

**Crown Investments Corporation**

**The Chair:** — The hour being exactly 8 a.m., we will now . . . Well in certain political reality circles, isn't it?

**Mr. D'Autremont:** — In Newfoundland.

**The Chair:** — In Newfoundland, yes. Thank you, Mr. D'Autremont.

Well we will now commence our review of the Crown Investments Corporation. Just one slight, I guess I could call it a technical issue, you will note that our time is set for starting at 8 a.m. tomorrow morning. Due to the inclement weather, it's been strongly suggested to me that we might wish to start a little later. And I'm wondering whether people would want to start their review of SaskEnergy at 9 or at 10 o'clock. And of course it will all be dependent on how many questions people are likely to have since this will be a recall of SaskEnergy. So I'm viewing it basically as a wrap-up of any issues that may have arisen since or questions that people might have forgotten.

So would you caucus amongst yourselves, and before we take our lunch break would you let me know whether we'll start at 9 a.m. or at 10 a.m. tomorrow please?

**Mr. Bjornerud:** — It would be fine with us if that's good with Dan.

**Mr. D'Autremont:** — Sure.

**The Chair:** — Sounds like we've had a quick caucus, and 10 a.m. is a good start time?

**Mr. Bjornerud:** — Does that mean you would be here at 10:30?

**The Chair:** — No, 10 a.m. All right, I will undertake then to inform the minister responsible for SaskEnergy and his officials.

Our schedule today is to go until noon with CIC (Crown Investments Corporation) then have them back from 1 till 2:30 and then do Saskatchewan Transportation Company, and then tomorrow to do Saskatchewan Liquor and Gaming Authority. With that we will likely be finished our review of the '94-'95 and '95 reports and probably will not have to have another Crown Corporations meeting until the legislature is once again in session.

So I'm again informing you of that. That would be my intent at this point. So if there are any other outstanding items . . . You will remember that we decided and reported to the House that we would only review those that we felt were of major public importance in a particular year; that we would review all the heavy-duty Crowns each year, but some of the others we would only review on an as-needed basis.

Things that we haven't reviewed, for instance, would be the Grain Car Corporation, Workers' Compensation Board, the

wetlands corporation, I think; Water has not been called yet this year as well. So those are some of the items that we haven't specifically reviewed yet for this year. If any of you want to come and see me at a break and see the list of items that we would simply report that we've decided not to review this year to see if we want to schedule a separate, special meeting sometime in January, please see me at the break.

Having said that, what we will do now is move to our review of CIC. Is it agreed that we will consider the '94 and the '95 annual reports concurrently? That's agreed. Thank you.

What we will do then is ask, first of all, for a presentation from the minister and his officials and a comment on the financial statements. We will then ask the Provincial Auditor, who is the auditor for CIC, to make a comment and then we will have questions from the committee members.

So, Mr. Wiens, would you please introduce your officials.

**Hon. Mr. Wiens:** — I will. Thank you very much, Madam Chair, committee members, and others who are here. Maybe I should begin with my president on my left, John Wright, CEO (chief executive officer) of Crown Investments Corporation; Patti Beatch on my right, the VP (vice-president) of finance and administration; Kelly Staudt, new to Crown Investments Corporation last month, replacing David Hughes, vice-president of investments; and John Millar, our director of communications. So I welcome the officials and thank them for the good work that they continue to do on behalf of CIC.

This is a new experience for me — a first time in my life — so I'm looking forward to it. There aren't many things one does for the first time in one's life anymore when you've lived as many years as I have, so I'm looking forward to whatever today brings.

I'm going to apologize for those of you who are not here for the first time — and I actually don't know who is and who isn't — because I think much of the information I'm going to give you is pretty standard background information on the Crown Investments Corporation. But I think I should, as a matter of duty, just outline where we are briefly and then hopefully in the questions later on we can get into more detail on things that are new to those of you who aren't new here.

My remarks this morning will focus on the definition of what CIC is, a description of how CIC presently operates, and a look at where we're going in the future. And as you've been noting, the Crown review is helping us determine that future, and there are a number of activities ongoing as we speak, including preparation for the conference on Friday, which is going to be the wrap-up of the formal part of that review. When I'm finished John will present more detailed information on CIC's 1994-95 activities and Patti will give you an update on the financial picture for CIC.

In 1947 the Government of Saskatchewan established the government finance office — just reviewing the history of where the Crown Investments Corporation came from. The

government finance office was essentially the forerunner of CIC. The Crown Corporations Act, 1978 created CIC. The Crown Corporations Act, 1993 replaced the '78 Act and continued to give CIC specific responsibilities for financial and operating investments, and for provincial Crown corporations designated as subsidiary Crown corporations of CIC. If you refer to page 15 of CIC's 1995 annual report, you will see a list of these investments and Crown corporations.

CIC's corporate mandate is divided into three areas: supervision of subsidiary Crowns — CIC monitors the performance and coordinates the direction of subsidiary Crown corporations; asset management — CIC is responsible for prudently managing new and existing investments. You need two central functions on the business end. And then economic development and diversification. CIC is mandated to enhance the long-term economic prosperity of the province by pursuing economic development and diversification opportunities.

And if one looks into the history of CIC and the report I released the day before yesterday, the economic impact on the province of the Crown corporations, it's noted in that report that the Crown corporations in Saskatchewan and the Crown investments are responsible for 17 per cent of the GDP (gross domestic product) in the province and 9 per cent of the employment. So clearly, over time, this history has built to, in fact, reflect this important mandate of Crown investments in Saskatchewan.

Essentially CIC acts as a holding company for the provincial government when it comes to commercial Crowns and certain investments. But it does more than that. As one past president of CIC liked to say — and I can only imagine it must have been Ned — CIC is the meat of the sandwich. CIC acts as the balance and cushion between the business interests of the Crowns and investments and the public policy concerns of the elected representatives and the people of Saskatchewan.

So how does CIC operate? Simply put, CIC operates according to its mandate. Through prudent and responsible management of the Crown sector's finances, CIC is ensuring that our Crowns and investments are strong today and that they continue to provide not only financial gain to the province, but also public policy objectives — objectives like the development and operation of a planned economy and the achievement of greater equality of opportunity.

In 1995, as CIC continued to do business, it became apparent that the rapidly changing world and external elements which affect our Crown sector — competition, de-regulation, and lower trade barriers to name a few — would need to be addressed sooner rather than later. CIC developed the Crown review to seek ways to guarantee that the Crown sector would continue to be just as strong tomorrow as it is today.

I'm now going to speak briefly about the Crown review — the final report which was released earlier this week — and what this means for the future of CIC and the Crown sector.

When we announced the review last spring, we said it would be the most comprehensive review of the Crown sector in this

province, and it has been that. The review studied SaskPower, SaskTel, SaskEnergy, SGI (Saskatchewan Government Insurance), and STC (Saskatchewan Transportation Corporation), as well as the CIC investment portfolio.

The time frame for the review, all three phases, was about seven months. Together these three phases — the public discussion phase, the situational analysis that I referred to briefly a minute ago, and the economic modelling phase — are the basis for the final report which was released on Monday.

The two points evident throughout the review were that the Crowns face a number of challenges both today and into the future — deregulation, competition, a shrinking market — and that the status quo is not going to be good enough to meet these challenges.

To meet these challenges, a number of specific areas have been identified for us to examine. In the weeks and months ahead, we will be looking at what has to be done with our Crowns in terms of financial reporting, rate-setting and transparency, governance, human resource management, and maximizing the shareholders' return on investments, that is the people of Saskatchewan.

CIC will also be examining the social and economic development policies of the Crown sector to see how they mesh with these new economic realities.

The review has served to give us a baseline for the Crowns describing where they are today, where the future lies, and what challenges they will encounter. The next step is for government to build on this baseline to ensure that our Crowns and investments will be secure now and into the future.

Thank you. And, John, you can take it from there.

**Mr. Wright:** — Madam Chair, if I may? Like my minister, this is my first appearance before this wonderful committee, so hopefully we'll have an excellent morning and a good discussion later on after the presentations.

**The Chair:** — We can be quite intimidating.

**Mr. Wright:** — Indeed. I'm sure you all can.

We've put together some information for you that Mr. Millar has recently handed out. It deals with items such as executive compensation and expenses, advertising and consulting expenditures, and some additional information on our investments for your perusal and consideration.

I want to take a little bit of time to talk about CIC's objectives for the year under review and what was accomplished in terms of those objectives. Also we'll take the time to discuss a couple of the specific investments and projects that we're undertaking during the course of the year.

Following that, I'm going to be asking Patti Beatch, our vice-president of finance, to give you a little update on the financial results for the year end under review, and also to do,

and show you, a little bit of analysis based on financial performance ratios for CIC. At that point of course, we'd love to try to respond to your questions.

Our first objective during 1994 and 1995 was to continue the process of restoring the financial integrity of CIC. This process has been ongoing since 1992. As the committee is well aware, CIC has restructured a number of its arrangements with its private sector partners in the past few years and this continued in 1995 with the restructuring of the Bi-Provincial upgrader.

Husky Oil and CICI (Crown Investments Corporation Industrial Interests Inc.) moved in that year to convert our respective ownerships in the upgrader to 50 per cent each. Previously CICI owned 17.5 per cent; it is now 50 per cent. To accomplish this we paid approximately \$43.1 million to the governments of Canada and the governments of Alberta, who chose not to participate in the project any longer. We also paid 11.1 million to Husky itself as its prorated commitment to operating shortfalls.

In addition in 1995, the asset management division of CIC was established to manage the investments of the former SEDCO (Saskatchewan Economic Development Corporation), which was wound down and terminated. Asset management is charged with restructuring and liquidating these investments wherever possible. And I'd like to think that their successes are many.

The decision was taken to sell a substantial portion as well of CIC's share of Cameco — and I'll be returning to that later on in the presentation because of its significance.

Finally, CICI advanced almost 150 million to the HARO Financial Corporation, which in turn used the money to purchase convertible debentures in Crown Life, and I'll be talking about that later as well.

Our second objective in CIC during the years under review was to continue improvements in the accountability of the commercial Crown corporation sector. In this area, CIC developed the 45-day rate review process which is mandatory for SaskTel, SaskPower, SaskEnergy, and the auto fund. Late in 1995, the 45-day process was used for the first time by SaskPower for a proposed rate increase that you're all aware of.

The SaskPower rate increase was approved by cabinet, with some modifications, following the 45-day process. Following this experience, CIC made two changes to this policy and we directed the Crowns to hold at least four regional meetings and that any 1-800 phone lines had to be operated by senior staff who could respond promptly and accurately to the public's inquiries.

In early 1996, SaskEnergy also was directed to carry out a 45-day rate review process. However because this involved a decrease in rates, there was less public feedback. Along with the rate review period, CIC instituted a policy which calls upon the four major Crowns to hold regional public meetings each year to discuss their annual reports; somewhat akin to a shareholders' annual report meeting.

However, because of the bump and grind associated with the Crown review, it was set aside for 1996; but I wish to assure committee members that it's our intention to proceed with that annual shareholders' meeting in 1997.

Further in 1995, we started to develop the parameters of the review of the Crown corporations, which my minister indicated we had just recently, on Monday, tabled the report of the consultants. In addition, CIC ensured that both itself and all of its subsidiary Crowns filed timely, comprehensive annual reports with the legislature.

Our third objective within CIC was to provide assistance to the province in its financial recovery. During the years under review, CIC's total debt increased by only \$104 million compared to an increase in assets of 172. On a consolidated basis, debt grew only by 61 million compared to an increase of 373 million in assets. As well, we managed to get ourselves out of two debt guarantees: a \$3.5 million lease guarantee with the Potash Corporation of Saskatchewan and a \$38.2 million loan facility which had been provided to Saskferco.

The fourth objective was to assist with economic development in the creation of jobs in Saskatchewan. During the year, capital expenditures by the Crowns amounted to somewhat over \$600 million. And during the year, CICI and Mac . . . I continually want to call it Mac-Blo . . . MacMillan Bloedel entered into a limited partnership to build an oriented strandboard plant in Hudson Bay. And CIC took steps as well to protect the 1,000-plus jobs associated with Crown Life here in Regina.

Finally, our last objective was to position the Crown corporations for changes in the global environment in which they operate. We took stock of the elements affecting the Crown corporations, such as competition, deregulation, and lower trade barriers, and developed the structure of a Crown review which would address those issues. And again, with the consultants' report being out, that's an important element to this.

Let me turn to Cameco, because that was a very significant transaction during 1995 into 1996. As I mentioned, although the sale actually took place in 1996, the decision was made in late 1995 to sell the Cameco shares. Specifically, we sold about two-thirds of our shares, approximately 10.1 million shares at 75.5 or \$75.50 a share. This was composed of a block of shares of 9.5 million and something called a greenshoe, which was approximately 620,000, which is an option above and beyond the 9.5 million.

The decision was made to sell the shares because of the attractive price that could be realized at that time. The sale grossed \$764.1 million, a gain of 540 million for CIC. After expenses, the net proceeds were approximately 729.4 million, and which will be paid in two equal instalments. The first we received in March of 1996 and the second will be received in March of 1997.

Of the net proceeds, CIC paid one-half of that amount, 364.7 million, to the General Revenue Fund as a special dividend for 1996-97.

Part of the sale . . . I should mention CIC had approximately 15.5 million Cameco shares. Consequently with the sale in place, we retain about 5.4 million shares or approximately 10 per cent ownership within Cameco.

The second major transaction that occurred in 1995 deals with Crown Life. In July of 1995, CICI advanced HARO approximately 149.5 million as a loan which would allow the company to purchase Crown Life convertible debentures. Crown Life clearly required the additional capital to improve its regulatory capital structure, provide for expansion, and increase confidence in the firm's financial strength. The loan required interest payments to be made to CIC twice a year, on January 31 and July 31. HARO is current with all interest payments.

In the fall of 1995, when CIC became aware that Crown Life was facing a number of lawsuits in the United States related to the so-called vanishing premiums issue, it acted to protect its investment by converting \$68 million of the original loan to HARO to 68 million non-voting shares in HARO Financial Corporation. Since then, I'm pleased to report Crown Life has been making significant and steady progress, with all of the four major credit-rating agencies recently upgrading Crown Life's status. It looks good both for today and into the future.

I'm going to turn it over to Patti Beatch, our VP, finance, to take you through a few of the numbers for CIC.

