations. SaskGaming continues to make corporate social responsibility one of its top priorities.

This fall Casinos Regina and Moose Jaw were reaccredited through the Responsible Gaming Council of Canada's RG Check program. RG Check recognizes casino venues that have rigorous standards in responsible gaming. This the second time Casinos Regina and Moose Jaw have achieved such accreditation, which is valid for a period of three years. Both properties obtained initial accreditation in 2013 and reaccreditation in 2016.

As part of SaskGaming's commitment to an always entertaining guest experience, the corporation recently moved to 24-hour operations on the weekends. These extended operating hours came into effect in July and have proven popular among guests of Casinos Regina and Moose Jaw. The corporation worked closely with Saskatchewan Indian Gaming Authority, or SIGA, to make this change as these extended operating hours were also adopted in the SIGA casinos. Ultimately this change was made to meet guests' needs and bring the casinos in line with other jurisdictions across the country.

I would also like to acknowledge the work being undertaken by the corporation to upgrade its facilities. The last major facility upgrade at Casino Regina was over a decade ago. Meanwhile, Casino Moose Jaw has never undergone a major upgrade. This upgrade is a multi-year project that will continue into 2020-21, starting with changes to the interior aesthetic and gaming floor at Casino Regina.

Mr. Chair, before I wrap up, I would like to turn my attention to SaskGaming's employees. The corporation was pleased to ratify two collective bargaining agreements with IATSE [International Alliance of Theatrical Stage Employees] in September and PSAC [Public Service Alliance of Canada] in October. It should also be noted that bargaining continues with RWDSU [Retail, Wholesale and Department Store Union] bargaining units at both Casinos Regina and Moose Jaw.

Finally, the corporation remains committed to improving its Indigenous representation rate. As you know, the corporation's rate is the highest in the Government of Saskatchewan at over 40 per cent. In 2018-19 SaskGaming's rate of representation was 41.1 per cent, falling just short of its 43 per cent target for the year. As a result the corporation continues to implement a number of strategies and tactics to improve this rate on a go-forward basis, including the hiring of a full-time Indigenous employment consultant and changes to its Indigenous employment strategy.

Mr. Chair, that concludes my comments.

The Chair: — Thank you, Minister. And before we get into the questions I'd like to remind if any of the officials speak, to please state your name for *Hansard*. Are there any questions? Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair — one or two. Certainly welcome to committee members and to Madam Minister, officials. Good to join you bright and early on this beautiful November day.

The minister quite rightly points out that we're here to consider the capital spending as part of the 2018-19 budget and that certainly there'll be some overlap in terms of the discussion that we engage in here today. But I guess the first place I'd like to start, Mr. Chair, is with a question about, for the year under consideration, was the minister or officials, were they part of any discussions or are they aware of discussions with third parties concerning sale of Casinos Regina and Moose Jaw?

Hon. Ms. Tell: — There have been no discussions respecting the privatization or the selling of Casinos Regina or Moose Jaw.

Mr. McCall: — Thanks for the definitive answer, Madam Minister, and we'll certainly take note of that. In terms of what's happening with net revenue for Casinos Regina and Moose Jaw, there has certainly been some decline over the years and the measures such as expanded hours over a Christmas Eve day and Christmas Day are held up as means to expand the revenue.

Page 18 of the annual report has resulted in or is part of I think a picture where, in the case of slot revenue for example, the increased spend per guest at Casinos Regina and Moose Jaw . . . And I guess that's an interesting concept for me, Madam Minister. So it's I guess if you could give us some context in terms of where we're at in terms of customers, the number of customers that are coming through the doors of the two facilities or the two casinos, and then if we could get into a discussion as to what's happening in terms of, you know, are they staying longer? Are they spending more and fewer people doing that? Could you describe what's happening.

Ms. Flett: — Susan Flett. Thank you for that question. So as you rightly pointed out, it is a mature market and revenues are decreasing. We have guest count decreases year over year and as a result of that, because it's a function of revenue divided by guest count, the average spend per guest then has the effect of increasing year over year. What we've been doing to offset that decline in revenues has been a number of steps that we've taken over the last several years, beginning with trying to make our operations as efficient as possible.