**Ms Beatch:** — Thank you, John. Before I get into my detailed presentation, I want to just explain for just a few moments again for the committee the financial reporting structure within CIC. It's important to understand this because if you don't have an appreciation for this, everything else that I say is going to be very confusing I suspect.

CIC has three entities that it reports on. The first entity is what we call CIC legal. That's John, as president, and those of us here. CIC legal collects the dividends from our Crown corporations, and it's CIC legal, at the end of the day, that determines whether it has enough income to pay a dividend over to the General Revenue Fund.

Then we have a wholly owned subsidiary called CIC Industrial Interests Inc., which we affectionately refer to as CICI. That entity, it has no staff in itself, but what it does is it holds all of our investments in everything frankly, except for two which are held by CIC, and those two are NewGrade and Cameco. Everything else is in CICI — so the upgraders, Saskferco, Meadow Lake, etc., etc. . . . (inaudible interjection) . . . I'm sorry, Bi-Provincial upgrader.

And then we have the consolidated entity, which is essentially the Crown sector as a whole, at a glance. That includes the first two entities I described, CIC legal, CICI, as well as SaskPower, SaskTel, SaskEnergy, and all of the CIC Crown corporations.

And so what I'm about to go through is a quick snapshot look at how each of those three entities did and I'll focus on '95 and comment relative to 1994.

So looking at CIC, non-consolidated, CIC the legal entity. CIC had a good year financially in 1995. Net earnings on a non-consolidated basis were 66 million compared to a loss in 1994 of 14 million.

The significant improvement in earnings was largely the result of reduced write-downs in 1995, particularly with respect to NewGrade and SEDCO (Saskatchewan Economic Development Corporation), where we had large write-downs in 1994.

Of the earnings of 66 million, 50 million was declared as a dividend to the General Revenue Fund and the balance was retained by CIC primarily to recover the previous year's deficit. CIC had a deficit carried over from 1994 of \$14 million and we are not allowed . . . or were prevented by order in council from paying a dividend until we've recovered deficits. On a comparative basis, CIC paid no dividend to the General Revenue Fund in '91, '92, and 1994. In 1993, however, CIC did pay a dividend of 35 million.

In 1995, CIC's assets increased by 171.9 million to about 2.6 billion. This increase in assets was largely due to further investments in CIC subsidiary, CIC Industrial Interests Inc.

So moving on to CIC Industrial Interests Inc. — I'll call it CICI — CICI had net earnings in 1995 of about 58 million compared to a loss of about 14 million the previous year; earnings from equity investments of about 37 million, compared to losses the year before, accounted for a great deal of the turnaround. In particular Saskferco and the Meadow Lake pulp mill had relatively good results in 1995.

CICI's assets increased by 371 million in 1995, reflecting the additional investment in HARO, assets transferred from the former SEDCO, the increase in ownership of the Bi-Provincial upgrader, and the establishment of a new subsidiary to form the partnership that John described with MacMillan Bloedel.

Looking at the consolidated picture, again this is the CIC Crown sector as a whole, CIC's net earnings on a consolidated basis were 241 million for the year compared to 96 million in 1994. The improvement of some 145 million was due in large part to SaskTel's gain on the sale of its LCL (Leicester Communications Limited) cable communications investment along with improved earnings from regular operations.

In the period 1991 to 1995, the debt-to-equity ratio for the consolidated group has decreased to 64.9 per cent from 85.2 per cent. Assets grew on a consolidated basis by approximately 373 million, largely reflecting CIC's investments during the year as mentioned previously.

Moving into financial ratios — there's a slide on the overhead — one of the ways in which we monitor our subsidiary Crowns and then in turn the way we look at how we are doing, is by monitoring ratios. Ratios are commonly used in the industry by financial analysts. Ratios include common ones like debt/equity, return on assets, those kinds of things.

And so I'll run through, again for both CIC legal entities, CICI and CIC consolidated, how our ratios are looking. All of

these slides have a five-year trend presented.

On a non-consolidated basis, ratios overall are improving. You'll note some significant anomalies in 1991-1992, where there were large write-downs taken.

In terms of return on total assets — and that essentially is net income before interest over your asset base, and that's trying to tell you of all the money you've invested, how is that generating a return for you — return on total assets fluctuates directly with fluctuations in CIC's net earnings. This in turn is largely affected by the extent of write-downs taken by CIC in any one year.

1991's ratio, which was negative, reflects the effect of significant write-downs taken in 1991, including Saskatchewan Mining Development Corporation, Bi-Provincial/NewGrade, and SEDCO. Looking at 1995 relative to 1994, you can see '95's improvement which reflects the reduction in write-downs in 1995.

Return on shareholders' equity, again another measure of how well your capital employed is generating returns for you, again large losses in 1991 caused a negative return; I believe negative 110 per cent. Improvements began in 1993 due in large part to the 875 million restructuring of CIC's debt which occurred in 1992.

The next ratio, times interest earned, this ratio essentially tries to tell you whether or not you have enough income to cover your interest costs. If you have a ratio of one or better, you're in good shape. If you have a ratio lower than one, you're in a net loss position. Again, ratios for CIC began to improve significantly following the debt restructuring in 1992.

Debt/equity, very commonly measured, again the 1992 debt restructuring improved debt levels significantly. CIC has made moderate improvements in its debt level since that time. The 1995 ratio actually worsened slightly as a result of refinancing a hundred million of short-term debt with long-term debt. Short-term debt is not factored into the calculation. The Cameco sale will significantly improve these ratios in 1996 and then again in 1997 when the second instalment on the sale comes in.

Expense-to-revenue ratio, trying to measure the extent to which your revenues are chewed up by expenses — total expenses in this ratio includes interest expense, which is clearly CIC's most significant expense component. Again the restructuring in 1992 largely dropped our interest expense, which is reflected in improvements in these ratios starting in 1993. The ratio took a slight turn for the worse in 1995 relative to 1994 primarily because in '94 our revenues were relatively higher. We had a non-recurring gain on the sale of 2 million Cameco shares that were sold in 1994.

Moving on to CIC Industrial Interests Inc., again looking at the same slate of ratios for the most part. The two ratios for returns — return on assets and return on equity, and the expense-to-total-revenue ratio — they fluctuate somewhat erratically for this company due to the similarly erratic returns

received on certain of our investments. Many of our investments, such as the Bi-Provincial upgrader, the Meadow Lake pulp mill, are subject to market forces affecting commodity prices. Year over year results for these enterprises are consequently affected by these market forces, which in turn can create hills and valleys in our income in that company.

For return on total assets and return on shareholders' equity for III, both improved considerably in 1995. Earnings from equity investments increased by 58.8 million in 1995 relative to 1994. This increase includes increased profitability from Saskferco of 12 million year over year; from the Meadow Lake Pulp Limited Partnership of 44.1 million year over year; and a first-year profit from the SaskFor/MacMillan limited partnership of 2.9 million. That's the partnership again with MacMillan Bloedel to potentially create the oriented strandboard mill.

Times interest earned, we have that ratio on the overhead. It's really, to be honest, not applicable for this entity. This entity doesn't have any interest-bearing debt. CIC, the parent company, obtains the debt and incurs the interest charges for this company.

Debt to equity again technically doesn't apply, but what we've done on the overhead is shown debt to be advances due to the parent company, CIC, which are non-interest bearing. Debt levels have grown slowly but steadily over the past few years due to asset purchases by CICIII. There was a significant increase in 1992 due to substantial investments made in 1992 including HARO — the initial HARO investment — Saskferco, the Meadow Lake Pulp Limited Partnership, and Bi-Provincial.

The increase in 1995 was due to further investments made in 1995 including HARO, as John mentioned, 149.5 million; Bi-Provincial of 65.9 million; the former SEDCO assets that were transferred over to CICIII, which came over at a book value of 140.5 million; and CIC Forest Products Limited, again 40.2 million, the company created to form the partnership with MacMillan Bloedel.

Expense-to-revenue ratio. In this company regular expenses are nominal. CIC, again the parent company, pays for most of the cost of administering investments in this company. However, items such as write-downs and grants, which was the case in 1991, can significantly affect this ratio. In 1995 the ratio increased to 10 per cent largely because of costs associated with the investment portfolio we assumed from the former SEDCO. The SEDCO investments ... for example, we had rental property expense taken on of 2.7 million, amortization of rental properties of 1.1 million, and also we accrued a clean-up cost for the Saskatoon chemical site of 1.4 million in 1995 in CICIII.

On a consolidated basis, again the Crown sector as a whole, overall again improving results in terms of the trends in our ratios. The return ratios — return on assets, return on equity — improved in 1995 relative to 1994 due in large part to SaskTel's gain on sale of the Leicester or LCL Cable Communications investment as well as generally improving operating results by our Crown corporations.

The debt ratios — and by that I mean times interest earned and

debt to equity — these reflects the efforts of our Crown corporations in reducing debt levels. They are improving. Also as the earnings of our consolidated group strengthens, debt as a percentage of the equity base goes down, in turn reflecting an improved ratio.

And I'm finished my presentation, Madam Chair.

**The Chair:** — Thank you very much, Ms. Beatch. I will then move now to Mr. Strelieff, Provincial Auditor, and ask him to make a comment, please

**Mr. Strelieff:** — Thank you very much. Good morning.

**The Chair:** — Good morning.

**Mr. Strelieff:** — Good morning, ladies and gentlemen. As you know, when our office audits organizations, including the Crown Investments Corporation, we want to know and provide you assurances on whether their financial statements are reliable, whether they are complying with the key financial legislative authorities, and whether they have adequate rules and procedures to safeguard and control their significant portion of public assets.

Brian is going to . . . Brian Atkinson is with me and he is going to briefly review our auditor's reports on CIC's financial statements. I'll then provide a summary of our conclusions and findings and recommendations related to CIC's rules and procedures to safeguard its assets; its compliance with authorities and other matters. Brian.

**Mr. Atkinson:** — Thank you, Wayne. As Patti explained earlier, CIC's annual report contains three sets of financial statements. Now I'll focus my comments on the 1995 annual report, the document with the purple cover, and our comments on 1995 are similar to our comments on 1994 so we'll deal with both at the same time.

As Patti explained, the consolidated financial statements show a complete picture of all of the financial resources that CIC controls. They show them all added together and those financial statements are what we call general purpose financial statements. Our auditor's report on the financial statements appears on page 43 of the annual report. And the auditor's report we have here is what we call a standard auditor's report. It has three paragraphs: an introductory paragraph, a scope paragraph, and an opinion paragraph.

The introductory paragraph states the financial statements are the responsibility of CIC. Our responsibility is to audit those financial statements.

The second paragraph, the scope paragraph, the purpose of that paragraph is to inform the readers that our audit was planned and carried out following professional standards and I think that's important to note.

The third paragraph, our opinion paragraph, is where we state our opinion on whether or not the financial statements are reliable. And as you can see, the third paragraph says that the

financial statements of CIC, consolidated financial statements, are in fact reliable.

The next set of financial statements is CIC non-consolidated financial statements. As Patti indicated, those show the corporate entity CIC. They clearly show you where CIC borrowed its money, where it raised its capital, and where it invested. They also show you where CIC raised its revenues, and, if you look, they're primarily from dividends from Crown corporations.

Our auditor's report is on page 68, and again it's a standard auditor's report with the three paragraphs. And it again, the opinion paragraph, states that the financial statements are reliable. Now it also, the opinion paragraph, also reminds the readers that these are special purpose financial statements; they are not the general purpose financial statements for CIC. So you have to take that into account when you are reading and using these financial statements.

The last set of financial statements are the CIC Industrial Interest Inc. non-consolidated financial statements. Again our auditor's report is a standard auditor's report and it appears on page 85. It again, the opinion paragraph, indicates that these financial statements are reliable, but it also reminds you that these are again special purpose financial statements.

The 1994 annual report, the document with the green cover, has the same three financial statements in it, and our auditor's reports on those financial statements are in similar auditor's reports and they all indicate that the financial statements contained in the 1994 annual report are also reliable.

Madam Chair, that concludes my comments on the financial statements. Wayne.

**Mr. Strelieff:** — Thank you, Brian. As you know, we recently released our 1996 fall report and that fall report includes the results of our examinations of the Crown Investments Corporation for their year ended December 31, '95. Our fall report, as you know, is referred to the Public Accounts Committee; however I want to provide a brief overview of that chapter on CIC included in our report.

The chapter in our 1996 fall report reports our work on CIC in five parts. First we report on the need for CIC and its subsidiary Crown corporations to give the Assembly what we think is essential accountability information. For example, we think CIC's annual report and the Crown subsidiaries' annual reports should include comparisons of planned performance and actual results. We think legislators and the public need such comparisons to help understand and assess the performance of CIC and its Crown corporations. We also think CIC and its Crowns should provide the Assembly with a list of persons who received public money and the financial statements for all of their subsidiaries.

Second, we report on CIC's budgeting and interim financial reporting practices. In the past we've said that CIC's board, we think, should approve an overall budget for CIC's plans and those that are included in the consolidated financial statements,

as well as those plans carried out through CICIII.

We also think CIC's board should receive interim financial statements for CIC's overall consolidated financial results and also those activities carried out through CICIII, including in that interim report a comparison of planned and actual results.

We also report that CIC should obtain the proper approval for its investments. It needs to obtain Lieutenant Governor in Council approval when they decide to increase its participation in joint ventures like the Bi-Provincial, as well as providing financial assistance and for acquiring shares in corporations related to the HARO-Crown Life investment.

Third, we report on CIC's system for managing its investments in large commercial enterprises. We wanted to know if CIC has adequate systems and practices to manage its significant investments in enterprises such as the upgrader, Saskferco, and HARO-Crown Life.

Overall in our 1996 fall report, we state that we found CIC's systems and practices for managing its significant investments as being adequate. However we did identify where CIC could make some improvements related to better documenting its investment objectives and its monitoring procedures, following its existing policies when making new investments and strengthening the way it monitors its investment in HARO-Crown Life.

Fourth, we report on CIC's investment in HARO-Crown Life and how CIC accounts for this investment. During 1995, as you know, several important events occurred. For example in February '95, HARO acquired a majority of Crown Life voting common shares. In October '95 CIC exchanged \$68 million of HARO's debt for HARO's non-voting common shares. We wanted to know if CIC acquired control of HARO and Crown Life in 1995 through those transactions. Because if CIC had acquired control of HARO and Crown Life, in its consolidated financial statements that were reviewed earlier this morning, CIC would have had to aggregate the financial results of Crown Life within those financial statements.

After carrying out our examination, we did find that HARO acquired control of Crown Life in February '95 when HARO acquired a majority of Crown Life voting common shares. However, we found CIC did not acquire control of HARO in October '95 when CIC acquired non-voting common shares of HARO. So as a result of our examination of the transactions that occurred in '95, we ended up agreeing that CIC should continue to account for its investment in HARO as it has been doing in the past.

Fifth, we provided an update on matters we reported in the '94 fall report. We continue to recommend all CIC Crowns should identify their public policy objectives. We think MLAs (Member of the Legislative Assembly) and the public need to know these corporate, public policy objectives to help them understand and assess their performance.

We also continue to recommend CIC should ensure all of its Crowns use standard assumptions to calculate their pension

costs and obligations.

As you know, CIC is a significant component of the overall government. Our '95 audit included, in addition to our normal audit objectives related to financial statements, compliance with legislative authorities, and an examination of the basic financial management controls ... we also looked at the CIC's investment management system. And I'd like to advise the committee here that we certainly appreciate the cooperation that we have received from CIC's management group and board of directors.

Thank you very much.

**The Chair:** — That's a good, and probably rare, accolade. Thank you, Mr. Strelieff.

I will now throw it open to committee members who may have questions. I have on the speaking list so far only Mr. McLane. Are there any other members who have a burning desire to get in for some questions right after that? Mr. D'Autremont.

I should mention that I will be circulating at some point, as soon as I can get some photocopies of the items, a list of outstanding business, so that when we take a break, committee members can review that to see if there are any Crowns that they wish to call for a meeting probably in January.

And another item that we have that is outstanding, and I think Mr. Strelieff was touching on it in a way when he was talking about HARO and the transfer of stock and acquiring control or not acquiring control, the other item that we have to consider is the whole question of dealing with significant transactions by CIC.

We had set up a subcommittee in 1994 to come up with an operational definition of significant transactions, and for various reasons that committee, that subcommittee, did not report to the committee. We now ... some of the members who were on that subcommittee are no longer members of the Crown Corporations Committee. So it will be my intention later on today, as we run out of questions for CIC generally, to circulate to members a memo that I have received from Minister Wiens asking some specific questions about how we would operationalize the definition of significant transactions.

And I think what's likely going to be easiest is if we simply, as a committee of the whole, go through some of those questions and decide what it is that we would like to have reported and how we would like to have it reported to the committee in terms of significant transactions. So I will be circulating that.

The other item that we have to discuss is the whole question that Minister Wiens brought up in his ... the beginning of his report, which is the conference that is happening this Friday on the Crown review. And I would like to suggest that we may wish to consider a motion to authorize committee members to attend that conference on Friday.

So those are things that I toss out for you for consideration and we will deal with them later this morning after committee

members have had an opportunity to question the minister and his officials about the '94 and '95 annual reports for CIC.

**Mr. McLane:** — Thank you, Madam Chair. Mr. Strelieff, and Mr. Atkinson, welcome this morning and thank you for being here. I just have a couple of questions for you in regards to your fall report. And I guess the first question I would ask could be a rather general question, in that in your opinion do you . . . in your involvement over the last number of years with CIC, do you see an improvement in its annual reporting methods?

**Mr. Strelieff:** — Mr. McLane, members. I've been the Provincial Auditor for six years and about a month or two. There has been significant improvement in the annual reporting practices of CIC. They now . . . Six years ago they didn't publish that middle financial statement that you were shown today — the CIC non-consolidated financial statement — which shows where CIC gets its money from the major Crown corporations and how it uses that money to finance a lot of the interest and losses of its major investments. That was an improvement, important improvement.

In our fall report we continue though to recommend that all Crown corporations publish comparisons of what they planned to do compared to what actually was done during a particular year, and that still hasn't taken place in the annual reports of Crown corporations.

So there has been some improvement. There still, to me, needs more.

**Mr. McLane:** — Just continuing on that subject then. In your discussions with CIC, do you see . . . are there reasons why these changes haven't taken place?

**Mr. Strelieff:** — I think you would have to ask the management group of CIC for those reasons. I don't know why an organization wouldn't publish its plans versus actual results. In other sectors of the government they are, more so, beginning to do that.

I think one of the reasons that was posed in prior years had something to do with that comparisons of plan versus actual results may not be appropriate because planning information shouldn't be disclosed. But I think that kind of . . . that the reasons behind why that hasn't happened to date I think is a question that you might want to ask management.

**Mr. McLane:** — I certainly will.

In your report you also express some reservation about CIC's power to spend large amounts of money without the approval of cabinet or the legislature, and I guess that could be in regard to of course the upgrader and HARO. Would you care to elaborate a bit on your concerns with those issues?

**Mr. Strelieff:** — Could you just state that question again. I was going in a different direction.

**Mr. McLane:** — Right. You mentioned it again I guess this morning, your reservations about CIC's power to spend large

sums of money without the approval of cabinet or the legislature. And I guess there would be a couple of examples. Maybe one would be the upgrader, I believe, and the other might be HARO. I guess what I'd like to hear is your thoughts, why you have concerns in that regard.

**Mr. Strelieff:** — The CIC, when they do make investments in shares and other loans, are required to get order in council approval. And when you do get an order in council approval, it means that the Legislative Assembly is speaking to Crown corporations, saying that when you are making investments in shares or increasing exposure in other investments, we want to know about it. So an order in council approval signals a public announcement.

And during the year CIC did increase its investments and acquired more shares and did not obtain those public approvals, or those order in council approvals, which then would be public announcements through order in councils.

**Mr. McLane:** — Thank you. You also mentioned this morning and in your report about the way CIC monitors its investments with HARO and Crown Life. I'm just a little unsure of what you meant by that and what problems do you see in the way it's currently done.

**Mr. Strelieff:** — Mr. McLane, members, we did say that this relates to our examination of the management systems and practices CIC has in place to manage the significant investments in things like HARO and the Bi-Provincial/NewGrade. And in general we concluded that they had adequate procedures and practices, but we identified a number of areas that we thought could be improved.

And as you say, one of the examples that we pointed out was the way it manages its investments in HARO and then through to Crown Life.

We suggested that CIC should obtain written management reports on the business and affairs of Crown Life through HARO, to get written — whether it's monthly or quarterly — reports. We thought that would be a needed improvement.

I think CIC's management group has done some of this over the past year. We also discussed with them the possibility of having a more active . . . either observer status or membership on the board of HARO to reflect the significant lending exposure that CIC has with HARO.

So those were two areas that we had talked to with CIC.

**Mr. McLane:** — Thank you.

**The Chair:** — Are you finished your questions of the auditor?

**Mr. McLane:** — Yes, thank you.

**The Chair:** — Because I assume that you have questions yet of the officials, do you?

**Mr. McLane:** — Yes.



**The Chair:** — Okay. All right. Thanks a lot.

**Mr. McLane:** — One or two.

**The Chair:** — One or two.

**Mr. D'Autremont:** — I was thinking of the officials and not the auditor when I put my hand up.

**The Chair:** — Well I'm entirely in the committee members' hands now. I'm trying to keep this balanced in terms of letting everybody have a bit of air space, and I think that's what you're doing as well, is it, Mr. McLane?

**Mr. McLane:** — Yes.

**The Chair:** — Okay. So I guess then I will . . . Mr. D'Autremont, I'll pass it over to you and then after you're finished or after you've spoken for a reasonable amount of time, I'll once again recognize Mr. McLane.

**Mr. D'Autremont:** — I always speak for a reasonable amount of time.

**The Chair:** — It's sort of a caution not to do a filibuster on us, okay.

**Mr. D'Autremont:** — Thank you, Madam Chairman . . . Chairperson.

**The Chair:** — You don't need to designate my gender. It comes with my body.

**Mr. D'Autremont:** — I will stay away from that. I'd like to welcome the minister and his officials here today, as well as wish seasons greetings to all of my legislative colleagues and the staff.

Before I go into some of the other questions that I have, I'd like to take a look at some of the information that you provided us this morning and perhaps pursue some of those areas that you've brought forward.

In the information entitled Crown Investments Corporation of Saskatchewan mandate on the front page, so that we're all talking about the same, under objective no. 2 you talk about the results of the 45-day review process which was made mandatory for SaskTel, SaskPower, SaskEnergy, and the SaskAuto Fund. How would you rate that process? Were you happy with the process? Were you satisfied with it? Were you proposing any changes?

**Hon. Mr. Wiens:** — As John reported, after the first incident we did find some shortcomings with respect to the kind of information people could get, and asked since then that the public access lines be staffed by people who can answer questions, not just take concerns. And that there will in the future be, additionally to the information that goes out at a rate review time, to be a request for the corporation to have annual meetings.

That is strengthened by the experience we had with the Crown review process this summer. I was careful not to attend any of the meetings other than to open the first one and welcome people there. Just there would be no sense of government direction or political direction to the process.

But it was clear from the comments from all of the meetings that the public very much appreciated that forum where it was sort of like the annual meeting of the collection of public investments. And because it's a large portfolio, it was limited in its capacity and in the detail, but it gave the public an overview of the array of assets that are theirs and it gave them enough curiosity to say that they want that sort of process to continue and they want more access to that kind of information so they can feedback.

I would say the direction that we had begun to head before the Crown review is strengthened in the Crown review process; that the public would like to participate through annual meetings of those corporations in a fashion that they can learn in detail, ask personal questions about their Crowns, and have the opportunity to give guidance at those sorts of meetings.

So yes, the rate review process in its narrowest form, we've made some improvements in it. But from that we've extrapolated the other piece which the public really needs to know, which is knowing the in's and out's of the various corporations so that they are in a position to understand and guide on narrower questions like rates.

**Mr. D'Autremont:** — Well on the 45-day public review process, I believe the current president of . . . no, past president of CIC indicated that he wasn't happy with the process. He felt that it didn't serve . . . if I could paraphrase, because I don't remember the exact quote, but basically that it was a farce, that it served very little useful purpose.

Within the 45-day review process, what evidence can you bring forward that would indicate that the public's concerns over rate changes had any impact on the actual rate change?

**Hon. Mr. Wiens:** — Well without going over the detail of any of them, there were differences in the final decisions with respect to rates than the original proposals, and so I think that's a fair reflection that there is a response. I think the point of the public and the point of the consultants in the Crown review is that they need to know better, they need to understand better, what's going on.

And let's take SaskTel for an example. They have in recent years contributed between 80 and \$100 million out of surplus earnings in long-distance revenues to keep accessible and affordable rates for line hook-ups in rural Saskatchewan and northern areas in the province and for that matter for urban folks as well because those are subsidized also by long-distance surpluses.

The public needs to understand, and has an opportunity to understand through these sorts of processes we're describing, that bigger picture which says, as a result of deregulation instituted in the late 1980s and hitting Saskatchewan now,

SaskTel won't be able to have a surplus of 80 or \$100 million on the long-distance side. SaskTel will be required to compete with the outside people coming onto SaskTel's lines owned by you and me in the province. And they will compete their effective . . . they will compete, but in competing they'll lose that surplus earning in long-distance revenue, which means that all of us will, by definition in a healthy corporation, have to pay more for local line service. That's just a given.

That's an important context to understand rate changes in; that information may come forward in the 45-day review should SaskTel propose to raise their local rates. But it could also come forward in an annual meeting, in reporting on how a corporation is functioning and Mr. Strelieff's observations that as they are projecting into the future, what they expect to confront as they're facing that future.

Just to finish that story, the next phase comes when that competition decides to go into a market like Saskatoon or Regina on local line service and say — just like they did in the '20s before we ever formed a government finance office or any form of organization around telephones, where we decided to do it equitably around the province — those guys who are looking for profits, or profits alone, are going to come into Saskatoon or Regina and say hey, we can do it cheaper than SaskTel's doing it now.

So they're going to go in and compete, and SaskTel of course is going to compete with them and they're going to drop their local line charges in the easy-to-serve centres, and those of us who live in rural Saskatchewan and northern Saskatchewan are going to see in that environment — if we don't find other solutions — an increase in our costs.

I don't think there is a good thing about that. I think it's awful. But it's the fact we're living in and I would disagree as much as any public person about that outcome. But it is the fact that it is automatic after you deregulate. And that's important to understand.

I mean these are good corporations, functioning soundly, confirmed in our Crown review that they are; and for the public to understand the context of rate changes they have to understand those little stories and that comes out loud and clear. The 45-day review period is one of the avenues through which some of that information and feedback can occur so the public can understand the context in which rate changes occur.

**Mr. D'Autremont:** — Well some would argue that a significant number of people in rural Saskatchewan, in particular in small-town Saskatchewan, are paying a higher base fee even though the base fee itself doesn't show up that way on their monthly charges because so many of their phone calls for basic services have to be long distance. So their total dollar cost for telephone at the end of the month is significantly higher to reach the same kind of services that someone in a major metropolitan area would be paying.

So in that area, to phone your school, to phone your hospital, to phone the police, to phone your municipal office administrator, you're paying a significantly higher cost than what someone in

a higher . . . in a larger centre would be paying. So in some ways those costs are already there. A basic charge for everyone is — or in the smaller communities — is higher than someone living in, say, Regina or Saskatoon.

I don't know how you get around that, other than to make changes to SaskTel which are really not, I would suspect, totally part of the discussion today. It's more of a SaskTel issue than a CIC, but it reflects on the rates that the Crown corporations charge and the manner in which the rates are decided when changes are made.

The 45-day review process seems to offer an opportunity for people to present their ideas about rates, hopefully now to ask questions and receive some of the technical answers, but at the end of the day have no manner in which to directly influence and direct how the rate changes occur and in what proportions.

And that's where a rate review process, I think, should serve rather than simply providing information to CIC that we're happy with the rate change or we're not happy with the rate change or here is how we'd like to see it done, and then CIC makes their own determination based on their own criteria.

Somehow the rate review process needs to have more clout than what the present 45-day system has. Somehow the public has to be able to directly influence those decisions, rather than making a bunch of noise and having no impact.

**Hon. Mr. Wiens:** — Well back to SaskTel and then the noise and no impact comment. Your observations about the reality of rural life are in some measure accurate. They're . . . if I'm phoning the city, I've got to pay long distance. Of course when the city wants to phone me they pay long distance too. So if I got a kid in the city and I'm on the farm, both have the cost, not just me, unless I make more phone calls than my kid does.