So we've undertaken that with some restructuring that happened back in 2013-14. Subsequent to that we started to lay the groundwork for modernization. We knew that we needed to modernize not just our products but our facilities and our technology as well. That has taken a number of years. Before we could even begin to modernize, there were areas that we needed to first replace or upgrade or install before that work could even begin, specifically in our facilities as well as in the technology areas.

Then we moved to areas where, as you pointed out, opening December 24th and 25th as well as extending out our operating hours on the weekends, in efforts to not just help with revenues but there was a guest need there. And it also brought us in line with other jurisdictions in the rest of the country. And so as we embark on this modernization process, we are very hopeful that at a minimum we are able to stabilize our revenues and hopefully increase in the out years.

Mr. McCall: — So, Madam Minister, or officials, if you could state for the record. So expanding hours to Christmas Eve day and Christmas Day, what do those hours look like? And then the expanded hours that Ms. Flett has referred to, if you could just state those for the record.

Ms. Flett: — For the record, we are open on December 24th and 25th from noon until 9:30 p.m. All slot machines are available, table games are open, and food and beverage services are offered with scaled-down availability. And for 24-hour operations, we open 9 a.m. on Fridays and we end at 4 a.m. on Mondays.

Mr. McCall: — Okay. In terms of projections that I'm sure were part of the expanded hours and opening on Christmas Eve day, Christmas Day, what were the projections in terms of . . . Was it

in terms of visitor counts? Was it in terms of dollar figures for revenue? And were those projections realized?

Ms. Flett: — So our revenue projections for 24 hours on the weekends, we have used average theoretical slot win, which means that we would take into consideration the slot play during those hours of operation. We would take into consideration the payouts and then the approximate hold, or the amount that we would retain.

And we determined that the average theoretical slot win that we would want at Casino Regina was to be approximately \$3,200 per hour . . . I'm sorry. We wanted the target to be approximately \$1,000 per hour. The result was actually \$3,200 per hour. So we actually achieved three times more than what we had anticipated at Casino Regina.

And then at Casino Moose Jaw our average theoretical slot win was projected at 600 and we have been coming in slightly under budget at approximately \$425 theoretical slot win per hour.

In terms of operating December 24th and 25th, because those were days that we have never opened before, any revenues that exceeded expenses, we considered a success. And last year, the first time that we operated December 24th and 25th, we had an approximate net profit of \$170,000. So it was a success for us and we expect to open again this year.

[08:45]

Mr. McCall: — So in terms of the projections, for example, the \$170,000 that you reference, there wasn't a number just as a holding factor in the planning. It was just left as a zero and anything that was made, exceeded, and then went to realizing the revenue targets. Is that a correct understanding?

Ms. Flett: — When we did our analysis, I want to say that it was approximately \$240,000 in net profit. But I want to be able to confirm that number and so I'd make that number available, the exact number.

Mr. McCall: — We'd happily accept undertakings here at the committee — long-standing practice.

I guess moving on in the questions then, in terms of, you know, based on this year's . . . like all the different sort of X factors, I think you've largely got a picture of what the year to come is going to look like going forward. So what is anticipated in terms of revenues going up or down or standing pat? Can the minister or officials describe what's going to happen there for the committee?

Ms. Deis: — Okay. Elysse Deis. So for this year we budgeted for revenues to remain relatively stable and flat to last year. And for the seven months that we have results for this year, we're seeing that we're tracking quite close to budget. So we should be on track to remain relatively stable, revenue speaking, with 2018-19.

Mr. McCall: — So stable as in terms of zero per cent increase?

Ms. Deis: — At this point it would be premature to indicate much of an increase.

Mr. McCall: — So what's projected in terms of, what have you got slated for cost containment measures or efficiency measures on the other side of the coin given that there have been substantial measures undertaken over the past decade?

Ms. Deis: — As a part of our budgeting process we continually challenge the operations on their expense budgets and we look to areas where we've seen historic cost savings and ask them to be realistic in their budget. And we have seen over the past several years that costs have been decreasing and certainly that is what we are seeing in actual results this year, that costs are tracking well below budget.

Mr. McCall: — Well below budget. What does that mean?

Ms. Deis: — I don't have the exact figure with, but definitely they're showing under budget. Like I'm not exactly sure but several hundred thousand dollars for sure.

Mr. McCall: — But 2 per cent under budget, 10 per cent under budget?

Ms. Deis: — We would have to provide that information.

Mr. McCall: — Okay. Okay, that's again we'll take the undertaking. In terms of what's projected for the dividend payment or for the revenue projection . . . I guess we'll start with the revenue projection and then move backwards from there to the dividend as projected for the year to come. Can the minister or officials describe what's happening there? Is that going to go up? Is it going to go down? Is it going to stand pat? Where are we at?

Ms. Deis: — So for 2019-20, revenues are budgeted at about 122 million, so it is slightly higher than last year. That was building in some of the new initiatives that have taken place which includes the operating hours on the weekends. Expenses are budgeted at 78.3 million, and we are projecting an income before payment to the GRF of \$43.7 million. And the dividend estimated to be paid to CIC [Crown Investments Corporation of Saskatchewan] is 17.5 million.

Mr. McCall: — So in terms of again if the customer growth is like stagnant or declining, you've already made the expanded hours move, so again what did that net the corporation in terms of expanded revenues? And alongside, what is projected for the year to come? Is that number the same?

Ms. Deis: — So in terms of those expanded revenues, for this year again we are projecting for the December 24th and 25th expanded operating hours remaining at at least last year's profit level of \$170,000 or more, hopefully, as we hope to attract more guests with people being more aware. And as well our extended operating hours on the weekend, which were showing consistently higher than budget, theoretical win at Casino Regina with that \$3,200 an hour and remaining quite stable at Moose Jaw. And again this is only three months of data that we have so far, but everything has been tracking extremely well from our perspective for those initiatives.

Mr. McCall: — Again then, bear with me. I'm just, you know, a hard-working opposition politician of modest talents. So in terms of the number, in terms of, you know, increased revenues

or where all that adds up, is that the same number as what you're projecting in terms of these increased revenue measures? Do you gain by your revenue measures what you're rolling into your revenue projection?

Ms. Deis: — So again just going back to these two new incremental revenue measures that we have implemented so far. So for the December 24th and 25th we did, we think — again with being able to get you the concrete number — budget it to come in at a profit of approximately \$240,000 when the actual results came at \$170,000. So while that was under what our projected value for those two days of extended operations were, that was incremental revenue to us that we did not have before. So we were quite happy with that result.

And then in terms of our extended operating hours, 24 hours on the weekends, we again for Regina had projected that theoretical win to be \$1,000 per hour and we are exceeding that by three times at \$3,200 an hour. Moose Jaw is falling short of the \$600 theoretical win that we budgeted, at 425. However that again is still incremental revenue to us, so that was revenue that did not exist prior.

So I'm not sure if that answers your question, but if you wanted the more concrete numbers we can certainly table that and bring that back.

Mr. McCall: — That'd be great, and thank you. I guess, you know, being ever aware of time at committee here, we'll just keep moving along in the lines of questions. I've long been interested in the balanced scorecard and what that means for the operation management of our Crowns and what relation that bears to the meaning of targets that are set out in the annual reports and how that's, you know, how we provide accountability to the people of Saskatchewan through that.

And I've also been long interested in the whole question of . . . When Casinos Regina and Moose Jaw were set up, there was a target of 50 per cent First Nations and Métis employment to go with the casinos. Now that's been construed in different ways over the years, but certainly that target is always sort of in the background but never quite been met, and sometimes not met by a lot, sometimes not met in better terms.

But in terms of putting more resources to the question of achieving something closer to that 50 per cent, I'm glad to see that. And certainly having some familiarity with the board appointments that are now on deck, you know, I have a lot of respect for the talent you've got on the board and I'm sure that they expect nothing less than a significant drive to achieving First Nations and Métis equity within the corporation.

So if you could restate what the goal was for the year under consideration, what the number was achieved, and then of course I've got some more questions after that.

Mr. Pilatzke: — Blaine Pilatzke. Thank you for the question. So for 2018-2019 our goal was 43 per cent representation and we achieved 41.1.