**Mr. D'Autremont:** — He phones collect.

**Hon. Mr. Wiens:** — I've been trying to avoid that.

I mean there are individuals in rural Saskatchewan obviously who would benefit by the removal of the regulatory system that was there, and those are the people that traditionally paid more so that everybody else could pay less because they are in urban Saskatchewan and they are in rural Saskatchewan.

So I wouldn't . . . I'm not sure whether I'd be in that, winner or loser in this collection of changes, but I can tell you one thing for sure. My father retired living in . . . wherever he lives, is going to begin to have unaffordably high local line hook-up costs if we go to the straight unregulated system, which is where the thing is heading.

And it's going to become a real pressure for people who have limited incomes, and we're going to see less equality and access to service because that system is coming into place. The only thing I can say about that is that it's a natural consequence of deregulation. And the public understands that, and I think they wish that little piece of business had not occurred at the federal level.

But in terms of the more formal rate review process, my comment up front — that the consultants who looked at each of the individual Crowns and looked at them collectively did not support the idea of a formalized rate review process, although they did suggest mechanisms for improving rate transparency and reporting and those sorts of things.

I think the reason they didn't . . . I mean I shouldn't put words in their mouth. Let me say the reason that I would think one wouldn't is that the consumer doesn't get any more clout with a more formalized process. The consumer just gets a more sophisticated argument and both sides putting more money into the more sophisticated argument so that you can battle each other at a higher cost. At the end of the day somebody else makes the decision anyway.

And so the best system in our mind is an open, transparent system where people can see, people have their input. And I'm not going to like an increase in any of my services. People certainly don't like the increase they're seeing in propane prices out there, from the phone calls I'm getting, for drying their grain. And they didn't have anything to say about it, you know. I mean they didn't even get to come to a 45-day review process of that. And it's happening . . . about every two weeks it's going up, the way they're describing it to me.

And farmers don't have anything to say about . . . no rate review process on fertilizer prices when they go to seed in the spring. So the best system in the circumstance where we do have a monopoly, which we do in a number of these services, is to make sure the public has a transparent look into what's going on and make sure that they're provided with adequate information.

And I guess one of the things we've said from the outset with respect to that is that in a democratic . . . in a parliamentary democracy you elect a government to do their job, and building in 14 layers of re-examination just adds to the cost of the job. We have a much better system, which is: do you think we're giving you the straight goods or don't you? If you think you are, you'll vote for us again; if you think we're not, we'll throw you out. And it's a wonderfully effective system, and within that we want to run an open and transparent system and hopefully, as the public can see that we're doing things in an open and transparent way, they will understand that these processes are in fact good and give them a good reflection of what is going on in the Crowns and their needs for revenues from time to time.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. A short comment on elections — at the last by-election you got thrown out.

On your comment on fertilizer . . .

**The Chair:** — You didn't do so hot either.

**Mr. D'Autremont:** — That's true. We weren't there though. We weren't the government.

**Hon. Mr. Wiens:** — I don't think Crown rates were mentioned.

Not . . .

**The Chair:** — This might be the opportunity for all of us to congratulate the new MLA, Jack Hillson.

**A Member:** — I think we should indeed.

**Mr. D'Autremont:** — I agree. Although utility rates were indeed mentioned by various people on the doorsteps.

But your comment on fertilizer. When I as a farmer go to buy fertilizer, I have a choice. I can either choose to put fertilizer on or not, or I can go to companies A, B, and C.

When I go to buy electricity, I have no choice. I have to buy from SaskPower because they have a monopoly. That's why a rate review process would be important to the people of Saskatchewan because they have no choice as to where they go for power, they have no choice where they go for gas, they have no choice where they go for telephone — virtually no choice.

But on telephone we are coming into a situation where choice is available to us. And I'm not thinking of re-sellers that come into the market. What I'm thinking of here is the opportunities to totally bypass SaskTel and SaskTel's equipment by going to satellite systems.

Now they're very expensive today, but as we have seen in the computer industry, as we've seen in calculators, the initial price is very high but dropped dramatically over a very short period of time.

Has CIC and SaskTel looked at how that technologies will impact on the Crown corporation and the value of the Crown corporation?

**Hon. Mr. Wiens:** — One of my officials may have a more detailed comment. But let me just say more broadly that the whole purpose of the Crown review was to examine exactly those questions, to examine the competitive and technological futures in which these Crowns would be functioning.

The consultants did give SaskTel a very strong stamp of approval in terms of their capacity, their technological advancements, and of course identified limitations such as the size of their market-place with respect to their future success. But to state broadly, I did have and I have now more confidence that SaskTel has the capacity and is considering those technological futures, or they would not have gotten the strong comments with respect to their structures that they got in the report.

I don't know if one of the officials has any more detail on that.

**Mr. Wright:** — Not a lot of detail, Mr. Minister. The simple answer is yes. CIC and SaskTel have looked at this quite extensively as we specifically asked the consultants to make sure that that was part of it.

As part of the Crown review, on pages 12 and 13 of the report, a little ditty here that does make reference to the challenges of

the wireless society and what that does, in addition of evaluation of the Crown is between 760 million and 900 million, which was identified in their report and that taken into consideration. There's a lot of challenges out there for Tel and that's just one of them.

**Mr. D'Autremont:** — SaskTel's expectations is that the wireless system, while it may have an impact on SaskTel, will not have a significant impact?

**Mr. Wright:** — I think it would be best that you ask SaskTel that. They would have the specifics.

**Hon. Mr. Wiens:** — My broad reaction, just from have having observed their advancements in technology before, is that they are probably considering that in their planning and they will be there as quickly as anybody.

That's where they've been before. They lead the world in fibre optics. They've led the world in private line hook-ups to every place in Saskatchewan. They've led the world in Internet access universally across Saskatchewan.

They really have been Canadian and international leaders wherever they've been and some of their international projects, as you are well aware, would reflect that as well; that amazingly, the old motherland over there in Europe couldn't get the people to do the telecommunications hook-ups, and even though they could make a tunnel under the old Channel but they couldn't do the telephones without Saskatchewan.

So it sort of speaks to the strength of this "little engine that could" that we have here in Saskatchewan and we have every confidence that they will continue to do that in the future.

**Mr. D'Autremont:** — The previous technological changes though were still hard-wired. The monopoly could function because you had to access that hard equipment, whether it was the old copper wire strung in the air or fibre optics underground. You still had to access through SaskTel's hardware.

The new technologies that are here but very expensive today, cheap in the future, you won't have to access SaskTel's hard system. You will be able to access throughout the world the technology, the communications accesses, without ever touching a SaskTel piece of equipment. That I think, has to be a very significant impact on the value of the corporation.

**Hon. Mr. Wiens:** — You're a way ahead of me. And my only comment on that is that, as Mr. Wright commented, the best people to talk to are SaskTel people. But I'm guessing — Kelly, you probably have an opinion on this — but I'm guessing that to date at least the advancements in data transfer and the use of fibre optics to do that is still . . . I don't think we're doing that through satellite yet in that context.

**A Member:** — No.

**Hon. Mr. Wiens:** — So I don't think we're moving away from that. In fact I think in some ways, our existing infrastructure

gives us strength and our existing technologies give us strength as supplements to the new technologies that we do in our area. Would that be a fair comment?

**Mr. Staudt:** — Yes, for sure.

**Mr. D'Autremont:** — Absolutely. I would agree with that.

**Hon. Mr. Wiens:** — Kelly, today not to get into a long discussion over telephones, but Kelly came from SaskTel International so he has some experience on that side and so he's . . .

**Mr. Staudt:** — Not being an engineer, but SaskTel has looked extensively at satellite technology. We don't think it's a real threat at this time. Certainly we're looking at the wireless. SaskTel has been very active through SaskTel Mobility and all the wireless technologies and we continue to do so, or SaskTel does.

Certainly satellite technology is very expensive and if you look at the mobile or the cellular technology on the satellite, it's going to be prohibitive in cost and it will remain so for quite a while.

I don't think that's a significant threat; maybe technology will improve, but more of the significant threats to SaskTel are going to be AT&T (American Telecommunications & Telegraph) and Sprint, when they start building wired networks in Saskatchewan. That's where the threat is, not in satellite.

**Mr. D'Autremont:** — Okay, thank you, Madam Chairperson.

**The Chair:** — Thank you, Mr. D'Autremont, and I think that your questions have prompted others because I have several other people on the speakers' list and I will recognize you again later on.

Before I move to other members on the speaking list, I would ask if there are any questions that people have directly of the auditor?

**Mr. Trew:** — Thank you. I actually got thinking about your report, Mr. Strelloff, and as I understood it you were suggesting that CIC should include in its annual report a comparison of their plan to the reality. Did I . . . is that a fair summary of part of what you had said?

**Mr. Strelloff:** — Yes it is. A part of what I said was, what did you plan to do compared to which actually happened in financial and non-financial targets.

**Mr. Trew:** — Great. And I confess there's a number of annual reports in the universe that I have not read, but the question that pops into my mind is, does AT&T or Sprint or Chrysler, Dofasco, Imperial Oil, do any of those firms do what you're suggesting; that is, say here's what we had planned and here's what the actual result was? Do they do that in their annual reports?

**Mr. Strelloff:** — Which companies?

**Mr. Trew:** — Oh, I just picked companies, but AT&T because telephone . . . pick a private power utility somewhere, any of them.

**Mr. Strelloff:** — A similar question came up at the Public Accounts Committee back in the spring when I had recommended that the government provide the Assembly with a complete plan, including the planned results of Crown corporations as well as departments and agencies; arguing that there is so much interconnectedness between the sectors of what our government manages that it needs to be brought together in a complete picture.

And at that Public Accounts Committee meeting members said that, well if the government provided planning information for its Crown corporations, would that impact its competitive disadvantage or advantages? And I responded by saying that in other jurisdictions, the planning information of major utilities — whether they're publicly held or privately held — is very much publicly available through rate-regulated bodies like public utility boards in the various provinces or the CRTC (Canadian Radio-television and Telecommunications Commission) in telecommunications.

And then the committee asked me, well could you provide us examples of the planning information made available by utilities through rate-regulated bodies? And so what I did was contact some of the public utility boards and the CRTC to find out what kind of planning information was required and what information was publicly available.

And I did find that through those rate-regulated bodies there's an extensive amount of planning information, and also comparisons of plans versus actual results, variance analyses, and alternative rate-setting proposals. Just a wealth of information that is publicly available in other jurisdictions related to the SaskPower, SaskEnergy, SaskTel type of organizations; so the main mechanism, it seems, in other jurisdictions in terms of getting the planning information, is through rate-regulated bodies.

In annual reports of other organizations outside of Saskatchewan, the financial statements themselves normally don't contain budget versus actual comparisons. Some of the management discussion and analysis parts of annual reports do talk about future targets and future rates, but it's not in the planned versus actual comparison that would be . . . that could be provided in the annual reports of Crown corporations in Saskatchewan.

**The Chair:** — Further to that, Mr. Trew, Mr. Strelloff has been sending out mailings, I believe five to date, on these kinds of reports. You may wish to ask him to send you a copy of some of those.

**Mr. Trew:** — Yes, I would appreciate that because I'm struggling with the whole concept. I'll give you an example of why I'm struggling.

SaskPower — I don't think it's any secret — SaskPower wants to build this Condie-QE2 power line; \$40 million is the price

tag that sticks in my mind. And, Lord, that has been known for years, that that's part of SaskPower's plan. So I'm struggling with what it is that SaskPower's not informing the public of in advance.

Mr. Strelloff, the reason I'm picking on SaskPower is simply because that's one example that just absolutely pops into mind right away and I'm trying to find out what it is further that you're looking for.

**Mr. Strelloff:** — Well one simple example in the SaskPower case would be, what was, what is, their planned net income for 1995 compared to their actual net income; what are the key assumptions underlying that; and if their planned income and their actual income weren't the same, what transpired that made significant differences. That type of information is not made public, nor the plans for '96 or '97. Pretty important information in trying to understand and assess the direction SaskPower is taking.

But the corporation itself would also have other financial and non-financial indicators that its management group and its board would be using to oversee, monitor, the success of SaskPower in the future. And that type of information could be quite useful, I think, to legislators to further understand or track what's going on.

**Mr. Trew:** — Back to my question: do any private electrical firms release that information? Or should I ask somebody else?

**Mr. Strelloff:** — In my discussion of the regulated groups? The public utility boards and the CRTC do regulate government-owned corporations as well as privately owned corporations, and those rate-regulated bodies provide the mechanism for the public and others to get access to the rate or the financial and non-financial decisions of a particular organization, whether it's privately held, privately owned, or whether it's taxpayer owned.

The information that the Chair referred to, I did provide examples of information that is provided to CRTC. I think the example that I used at CRTC related to Telus, and the example on the SaskPower side that I use for the public utility board, I think I had Manitoba Hydro. But it . . . And then also the, of course, the federal government Crown corporations, which publish five-year corporate summaries and make them available to the parliament each year.

**Mr. Trew:** — Just a final question. Is there a private company that includes in their annual report what you're asking to be included in the annual report?

**Mr. Strelloff:** — I haven't got complete knowledge of all annual reports of private companies. Probably not in the extensive . . . or the plan versus actual summary way that I'm proposing, but they certainly do publish planning targets for the future, and also how they did in the past and what are the key performance measures they're looking at.

Remember, they're trying to enhance shareholder confidence by making sure that everyone understands their performance.

**Mr. Trew:** — That's all for now, thank you. That's somewhat useful as I try and grasp with this whole issue. Thanks, Mr. Strelloff.

**The Chair:** — Thank you, Mr. Trew. I have on the speaking list right now Ms. Hamilton and Ms. Stanger. I also would like to address a few questions. And we have as well Mr. McLane, and Mr. D'Autremont is after that. My suggestion is that we'll hear . . . we'll take the questions from Ms. Hamilton and then Ms. Stanger, and then take a break at about 10 o'clock for about half an hour. Is that okay with the committee members? Okay.

**Ms. Hamilton:** — Some of my questions were a follow-up on what Mr. Trew had pointed out. Because I really don't believe I've seen anything that the industries in any area that we would be competing against share that kind of information with their shareholders. And in the way that Mr. D'Autremont talks about it, then allows the shareholders to have a vote or a significant say on how they're going to charge their rates or glean their profits.

But I guess further to the public involvement process that we've just gone through, and we're going to have — looks like an excellent day on Friday organized — one of the areas that all of the major Crowns will be faced with is of course strong competition. And with that in mind, I'm looking at, with CIC, are you, sort of as an overall, looking at what we can do to strengthen our competitive position?

And I guess I look at, on the industrial investments side, maybe trying to de-invest some of those areas that in the public's mind it didn't make sense for public to be involved with to begin, where they didn't see those as Crown corporations. And would that have any impact on the Crown side at all, or it won't predominately on a government side?

And I guess, probably in another life of mine, when we look at the report it talks about industry-specific bargaining and the rules CIC has, maybe in a collective bargaining process or a devolvement of bargaining and some of the . . . Rather than increasing hoops that competitive Crowns will have to compete, are there steps taken to provide a structure that's not as cumbersome, to allow them to compete, would be my question.

**Hon. Mr. Wiens:** — Yes, while I appreciate the question, and I think this is a key question for this committee for the future because — before I get into the detail of the questions you asked — the overarching question which you don't quite ask but intimate is the question of, what is the future role of the Crown Investments Corporation?

Because I think it's fair to say — if others have better information, I'd be pleased to be corrected — but I think it is fair to say, since the formation of the government finance office, that that office or its successors has largely been a financial reporting through to government agency, has not largely been a policy-making body. When one looks at the questions raised in the Crown review document, and I do think this will be a very good discussion at the conference and subsequently, looking at the nature of governance ranging from the nature and the structure of the formation of boards within

which context those boards operate, i.e., will CIC set a very broad policy that parallels government policy, that says these are now the policies we expect all Crowns to respond to and then operate relatively independently within that? Now that questions what's the board structure and what are the relative roles.

These are key questions for the future and they are all raised in the Crown review document.

And while I have my personal opinions from the review to date where that will be going, I think the responsible thing to do is to reserve those comments until we've been through the full review process and our officials bring forward options for us to examine and the public has yet more chance to speak.

But within that context, whether it becomes driven by a changed governance structure or a stronger holding company or whether it's just done within the Crowns, I think it is by definition, on the question of preparation for competition, that at this point the Crowns individually have been, and where they see the opportunity continued to do that, and in some ways get their high marks from the consultants because they do. They see the future regulatory possibilities and they are preparing for that.

SaskTel, you remember the Premier signed an agreement to exempt us from the provisions of the CRTC ruling in 1992. But SaskTel, understanding that that exemption would expire, has prepared itself for competition early so that it isn't sort of caught sitting in the chair when it happens. So they are aggressively out there pursuing that competitive market-place.

SaskPower has begun to do some of what they call rate rebalancing. Media and sometimes opposition members like to talk about that as rate increases and they sometimes look like that. But they in fact are net neutrals . . . (inaudible interjection) . . . And a very instructive comment Mr. D'Autremont makes, a very instructive comment, because in Saskatchewan, in Saskatchewan when you look at power, we have traditionally, as residents in our homes and on the farms in Saskatchewan, paid 75 to 80 per cent of the cost of delivering power because it was the Saskatchewan ethic.

And I don't think that's a partisan ethic; I think it's the Saskatchewan ethic, whether you're on one end of the political spectrum or the other, that says we want people in all corners of this province to have equitable service available to them.

And so we provided service for ordinary people at about 80 per cent of the cost of delivering it and who paid? Larger corporations. It's a given, to the point where I think rates on larger corporate accounts might run 120 or 130 per cent of the cost of delivering power to offset the lower cost to residential and farms.

And so as SaskPower begins to look at the future and as actually some of the larger users of those utilities start to say, I have other options, SaskPower was worried about larger users being able to self-generate. They say okay, if this customer, if these six or seven customers represent 25 per cent of my user

base and I lose that, I'm going to lose my capacity to subsidize Dan D'Autremont and Bernie Wiens right now. So I better make an adjustment. So they say, uh-huh, Dan and Bernie are going to pay another 6 or 8 or 10 per cent and a little bit of a line reconstruction charge and all of our colleagues all over the rest of the province will too, and we're going to pay these rates down again a little bit.

We're still getting a good deal, but it is a preparation for competition. SGI's been in a competitive market forever. In one of the comments that the consultant makes, is that essentially in his way of saying, that we're leaving money on the table. They're saying they could charge more. If they were a private corporation they would charge more for their auto insurance.

That could happen and would happen in the private sector but it's been our objective to give the most cost-effective auto insurance in Saskatchewan. I don't think we're threatened by competition on that one. I think it's one area where we're not, quite frankly, and I don't think we're thinking of moving.

SaskEnergy has been exposed to competition in gas supply since 1987 and — who haven't I covered? — STC is expected to be in a competitive mode by the year 2000. So all of them are, on their own, preparing for that competition.

With respect to de-investment, or whatever the name is for that, again I think this becomes part, as I said earlier, of that larger question of the objectives of CIC and the objectives of the government. But reading from the mandates statement, the economic development and diversification of Saskatchewan are important objectives for the Crowns and for public investment.

I think we in Saskatchewan who uniquely believe in public investment . . . I mean I don't have evidence for this but I think it could easily be gotten — that there is no governing region in North America that holds a candle to Saskatchewan's belief in public investment as an engine of the economy. And I would bet there's few in the world. And that didn't matter whether it was a Liberal government or a CCF (Co-operative Commonwealth Federation) government or an NDP (New Democratic Party) government or a Conservative government that's invested in Saskatchewan.

It's a reflection of the Saskatchewan belief and in some ways the Saskatchewan reality, that public investments is an important part of economic growth.

So one can assume that one will continue to pursue those objectives. One can also assume that one will, in the process, move away from existing investments, assuming that they may have matured, and move to new opportunities. So I think that is another fact that will occur but is also needing to be defined in greater detail. Because that's a different sort of future than the traditional service Crowns had or the resource Crowns had in the '70s. And one of the issues that came up in the public discussion, was the Crowns more involved in the community? Maybe there are roles there. Those are directions yet to be taken.

**The Chair:** — Thank you, Mr. Minister.

**Hon. Mr. Wiens:** — I was going to comment on the industry-specific bargaining, but I won't.

**The Chair:** — I think you've really given a very wide-ranging response to Ms. Hamilton's question.

**Hon. Mr. Wiens:** — Thank you.

**The Chair:** — And in the interests of time, I do have Ms. Stanger who has a very brief question to ask, and a brief answer.

**Hon. Mr. Wiens:** — I'll answer briefly too, if that's the case.

**The Chair:** — And, Mr. Bjornerud, did you want to put your question before or after the break?

**Mr. Bjornerud:** — I'll follow . . .

**The Chair:** — Okay.

**Ms. Stanger:** — It is brief, and it's actually to Mr. Wright or/and Ms. Beatch. The one thing that I did notice in my area when the Crown review process took part, is that in my area the private citizens and constituents got their say. And they said to me that they wanted their Crowns run in a businesslike manner. And this is constituents of all political parties. They wanted to retain the Crowns. I didn't get one objection in our public meeting. They wanted to retain the Crowns and they wanted them run in a businesslike manner.

In this context, I want to ask you: where in the world do citizens get to set rates for their utilities? Can you think of an example, where citizens get to set rates for their utilities? And do you know of any companies where shareholders get to set rates and run the business part of their company? I mean this is following up on the rate review.

**Mr. Wright:** — The only circumstance I can think of where a shareholder could set what the price is for the product that the company sold was if you owned a significant block of the shares and had controlling interest on the board of directors and could basically dictate. I think of a newspaper chain that owns certain of Saskatchewan's newspapers — may have that ability to direct what the price is. However, in so directing what the price is, they have to be cognizant of the competition, equally so, that's out there or that may emerge if they set the price wrong.

With respect to a government jurisdiction, I'm not aware of any.

**Ms. Stanger:** — This is what was running through my mind when I was listening to Mr. D'Autremont going on and on about the rate review, because it would seem to me that his suggestions aren't practical in the kind of deregulated, competitive, free-enterprise system that he believes in and which we live in. But I just thought I'd throw that in.

**The Chair:** — I just really appreciate it. It's almost 10 o'clock and I did indicate that we were going to have a half-hour break.

I have asked Ms. Woods to circulate some items to you, and I will just very quickly explain them to you and ask you to consider them during the break.

The first one from the Saskatchewan Gaming Corporation, at the last meeting where they were present, there were certain questions that were raised about out-of-province travel and costs. And so this is the formal response from the Gaming Corporation on that.

The second page on the bundle of paper that you've just been given is a draft motion that we may wish to consider. And I want to emphasize at this point it is a draft motion only, so I would appreciate getting feedback from committee members as to the content of that motion. And we don't have to consider that until tomorrow obviously.

The third page is a list of outstanding business. It's almost identical to the draft motion, but you will notice that what is listed there are some 1995 reviews that are incomplete. For instance, we did call SaskPower but we haven't voted off SaskPower's '95 report and so forth. And then there are some Crowns that we simply have not called at all — SCN (Saskatchewan Communications Network Corporation); the Grain Car Corporation, which I mentioned already; Worker's Compensation. If you would please let me know by tomorrow at the latest whether or not there is a burning desire to call any of those Crowns, I will try to arrange meetings for January.

Finally, I have circulated a letter that I received from the minister responsible for CIC, Mr. Wiens, on the matter of notification of significant transactions. And he is posing a number of questions that I believe are very useful, and rather than have a subcommittee consider them, I'm suggesting that the committee as a whole might wish to consider some of those questions and work towards having an operational definition of significant transactions that we want to have CIC giving us notice of within 90 days.

Having said that, I would suggest we will now take a break until 10:30, at which point we will resume our speakers' list. Thank you.

#### **The committee recessed for a period of time.**

**The Chair:** — I have a speaking list here and what I suggest is we would get all the first-time speakers on the list first and then move back to Mr. McLane and Mr. D'Autremont. Is that agreeable?

**Mr. Bjornerud:** — Madam Chair, our questions are set up such that if Mr. McLane could go ahead of me . . . I'm kind of a follow-up for what he is doing. So if that would be all right.

**The Chair:** — Oh, okay. All right, then. Then with the committee's concurrence, I would ask Mr. Trew to take the chair and I have a few questions I want to direct.

**Ms. Lorje:** — Okay, thank you. Mr. Wiens, it seems to me that right now we're in Saskatchewan coming to a decision point with respect to the debate that's been floating around political

and corporate circles for probably about 10 to 15 years, and that is the whole question of privatization of Crowns. And you referred in your opening remarks to the Crown review conference that's happening on Friday, so I think that I'm in order in asking you some of these questions.

It seems to me that as we decide about the nature and fate of Crowns that we have to keep in mind a couple of principles, and one of them is equality and the other one is democracy. Mr. D'Autremont brought up the equality principle earlier this morning when he talked about SaskTel customers having to pay toll charges to call their kid's school or their municipal office or whatever. And the principle he seemed to be enunciating was that anyone who lives in Saskatchewan ought to be able to access phone services without charge, regardless of where they are — those basic kinds of phone services of calling your school and so forth.

And certainly I think that what we have tried to do with SaskTel is ensure, by having the long-distance rates in effect subsidize the local rates, we've tried to ensure as much as possible that there is some measure of equality.

And I think that that's also the reason why we got into rural electrification. So that it didn't matter where you lived, you could have a certain basic standard of life. Certain basic services would be available to all people in our society. I think in that sense our Crown corporations have served us very well.

I would question though about the democracy principle; and that I guess as Chair of the Crown Corporations Committee, I'm painfully aware that we have opened up the committee and tried to get more of a sense of involvement and awareness by the public of what is happening with Crown corporations, and yet for a whole host of reasons — none of which I'm prepared to enunciate here — we don't seem to have a lot of excitement about the nature of governance of the Crown corporations.

So my question, directly related to the principle of democracy with respect to the Crowns, is what kinds of changes would you foresee we might undertake in this province to have greater participation and a greater sense of ownership, a greater sense of stake, in our Crown corporations? Specifically, I am thinking if you look at the private sector corporate model — and quite frankly I don't want to see our Crown corporations simply become pale imitators of the private sector. I think it is important that they be run, as Ms. Stanger said, on a businesslike basis. But I don't want them simply to be imitating that holus-bolus competitive model — but if you look at the private sector, they do have shareholders and shareholders' meetings.

We don't have a similar kind of vehicle here in Saskatchewan for our Crown corporations. Crown corporations tend, by and large, to have people appointed to them. And I know that there have been some moves to try to appoint people who are more representative of the various equity groups — women, first nations people, and disabled people. And I think that that's a good first step. But there also are a lot of people that some people would say are simply partisan political appointees.



Now I think that at the CIC board level, having ministers of the Crown be on the board makes sense. I'm wondering though, with the other Crowns, if it doesn't make sense to look at a different governance model. And what I'm looking at specifically, Mr. Wiens, is the whole question of the health boards, where we did change the health boards structure so that there would be elected people on those boards.

The health boards, by and large, I don't think any one of them individually have a budget that's nearly as large as any of our major economic resource Crowns. And so I'm asking you what your thinking is about perhaps moving to a structure where we would have some or all of the board members of Crowns — like SaskPower, SaskTel, STC, SaskEnergy — being directly elected by the public in Saskatchewan.

**Hon. Mr. Wiens:** — You ask a big question which I'll try to answer briefly, but essentially you're asking the key questions that people commented on in the public review phase, like with the public discussion phase, of the Crown review, where I received briefs from some who suggest that we should use a cooperative model which really makes ownership by the people . . .

**Ms. Lorje:** — More meaningful.

**Hon. Mr. Wiens:** — Yes. You know, I mean it really . . . the sort of thoughts you're espousing would fit into that model because it suggests that kind of a structure. I think an elected structure outside of that model would be difficult, because I think what happens in the private sector — not to parallel it directly — but what happened in the private sector is that shareholders who have the greatest interest then make sure that their interests are well represented in the private sector board table.

If I have no more interest than you, and there's seven of us elected to the board from across Saskatchewan, and there is no other interest — even government has an incapacity to reflect its accountability electorate puts in it when it elects the government — I think you've got an accountability problem there.

And so like I think you either have to shift models away over to the kind of suggestion that some were making in the public discussion phase of the Crown review and explore that cooperative model where you really then have a delegated structure and a management system that grows out of a known sort of model, or try to make improvements within the existing model which includes some of what you're describing. Some have called it commercialization, I guess is the word that they've used in the documentation, where you try to make it operate as much like a commercial, private sector operation as you can while it is held by the government and the government's held accountable for it.