Mr. McCall: — So in terms of how that impacts the balanced scorecard and the accomplishment of it, is there any connection between achieving those goals or not achieving those goals to the

way that management is bonused under the balanced scorecard?

Mr. Pilatzke: — Yes, there is a direct linkage. So in terms of our pay-at-risk component of our total compensation, we weight the achievement of those goals. So the achievement of the Indigenous representation goal is weighted as part of that plan, and obviously we fell short of that goal and consequently that impacted the amount of pay at risk that was achieved by the senior management team.

[09:00]

Mr. McCall: — So in terms of the senior management team, are they . . . The goal that's set for First Nations, Métis representation in the workforce, that's for the corporation as a whole. You know, there's not a goal for the in-scope employees and there's not a goal for the out-of-scope employees. Is that a correct understanding?

Mr. Pilatzke: — We take a holistic view in terms of that goal, and so we attempt to achieve the 43 per cent across the organization. Everybody needs to contribute. However, I mean obviously we do much more hiring at the front-line level in terms of the unionized employees. So our representation at that level in some departments is significantly higher than, in 2018-19, the 43 per cent goal.

And I'll give you, as an example, our security department I think achieved just over 70 per cent. I believe it was 72 per cent. So we do track that from a unit perspective.

Mr. McCall: — So what's the number for the senior management team?

Mr. Pilatzke: — Currently it is three of us. Three? Two. Two out of six. Sorry, I'm not great at math; I'm in HR [human resources].

Mr. McCall: — I'm just a hard-working opposition politician of modest talents so, you know, far be it from me to throw any stones. All right. In terms of the redoubled efforts that are under way, the hiring of the specialist and the additional measures, what are those additional measures? And what is expected to be accomplished?

Mr. Pilatzke: — So in 2018 and '19 we undertook the development of an Indigenous employment strategy. It was essentially a refresh of some work that we had done previously in 2013. As part of that strategy we're going on to take a number of tactics over the next two to three years. And for this performance year as an example, we're looking at the evaluation of an Indigenous cultural awareness training program and bringing that in house and making it part of our core training that every employee has to participate.

We've reviewed our policies and procedures to ensure support of the Indigenous culture, such as time off to participate in community events, things of that nature; access to Indigenous elders, which is part of a wellness strategy we're developing currently; self-declaration audit in terms of ensuring that people do self-identify. Not just for Indigenous but we also I think have a goal of persons with disabilities and we think we're under-represented in that particular area. We think we have more

than we actually have. But just trying to do some education around the importance of self-declaration. The implementation of a smudge ceremony within the casinos; a social media strategy to support Indigenous employment.

Tuition reimbursement benefit changes. Currently we have a tuition reimbursement program. We're a developmental employer that you have to complete the course before we compensate you, so looking at whether we can pay for that upfront because that's I think a barrier for people to take some additional education and improve their employment opportunities even within the corporation.

And actively supporting and volunteerism opportunities for employees, which once again is very important to the Indigenous employees.

Mr. McCall: — I'm glad to hear of it. Has this led to the formal adoption of a 50 per cent goal by the board?

Mr. Pilatzke: — The 50 per cent remains a long-term goal. And I think for this current year, our goal is 45 per cent Indigenous representation, so incrementally building up to the 50 per cent.

Mr. McCall: — Okay. There are a lot of other questions that I certainly have on things like responsible gaming, and perhaps we'll canvass those at a later date. But I see by the clock on the wall that we've come to the end of our time for the consideration of these reports. So again, I thank Mr. Chairman, committee members, and certainly Madam Minister and officials for the time we've spent here today.

The Chair: — Are there any further questions? Seeing none, I will now ask a member to move that we conclude consideration of 2018-19 Saskatchewan Gaming Corporation annual report and SGC Holdings Inc. financial statements for the year ended March 31st, 2019.

Mr. Francis: — I so move.

The Chair: — Mr. Francis has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business for the morning. Minister, do you have any final comments?

Hon. Ms. Tell: — I'm sorry, Mr. Chair. No further comments other than thank you very much for your time. Thanks.

The Chair: — Seeing that we have no further business today, I'll ask a member to move a motion for adjournment. Mr. Nerlien has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until November 27th, 2019 at 8 a.m.

[The committee adjourned at 09:06.]