And other than to lay those out as options, I don't know if I can comment usefully on them because in the end, the pressure that's hitting these structures by whatever mechanism they have — back to your original point of the social purposes — the pressures that are hitting these agencies are the pressures of

competition, where I think the Crowns are as effectively able to deliver those social purposes or maybe more effectively able, under a government management structure — however loosely or tightly that's held — as they are in a more distant structure.

One of the comments the auditor has made from time to time is that we should find a way of accounting the social costs that are attributable to a Crown corporation. I think in the past I wouldn't have agreed with that; I would have said that's just sort of part of a management-mentality-only structures. Their ethic is that the best economy in Saskatchewan is to have a universally available service structure so the economy can function well in all its corners.

There may be a time in the future when, because through deregulation and competition, very little of that may be residual; very little of that old social. And you may have to decide as a government, the people of Saskatchewan may want to decide in electing their governments, that they want an external subsidy for telephone service in Herschel, Saskatchewan. I mean whatever it is. I mean you have the tools at your disposal as an elected body to respond to the public will, which you would not have even in such a social structure as a cooperative.

And I think the questions are wide open, and those decisions are not made. The options are there. I think the discussion needs to be encouraged, and as we're examining policies for the future those need to be examined.

I think the present directions that the report would direct us to would not be to that very different structure but towards a more transparent, possibly less loosely held, government structure within the Crowns. But that's only where the discussion is today. And our policy formation will be happening over the next six months plus or minus a bit.

Just comment briefly on annual meetings within whatever structure is taken. I think your point is well taken with respect to the incapacity of the public to participate, and they said it in the Crown review process. They didn't say it condemnably. I mean I think that this is . . .

**Ms. Lorje:** — No. I think people are genuinely searching for ways to be more meaningfully involved in the resources that collectively we all own, and that's why I'm asking these questions.

**Hon. Mr. Wiens:** — And I think the public understanding now is exactly predictable. Because when these were built in the '50s and the '60s and the '40s, everybody knew why they were there, and they did their job and they've done it well. And the public just trusted them to keep going on. And when the rates went up they sort of complained a little, but they understood that that was okay at the end of the day because they continued to be well served.

All of a sudden they see and they hear the uncertainty that a different global economy is bringing to them. And I think the timing of this is very appropriate because they now get a chance to say, okay, I need to understand this again. Forty years ago I

understood it but today I'm not sure I understand it.

So we have to change the structures to make available to them the opportunity to understand and the opportunity to participate. That was not necessary there, I think, 40 years ago . . . (inaudible interjection) . . . Exactly. So I think the idea of a corporate annual meeting where people . . . We are actually planning this for 1997, where each individual of the four big Crowns are going to be asked to have an annual meeting in four regions of the province — so each of them will have four — where people can attend.

I think what might change from our original perception of that is the way that meeting is structured. Because I think after the . . . I think the success of the public discussion phase of the Crown review, which was really paralleled after a traditional corporate annual meeting where you gave an overview of the company and its challenges and then let people talk about it and ask questions and give direction, I think it might not have been structured in exactly that way, but I think we got some good feedback from the process we used and I think it will help guide that process.

And we'll experiment. I mean if you're having to change the way you report and allow for a response we'll respond to the public's expectations.

I can say, I think, 80 to 90 per cent of the people who were at the public meetings on Crowns said it was the best format they'd ever participated in. So it's got some strengths to it. That's all I'd like to say. They're obviously not perfect.

**Ms. Lorje:** — Well I'm glad you mentioned the whole question of the annual general meeting because that was also something I was wanting to bring up for discussion purposes.

And quite frankly, I don't believe that all we want to do is tart up the same process only make it make more — you call it transparent; I would call it naked. I don't think that just doing more of the same only a little bit better and differently is really what is wanted right now. I think people genuinely are looking for reasons to once again feel emotionally involved with these Crown corporations, because if they don't have a sense of involvement, a sense of stake, a sense of meaning, and a sense of power with the corporations, then of course why wouldn't they say, well what difference does it make and why don't we just let AT&T or Sprint take over all the long-distance services?

So I think we have to find a way to engage people more on a meaningful, emotional level. And I think that trying an experiment of an annual meeting in different parts of the province is a good first step.

That, and I also would ask that some consideration be given to the whole question of who is appointed to the various boards and how they're appointed and whether or not we want to change that process.

Which I guess leads me into the next question, and it's maybe a bit of an unfair question to you as minister since this is really the first time you're coming before this committee, but we have

changed the operating procedures for this committee and have tried to make it more open, and part of it, I think, springs from that desire to have the Crowns being more transparent.

But part of it also springs from, at least my personal belief, that we need to ensure that we don't simply have everything being decided by the executive level of government, and that we have all elected members meaningfully involved.

And so I'm asking you if you have suggestions about changes in direction or changes in procedures that this committee might wish to undertake that would more meaningfully involve the legislature as a whole and not simply Executive Council.

**Hon. Mr. Wiens:** — I don't have any quick thoughts on it other than for you to continue on the path you're going.

And I'll say it in this way, which might not be the right way to say, but what surprised me when I came here today was that the media weren't here because one of the big issues a few years ago was making sure the media could get to committees.

I think it's reflective of . . . it might be reflective of more than one thing, but it's certainly reflective of something I learned in school business a long time ago, and that is as long the public thinks they have all the information they need, they're not particularly interested, you know, because they sort of trust you to go on. But if they ever thought you're trying to hide something from you, God, they get interested in a hurry, you know. And so as long as they can come here and see everything, and I say this positively, I think that in itself is a value because it engenders trust in a process.

And I mean school meetings. I mean, I could have — it doesn't matter what the taxes did — I could have school meetings coming out my ears and as long as the kids had a warm place to go school and the kids kept passing and the teachers were mostly decent, people didn't come to school meetings. But boy, you ever mention that you might close a little school in Herschel, Saskatchewan, you had a hundred people out in a minute. And it's not because they don't care the rest of the time, they just know the system's working and we've got a lot of other things to do.

So we don't particularly want to involve ourselves. Sometimes we want to have knowledge, we want to understand, but we think . . . I mean, I think Kim does his part of the world just perfectly good. And I think Bob does his too and I don't need to go challenging him every day about what he's doing. I'm just happy that he's there. And as long as he's the MLA, then he'll look after my interests if I live in his constituency. That's how I'll feel. And if I don't like him any more, I'll vote him out.

**A Member:** — Gee, why don't you move to my constituency?

**Hon. Mr. Wiens:** — You could have a really good, even a better MLA. But . . .

**The Vice-Chair:** — Order, order.

**Hon. Mr. Wiens:** — So I think you add huge value just by

creating a sense of openness. Change it if you must. If anybody ever believes it's not, change it again. But I think just the perception, the understanding, the belief, the access that allows you to know that if you ever wanted to know it, you can, which will make most of us not want to any more, you know. And so I think you're doing the right thing just by opening it up.

**Ms. Lorje:** — Well I appreciate that.

I guess I would ask committee members also to think maybe we need to change the balance on this committee. Right now we have seven government members and three opposition members and perhaps we might want to look at changing that somewhat.

But I appreciate your comments about the lack of the media here. Initially they told me they weren't coming because the television cameras weren't allowed in. Well we allowed the television cameras in and they still don't come. And now I don't know what the reason would be.

**Hon. Mr. Wiens:** — I think they think . . . they finally see that there's no little secret club going on here, there's no secrets being passed between you and McLane, you know, nothing being cut under the covers. I think they just see the world as an open and happy place and they have no need to be here. You know there's . . .

**Ms. Lorje:** — Well it would be nice to think that but it might have something to do more with the exigencies of their jobs . . .

**Hon. Mr. Wiens:** — Maybe.

**Ms. Lorje:** — . . . and the change in corporate ownership for them.

My final question to you, Mr. Minister, is again a bit of an historical question. Crown corporations in Saskatchewan traditionally have been the resource sector, the economic Crowns — SaskTel, SaskPower, and so forth — but over the last 10 years or so the balance has changed so that now the portfolio for CIC is more of an investment portfolio rather than a service-driven portfolio. And I would ask you if you see that as being a healthy and a good thing for the people of Saskatchewan or does it have some pitfalls?

Because from my point of view it would seem to me that you're going to get more wealth generation with an economic Crown than you are with an investment. You have to be a lot more patient with some of the investments. I noticed yesterday on the news that the Husky upgrader now seems to be turning a profit, but it was nip and tuck there for awhile. And we still have to hang on by our fingernails, hoping that everything turns out right.

So what I'm asking you is, do you think that the balance is a good and healthy and appropriate one for the people of Saskatchewan right now vis-a-vis investments and economic Crowns or should we be moving to more . . . to be divesting ourselves of some of those investments?

**Hon. Mr. Wiens:** — I think — you may be surprised at the

answer — I actually think the . . . I mean the balance is, you know, give it some flex one way or the other but I think it's roughly right. I think we in the '40s and '50s and later in the '70s created the Crowns that were important for the future of Saskatchewan: first the service Crowns and secondly the resource Crowns. Somebody has moved on some of those and some of those no longer exist and we have to accept that as a fact of life. But the service Crowns largely still exist, challenged by the circumstances I described before.

But in the new era, if you assume you have the service Crowns and those things are largely looked after, then the future investments is that open question of what is the social benefit to Saskatchewan of government, or the people through government, investing in new enterprises. Well some of the principles are the same — head offices, management jobs, security for the Saskatchewan economy, diversity in the Saskatchewan economy, assistance in capitalization when there's a bit of reluctance in some markets, if you pay attention to all the commercial factors.

If you pay attention to the same commercial factors with respect to profitability. Because you can argue that an upgrader is a very good thing, but if you've got a couple of hundred million dollars invested in an upgrader that just stopped bleeding a few months ago, I mean it's not earning anything on the money that's in there yet, you know.

So that's more of a challenge than a huge benefit on the monetary side, which . . . so I think what we do desperately need to do — and we have done it in Crown Investments Corporation — is set up investment criteria and they're sound and I think the auditors reviewed them and think they're strong.

And so that when we do future investments, they're actually done on a sound basis and on the same basis that anybody else would invest money. Benefits now not being in some cases the equity, except as earnings from the might-be equity, but the diversification of the economy and those sorts of things.

And those are some of the things that are raised in the Crown review too. I think we're just entering a new era where the services are done, the resources have been and are sort of passed by another time in our history and now the opportunities really are out in the . . . in what is the next huge opportunity for Saskatchewan.

I mean obviously the pork industry — and not just because I'm an old pig farmer — but the pork industry is a huge opportunity for Saskatchewan. Is that something the province should be participating in in some way? Big question. Is future expansion in the forestry industry or are we already too overloaded with forestry industry investments in Saskatchewan? Is there . . . I mean those are the big questions.

That's the exciting part of this portfolio and the involvement in Saskatchewan because I think there is a unique mind set and a unique reality here that tends to encourage government participation even if it isn't full government ownership in the future. So I think there are opportunities that will be there in initiating projects that are good and sound projects, moving on

to new ones, to change and build the economy here.

**Ms. Lorje:** — Thank you, and I apologize to the committee members for the length of my questions.

**Hon. Mr. Wiens:** — No, well the answers were longer than the questions.

**Ms. Lorje:** — And I had no control over the answers.

**The Vice-Chair:** — Okay, thank you, Ms. Lorje, for those germane and pithy questions. I have Mr. Kasperski, and just before I recognize you, Mr. Kasperski, it gives me a great deal of pleasure to turn the Chair back to you.

**Mr. Kasperski:** — My question, I think basically, is much like the question just asked by the last speaker. I wanted to focus a little bit on the Crown's . . . (inaudible) . . . for economic development, and as I see it, there's three ways we're involved in this right now. We're involved in . . . or three options we can accomplish this — that is business development strategies or aggressive business development strategies by our major service Crowns in diversification and development activities; direct investments in projects like the Bi-Provincial or Saskferco; or economic development Crowns like SGGF (Saskatchewan Government Growth Fund), SOCO (Saskatchewan Opportunities Corporation) and the like.

And I'm just wondering in light of the reports, the situation analysis and economic modelling, is there a predisposition as to which level, which focus, we take in this area or do the consultants . . . are there any recommendations of focus coming out in this particular area?

**Hon. Mr. Wiens:** — I think, I think the question . . . I think the answer is quite simple to this. If my officials have a different view, a different truth on this, they need to correct me. But the Crown review really focused on Crown corporations and our investment portfolio, which by its definition means investment portfolio. If you look at SOCO — that's an economic development agency, a different measure of, a different threshold of, expectation of return, a different level of risk. And quite a different mandate from ours — where ours is the access to capital and planning that gives us our view, and that theirs, I think there's a much greater emphasis on business development from a root.

I don't think I'd send John out to begin to start a new pork medallions industry in Saskatchewan from scratch and figure out if there's something about it that would make it appealing to the public. But somebody might do that with SOCO, you know, and . . . Now if there was an industry somewhere who was interested in establishing in Saskatchewan and needed people to pull together some partners, I think John might ask Kelly to go and sit down and say, you know we got a great opportunity in Saskatchewan, the best place on the earth to develop the future hog production. If you want to get in on the ground floor, come with us, we'll put in 20 per cent or whatever.

That I think is the difference. So we'll not tend to get into the

business development stuff in the Crowns. Anything to add, Mr. Wright?

**Mr. Wright:** — No.

**Hon. Mr. Wiens:** — That's good when your staff agree with you.

**Mr. Wright:** — Yes, Minister.

**Mr. McLane:** — Thank you. Welcome, Mr. Minister. I haven't had an opportunity to do that to you and your staff. Nice to have you here this morning.

You got into a discussion here this morning that led off a little bit toward SaskTel. And I don't want to get into SaskTel, but you praised the virtues of SaskTel so I felt it was appropriate that we did have a chance to respond. As fate would have it, there was an article in the paper this morning about privatization as it relates to Manitoba Telephone. And if I might I'd just like to quote a few lines from this article this morning:

And then there was one. With the privatization of Manitoba Telephone System, SaskTel becomes the last Crown-owned telephone company in Canada.

That leads one to assume that Saskatchewan knows something that nine other provinces don't about public ownership — or that ideology has prevented this province from doing what others have found beneficial.

I thought that was very apropos that I bring that forward to you. Then as fate would have it, they plunked this on my desk during the break . . .

**Hon. Mr. Wiens:** — Open and honest government.

**Mr. McLane:** — Great. It's very timely and just so we didn't have time to read it before this meeting . . . I'm not sure it was planned that way, Mr. Minister.

**Hon. Mr. Wiens:** — Oh it's been available since Monday so . . .

**Mr. McLane:** — However I just happened to flick it open to see what was in it and whose name was attached and I noticed a little article on the side of page 2, the quotation here where it says: "The Crown corporation review is designed to help chart a course that will take Saskatchewan's Crown corporations successfully into the 21st century."

So I guess they're reflecting upon the article in the paper, and reading that . . . and I'd like to ask you a couple of questions in relationship to the review that's ongoing and which you've talked about this morning as well.

I guess a very straightforward question might be to you, Mr. Minister, would be that in light of these articles and in light of this comment, it appears to me that all the options aren't on the table as it refers to the Crown corporations.

It would appear to me that what you're saying here is the Crown corporations will stay as Crown corporations, possibly in some other format. I'd like to hear your comments on that.

**Hon. Mr. Wiens:** — I think I'll respond briefly rather than the longer answer that you've given me the opportunity to give.

No options are foreclosed at this point. I think if you get a chance to read this document later on you'll see that they give a range of evaluation estimates and they reflect different environments.

But certainly there is an environment of retaining SaskTel and keeping its value. And I mean, that's one of the options that's there, and of course there are the options of privatization that are laid out. Until we formally respond to the options presented here, we're not foreclosing any options.

The comment I was tempted to jump off on — and maybe just will yield to temptation just a little bit — is the question that you read from the article, that what does Saskatchewan know that the rest of the world doesn't know. I think a whole bunch. And I think it is a tribute to rural Saskatchewan. I think it's a tribute to small-town Saskatchewan.

There are so many things — and I think it's also quite logical and natural — there are so many things that began in Saskatchewan, that Saskatchewan has a unique truth about. And I've seen it in education and business and Crowns and health, and I mean you name it, it's been there. Why? Because we've always been challenged, and we are creative and aggressive responders to challenges, always having been challenged. And we're a challenged society here. We have . . . we are not rich. We are not . . . we believe in community, and we are willing to work hard together, and we're small enough that we never get rule-bound by much.

I mean what you have in some larger government settings is such a system — and it's not a criticism of the system — it's just by its pure scale, it can't shift; it can't change. We have always been small enough to be responsive, and if there's an implied criticism in the paper — knowing its owner I wouldn't be surprised — but on the question of what we know that the rest of the world doesn't know, I think if after the public review and the public responds positively to the notion, if the alternative were to be put on the table that we're keeping this and running it as a yet more futuristic, publicly, government-owned, owned by the people of Saskatchewan company, I think I'll proudly stand up and tell anybody anywhere in North America and anywhere in the world that we know we're right, because we've done it before and we'll do it again.

**Mr. McLane:** — Thank you. I think there's been a lot of discussion this morning about the Crowns. The chairperson talked about where they were going and why the Crowns were here. And maybe we'd like to hear your view as to when the Crowns were first started, and we're talking about the service Crowns, we talk about SaskTel.

My view of that — of course I would have been much younger

than you when they were started, so maybe you had a little different opinion of them — but it seemed to me that the Crowns were started to provide economical and equitable service to the people of the province, regardless of where you lived. You talked about SaskTel and then SaskPower.

You also talked about why people have come to question the Crowns, and you talked about the global environment and all those types of wonderful things, and there's probably some truth to that. But I think one of the things that has happened is that the Crowns — you know, I'm talking about SaskPower, for example — have turned into more than just providing equitable services. They turned into a source of revenue for government, and when that happens people want to question it.

So, I guess I would ask you, when Crowns were started, what did you see the purpose of the Crowns? I would assume that being in this position today that your opinion from 20 years ago has probably changed as to the purpose of Crowns, so I'd like to hear your thoughts on that.

**Hon. Mr. Wiens:** — Well, I was quite young when the Tommy Douglas government was elected in 1944. In fact I was just beginning to be thought of, but I was born shortly after that, so maybe I was a child of that Saskatchewan revolution in my own way.

But the sense that changed in Saskatchewan at that time, captured by Tommy and led by Tommy, I suppose, was the sense that people needed to have equal opportunity regardless of where they were. They had been through the depression. People had been badly hurt. People died because they didn't have health care. People died because they didn't have access to service. Their opportunities were limited in different parts of the province because the traditional — and this is not a criticism of the system; it's just a character of the system — because the traditional free enterprise system is not built to have a social conscience.

It's not built to go out and worry about whether or not I've got a telephone in my yard; it's just built to worry about if I can put a telephone somewhere else and make money. And they were . . . whether they were power companies or telephone companies, they would do that in population centres where that was possible.

After Tommy's long and wonderful career as a Canadian leader, he is reported to have said to a number of different people I've spoken to, when he has flown or driven across Saskatchewan, you know what my proudest accomplishment was? He would look down from one of the . . . a little airplane or something he'd be flying in, all those little gems out there in the countryside, that there's power to all those farm homes.

I know what that means. It was 1950 where I was 10 years old when it came to our farm. Mom didn't have to go . . . we didn't have wood at our place; we envied those people who had wood in their backyard up North. Mom didn't have to go picking up cow pies off the pasture to bake the bread any more. I mean this was a huge, huge change to people, a huge impact.

So I saw that part of it; the telephones were in before. But that route, again, I don't think that's . . . in some ways that's not a partisan issue in Saskatchewan. That's an issue of the belief of a system and how a system can work. And it is quite frankly unique in North America and in some ways in the world. There aren't many places where that belief is common.

I mean not to tell too many family stories, but my . . . after hospitalization . . . I mean thank God hospitalization was implemented in 1947, whatever year it was, because my mother had breast cancer in 1952. She was in the hospital for two months. I don't think I'd be farming today if it hadn't been for that belief in each other, because I don't think dad would have been able to stay on the farm. You know, the wonders of technology — she lived to be 78 years old.

That belief is rooted then, and I think it's rooted now. The circumstances have changed and the tools have changed but I think SaskTel, providing Internet service to people in every corner of Saskatchewan at an equitable rate, is part of that same plan. And hopefully, if the people of Saskatchewan continue to give the answers that I understand they are to the AT&Ts when they're phoning, SaskTel will be able to continue to do that. Some day maybe they can't, but right now that's still the ethic.

Well, Harvey, I'm guessing you could tell as many stories about that as I can. I mean I think we'd agree on this. Because I don't think it is a partisan for that matter. I think it is a matter of service.

**Mr. McLane:** — I think I know a lot of those stories, and I might be tempted to, but however if that happens, I will have to bring this committee back at a later date and . . .

I'd like to better understand your relationship as minister of CIC and CIC with the other Crowns. And I'm wondering . . . and of course as part of CIC, you have many investments. Many of them are debatable. However my question to you might be: what relationship do you have with the other Crowns, of course in order to sustain these investments and to do more as you continue to do and you continue unfortunately to talk about getting into the hog industry and all those wonderful things, where there is many people that are qualified that are in it already and don't like to see the government coming into it, so you need this money.

So what is your relationship with the Crown and SaskPower, who has lots of money floating around sitting somewhere — we're not sure right now where it's at but understand it's on its way or is there — what do you say to the Crowns when you're talking about, in terms of rate increases . . . what's your input? Do you go back to them and say, hey look, we need some cash here; we want to buy into Innovation Place; up those rates, that's my opinion. What relationship do you have with them?

**Hon. Mr. Wiens:** — I appreciate you reiterating one of the questions you asked before and I neglected to answer, in my emotional response to the other part of your question.

**Mr. McLane:** — I noticed you've got off the subject there.

**Hon. Mr. Wiens:** — I did, yes. Well not off the subject; just into sort of a personal reflections on it.

But in the . . . I'll need to be corrected by my officials, but I think in the first four years in government we, on one occasion, paid \$50 million?

**Mr. Wright:** — 1991, yes.

**Hon. Mr. Wiens:** — . . . to the general revenue fund. So for . . . that was the capacity we had to pay. So for whatever those excessive profits were that there is a perception about, that's the amount that was able to be transferred.

So it is a very modest amount on a \$7 billion investment. And that's not because things are being poorly managed now. And I don't want to get into sort of the reflections of the past because that's not what we're here for, but just to take the financial circumstances.

When we came to office, the Crowns had had a significant amount of capital removed from them and had created a huge debt load to the point where we had to inject \$850 million transfer from the General Revenue Fund to the Crowns to put them into a position where they could begin to function as business entities. Because, I mean this is the whole question again — the auditor comes up against from time to time — to what extent are these agencies linked? Well they are linked to the point that they can operate cooperatively. What we're trying to do, and as the Crown review suggests, they do need to have sort of an independent business identity so you can measure their performance. And they could not survive the way they were.

So we did that and now individual Crowns amongst them have had different levels of profit and a different individual capacity to pay down their own debt and to pay for their own new capital expenditures over that time.

So let's take for example — if my numbers are way out my officials will correct me, I know — but let's say the Crowns collectively were to earn \$200 million this year. Just so you know, that a matter of practice — and I don't think this is telling any trade secrets about proportions — we have, for the first five years of government, had the Crowns keep about half of their surplus they've earned and they used that for either debt repayment or building whatever it is they need to build, whether that's pipelines or telephone lines or fibre optic networks or whatever they're doing.

So the first 100 million stays right there and is part of building the company. When it looks like you need to have a little money in your farm, if you're going to keep building your farm.

The other 100 million has come across to the Crown Investments Corporation. The Crown Investments Corporation then has pooled the assets from these four Crowns that have paid the \$200 million — I think four maybe five I guess . . . four; one hasn't paid as much — and then used that money to deal with other debt issues it has internally.

As you will know we have — somebody mentioned — the Bi-Provincial upgrader today. I think our total cash into that upgrader over the years have been \$320 million. To this date, if we've done anything, we've had to add money to pay for operating losses even though that's a completely equity-sponsored business. So there's \$320 million out there who has to have the interest paid on it. Okay?

Go through the other list of investments and they are all similar. There was a file of SEDCO projects that had for a while — I don't know, I think we've just about used that . . . just about written ourselves down to the right numbers there. But the auditor will know this as well. I think about \$40 million a year were being used to pay down bad SEDCO loans and those sorts of projects that were being held there to the point where, as I said, if let's say the earnings have been 200 million a year — and I don't know if they were in the first four or five years; let's say that's ballpark — to the point that within those first five years, the first four years, out of the portion that came to CIC only \$50 million was able to be used to assist in the General Revenue Fund.

Now let me make a statement that may be gently political, but it isn't severely so. The question now comes — and that's the real question that's asked here and I think it's a question I want your advice on and I want the public's advice on — is when that problem is solved, in terms of the excess expenditures out of those earnings, what do you want to do? To this point those earnings have been necessary at that point.

We can hold rates minimally and not allow them to pay more of their debt down internally or not allow them to capitalize their own expenditures. We could squeeze them to the point where their debt load rises and their debt/equity ratios go up. We can leave them in a mode where they might be able to deliver \$50 million annually — just so you know what our targets are. That's our present target, is that we are in a position this four-year term to contribute \$50 million annually to the GRF (General Revenue Fund).

But those are real and open questions. These are not matters for political debate. These are real and open questions about how you manage this asset. And the public has as much to say about that as I do and as you do. And I think they should have something to say about it.

The only truth that isn't is that somehow somebody is making a cash cow of this. I mean these are businesses which are run in the interest of the public and they are being run in the interest of the public to provide a service, but we expect them to be run in a business fashion. And our present expectation is modest with respect to them making contributions to overall government operations.

**Mr. McLane:** — I guess maybe I didn't understand your answer. The question really was, you know, your relationship with the other Crowns, if at a point in time you go to them, when we're talking about utility hikes, and you went through this 45-day review process with SaskPower.

**Hon. Mr. Wiens:** — That's a second question. I think the first

question was asked and it was asked in the first question and I didn't come to it. It was intimated in the second question. Now on the question of the relationship.

And that is . . . I mean I know what my present relationship is. The question is what will the future relationship be as well? The present relationship is that I'm the minister in charge of the Crown Investments Corporation. There are five Crown corporations that exist independently for whom we are the holding company. And those individual corporations have Chairs, have boards, and they report through me to government. So that's the relationship. My relationship is that of a holding company.

The question for the future is what is the . . . what will the role of the holding company be?

**Mr. McLane:** — As I was saying, we had the 45-day review process for SaskPower which turned into, in the eyes of most Saskatchewan people, quite a sham in that most people were saying no, we don't want to see our power rates go up. However Executive Council, through SaskPower, decided that our rates would go up. And of course we can talk about all the reconstruction charges and all those type of things that the people out there absolutely abhor. I guess I'm wondering, what in that whole process, what was your role then? Let's put it this way: what was your role with SaskPower in saying that well, we need to ensure that SaskPower makes an amount of profit, makes a good profit, or makes no profit? And you sitting on this as the head of . . .

**A Member:** — CIC.

**Mr. McLane:** — Yes, whatever it is. Yes, thank you. You must have some feelings on to what they're going to do with in terms of revenue because that directly affects what you do.

**Hon. Mr. Wiens:** — John or the auditor again may be able to give you a more detailed answer on this, but the issue you're asking about is really the issue the auditor is commenting about with respect to our planning capacity, and his, I think, positive comments about the manner in which we've done that.

We have each of the Crown corporations providing five-year plans and business plans to their own boards of directors. When those are approved by their own boards of directors, those are forwarded to the Crown Investments Corporation and the Crown Investments Corporation creates a large and integrated picture of what that means in an aggregate and then takes that aggregate picture to cabinet.

So when SaskPower was laying out its five-year plans a few years ago I'm sure it was saying, well we're planning a Condie-QE line. We need this, we need that. We need to do a review of how we're structured. We've got competition coming. We've got to worry about re-balancing rates, and that sort of stuff would have been inherent in a five-year plan.

They can project from that what their revenue needs will be relative to their own efficiency measures internally, and my expectation of them through CIC, or our expectation of them

through CIC about dividenting. Because if all of a sudden collectively the people of Saskatchewan through me said, SaskPower, we want \$10 million more then that changes SaskPower's bottom line.

But those plans are all done in that fashion. They come to us. We approve those plans, then in cabinet, and that becomes part of the whole government financial picture now. And those are really the sort of global plans that you get to review at the end of the day when they show up here.

**Mr. McLane:** — Just moving on to the question that I asked the auditor earlier, and he suggested that maybe I would ask you the same question, and do you recall the question?

**Hon. Mr. Wiens:** — I heard that and I do recall the question. But I'll let you ask it for the record.

**Mr. McLane:** — Thank you. The Provincial Auditor has made several recommendations so that the Crowns would become a more accountable, more . . . I should use the chairperson's word but I won't.

**The Chair:** — Naked.

**Mr. McLane:** — Naked. Why has your corporation been reluctant to make some of those changes?

**Hon. Mr. Wiens:** — Again I'll let my officials give you the detailed truth. Let me give a general statement. They have not been and we have not been. The auditor has been working cooperatively with the Crown Investments Corporation I think since 1991, when we were elected, in suggesting alternative reporting mechanisms and practices and I think those suggestions have been of assistance to the Crown Investments Corporation.

I think there has been a substantial response. And even on the issue which comes up most frequently yet in the discussions between the auditor and ourselves, which is sort of incorporating the business plans with financial reporting, the discussion there is ongoing and the differences lie around the notion of commerciality and what others do and those sorts of questions.

But I can tell you that even on that theme some of the discussions we've had with the auditor have been sound and productive ones. I mean one of the elements of that business planning reporting might be considered even a gentle form of political reporting where you . . . in some of the examples that have been sent to me as a result of our discussions with the auditor, some government agencies in Canada set out their . . . don't even set out their financial objectives necessarily, but they set out their public objectives. Like, what is it we want to accomplish on a big theme? An element of communicating to the public what is the purpose of this corporation, what does the corporation want to achieve in the next five years?

I mean I think we can do better in that regard. I'll tell you one thing you never do enough of or well enough in government, is communicate. I mean that's why we're looking for avenues for

public participation, so that people can respond to us and we can have an avenue to provide information.

So I think the discussions have been largely cooperative, and I think if there are some specific details on some other issues I'd be happy to respond. But I think the discussions have largely centred around, when something becomes a commercial risk to report in a format that's not presently done.

**Mr. McLane:** — Now there may be an argument in a deregulated industry where you've got competition; if you want to talk about SaskTel, where there could be an argument for a government-owned company for having some confidentiality, the same as a private business might have. However, if we operated . . . or you operated Crowns in this province for years when there was no competition and the open accountability was not there then. So why was that?

**Hon. Mr. Wiens:** — Well I actually think it was, and I think it was consistent with an answer I gave earlier, that there was a public understanding and there weren't too many bones about it. When somebody got power from SaskPower it was a lot better and a lot cheaper than anything they ever had before. And so I think there has traditionally been an understanding that the more other processes that you overload a system with, the more expensive and cumbersome it becomes to function, and the less effective it in fact becomes unless there is an inadequate transparency.

And I don't think the public has generally sensed that that's so, and I think from the Crown review process to date, I think it would still not generally be so. I mean that doesn't make people unhuman in the sense that they're out begging for rate increases or anything like that. I never knew of anybody . . . even my wife doesn't like that. You know that's not a surprise; that's just sort of a fact of life. I'd sooner pay less than pay more if I have a choice.

But I think there has been reasonable transparency. I think the circumstances are changing, and I think we need to find better ways. I mean I agree with you; we need to find better ways. But I would quarrel with the notion that there's sort of been ever a time when there's been anything very much in the dark about it. I think that the circumstances have changed; people need different information in the new era.

**Mr. McLane:** — Well you mentioned SaskPower. It's better than what people ever had. I guess it's like a soggy chocolate cake — if it's the only one you've ever had, it's the best one. You can't compare it to anything else. So certainly it's better than a set of batteries . . .

**Hon. Mr. Wiens:** — Even our consultants say it's much better than a soggy chocolate cake. It's up there with the best of them. But I don't think that — I mean I appreciate your point — I don't think that . . . it can be as good as it wants, I don't think that takes away from the objective that we need to provide better opportunities for the public to participate.

And the reason Saskatchewan is the kind of economy it is, is because people have participated. It's small enough for them to



participate. But bright ideas come from people at the community level. I agree with you wholly — the more you can provide an avenue to get that wisdom into an operating system, the better the system will run.

**Mr. McLane:** — And that's why you should have listened on the 45-day review process for SaskPower. However . . .

**Hon. Mr. Wiens:** — Well, 45 days is a lot more than they had before. And I would quarrel with the interpretation you've given, just gently, not to be quarrelsome. But . . . (inaudible interjection) . . . just an answer, Madam Chair. I mean the fact is that one of the purposes of the 45-day review period is for people to ask questions about what this means. Why is this happening? I think it's safe to say that while nobody ever likes rate increases, I think it's safe to say people in Saskatchewan understand a lot about rate re-balancing that they didn't know before. And so they may not like it, but they understand the context from which it comes.

**Mr. McLane:** — You mentioned earlier when we were talking about the upgrader . . . a few days ago, I believe one of your officials, I can't recall who, mentioned that there . . . yes, it might be interested in investing in it further. I believe you have said that you didn't know anything about it and I noticed yesterday that the Economic Development minister is saying hey, you know, why not, or we made the right decision; the other two governments were totally wrong and so by golly, yes, maybe we'll sock some more taxpayers' money into this.

As a result of some of those comments, what are your opinions? What are you planning on doing with the upgrader? Are you planning on unloading it when the price is up, when enthusiasm is up, before we get another downturn and lose some more taxpayers' dollars? Or are you considering hanging in there or investing more money?

**Hon. Mr. Wiens:** — I think we are all on the same page with respect to this and it is good to have an opportunity to respond to you directly and I think if the Economic Development minister were here, he would say the same thing to you. Because in quoting things, media take their liberties, and it's not that I don't love them but they do take their liberties.

And I think what's been said consistently from Economic Development because it's in their interest, and from Energy and Mines because it's in their interest, and from me because it's in my interest because we're an owner of a facility — we have said that we are pleased at the expression of interest by Husky to do further work in the oil patch and that we have not been approached about participation in further development, and so any discussion about that is premature. So I think that covers the issue, whether it's from Dwain's point or Eldon's point or mine — those are the facts.

**Mr. McLane:** — Surely you must have some views as to whether that is something you're looking at. I mean you wouldn't just make the decision after somebody asked you and then say . . . Surely you must be forward enough thinking with your, with some of your officials, that you'd have discussed . . . I know that you had a cabinet meeting yesterday. Maybe you

even discussed it there — about whether that would be a good investment or whether you actually should sock any more money into a project like that that's been a money loser. At least I would hope that you would be thinking forward on that issue.

**The Chair:** — Before you answer, I would like to just draw everyone's attention to the fact that we are here to review the '94-95 Crown Investments Corporation's annual reports. So try, if you can, to . . .

**Hon. Mr. Wiens:** — I'll try to get off this subject as soon as I answer if you want me to answer, Madam Chair.

**Mr. McLane:** — Madam Chairman, I believe it was the minister himself that raised the upgrader issue this morning himself so . . .

**The Chair:** — I know. Mr. McLane, you will notice that I am not admonishing you.

**Mr. McLane:** — I know. I appreciate that.

**The Chair:** — . . . except to say that I doubt that yesterday's cabinet meeting had a direct discussion about last year's CIC annual report. But I would ask you, Mr. Minister, to give as brief an answer as possible, get off this topic and move on to what we're here for.

**Hon. Mr. Wiens:** — I have to say, Madam Chair, that it is . . . I've exposed myself to significant risk of getting off topic if simply in mentioning that we own an upgrader gives liberty for all the rest of the discussions. I don't know what other choices I have because we did own it in '94 and in '95 and we were reporting on its financial result. So I have that requirement and I'm pleased to answer, but if we want to talk about the future, which is being asked here, the . . . now I don't even remember the question, having now been interrupted by the Chair. What was it exactly?

**The Chair:** — What did you talk about in cabinet? He wants to know what happened in cabinet yesterday?

**Hon. Mr. Wiens:** — Yes, right.

**Mr. McLane:** — In '94-95, when you were making the deal with this upgrader, was there a thought then that as quickly as we can, we'll hang in; quickly as we can, when there's an upturn in the industry, will we get out of it?

**Hon. Mr. Wiens:** — That's very, very clearly put. I think, as I said earlier, and as you'll read in the report, we don't have an interest in a long-term hold in any of those investments. The report suggests, I think, three- to five-year time frames to . . . (inaudible) . . . at least.

And so it's anticipated that for me, I don't want to lose money on a venture that we inherited or one that we invested in. So it's a given for me that on assets that are not strategic assets to the province in the sense that there's any particular reason for the government to hold them, that the judgement and analysis will

be done on a case-by-case basis as opportunities become available. And I think those opportunities become opportunities of either further investment, if that's the best case, or disposition if that's the best case. I mean, to make it a generic statement.

And so having not had a proposal given to me, it would be a waste of my officials' time and the Crown Investments board's time and the cabinet's time to be speculating on anything that somebody might present — but hasn't yet — in terms of a proposal. Because quite frankly I don't think Husky has been particularly wanting to be out there on a public discussion about what their future plans are. And I don't think they've been there.

And I don't exactly know the origins of the story that appeared but I don't think it was Husky trying to go out and discuss their future plans with the public any more than we want to disclose trade secrets in our business plans in our own reporting mechanisms.

So it's simply a premature discussion is all I'm saying.

**Mr. McLane:** — Thank you. However, we just had the minister note — I'm not sure at the call of the Chair when we will be reviewing the '96 plans — that if next week you should come out and have to announce that you will be investing, we will come back in the same line of questioning and hold you to your commitment that you hadn't thought about it.

**Hon. Mr. Wiens:** — I didn't say I hadn't thought about it; I said the discussion is premature. You take as many liberties as the media do.

**Mr. McLane:** — I think I probably would. One thing I might quietly disagree with you on would be that it is premature to be discussing or thinking about those things. I would think that as we're moving into the 20th century most businesses are way ahead and hopefully our governments will be too, a way ahead of certainly some of the other industries in thinking of what their role is going to be, so that when the proposals are put forward that we're ready with an answer and one that is pleasing to the people of the province.

**The Chair:** — There's nothing wrong with premature thinking, Mr. McLane; it's premature disclosure that's the problem.

**Hon. Mr. Wiens:** — I think all of those things are true and when the proposal is put, if a proposal is put, we have an investment strategy, guidelines that go back to 1992 or 1993, we have internal operating procedures and the best of staff to guide and advise, and it's simply that we don't have anything to examine. So all the rest of the engines are busy and waiting to go as soon as somebody ever makes a proposal.

**Mr. McLane:** — Before you strip me of my position, I'll . . .

**The Chair:** — The next speaker is Mr. Bjornerud.

**Mr. Bjornerud:** — Thank you, Madam Chairman. Good morning, Mr. Minister, and staff.

I'm going to jump a little all over the place because both my counterparts have touched on a lot of things this morning. I'd like to bring to your attention — it's very menial probably in your mind — but it's to do with the 45-day process itself. And some of the concerns have been brought to my office.

And the first one being, is who . . . or why were some of the sites chosen for the meetings? And the concern that was brought to my attention was that they were all in NDP ridings. Would you care to comment on that.

**Hon. Mr. Wiens:** — Well I don't know about that but I think the intent is to have them distributed. If it happens that it's hard to find a riding that isn't NDP then I guess that's another issue. But our staff will take that under advisement in their future planning. I appreciate the comments.

**Mr. Bjornerud:** — Well, I think actually after I've asked the question it's starting to solve itself, because North Battleford was one of the spots. Possibly if there's enough by-elections in the near future, the whole problem would be solved.

The other question or the complaint that has come to my office about the 45-day review is that the meetings themselves seem to be very controlled and a number of the questions that they could ask never really got to the floor. And also to add to that. If the information that you had released this week had've come out earlier, they would have had a lot more information to deal with than with what you were trying to deal with.

**Hon. Mr. Wiens:** — I appreciate the comment. This Crown review, as we have said, is our first and a once-in-a-50-year exercise. It's a piece of business that costs quite a bit of money to do — as you know it cost between 3 and \$4 million to do the situational analysis. But it does give you that information base which makes life more understandable for the future.

So I think the comments are well taken and now we have this resource. It is extra information we didn't have before.

**Mr. Bjornerud:** — I think they would have been a lot more informed to make decisions and ask questions.

**Hon. Mr. Wiens:** — Yes, except we haven't had any 45-day reviews since we began the Crown review.

**Mr. Bjornerud:** — I realize that but . . . (inaudible) . . . The one thing I'd like to touch on is the dividends that you talked to Mr. McLane and Mr. D'Autremont about earlier. Who really decides? Now when SaskPower or SaskTel makes a big profit, who makes the decision of how many millions of dollars will be transferred on?

**Hon. Mr. Wiens:** — What we do have, as I said earlier, is a five-year business planning cycle and an annual business plan approval. The Crown Investments Corporation, I think, suggests the guideline of the percentage of surplus that will be taken as a dividend. And that has been pretty consistently 50 or 55 per cent over the last four or five years. Those business plans are adopted by the Crown Investments board after full consideration by the individual boards. And so I guess the

leadership comes from CIC but the concurrence comes from everybody in the system.

**Mr. Bjornerud:** — Okay, thank you. I'd like to use SaskPower for an example then this year. Mr. Messer has come out and said this could be the biggest or should be the biggest profit that has ever been made by SaskPower. And I find this amazing that, after last winter my rates on my farm and a lot of rural residents' rates went up 12 to 14 per cent. How can this be explained away, that you aren't using SaskPower and the other Crowns for that matter as nothing more than a tax tool?

**Hon. Mr. Wiens:** — As I said earlier, we approve the budget plans annually. We do encourage our corporations to be creative and aggressive and efficient. And if they do better than their projections, that's a good baseline for future reference for budgeting for future years. But I wouldn't like to be critical of them for having done better than expected.

And I actually think that one of the reasons that it might have been better than expected is because it may have been a more severe winter than usual and maybe there actually were higher sales and those sorts of things. But maybe officials know some more details than that.

**Mr. Wright:** — If I can just add to this, sir. There's a variety of things that go into structuring a dividend policy of 50, 55 per cent. We look at the financial performance of the Crown not only today but also into the future. What are its capital requirements not only today but into the future? Obviously we want to be self-generating; we don't want to draw on the credit performance of the provincial government. We take a look at the public policy objectives of the Crown to make sure that those are being provided for within certain boundaries; take a look at the public concerns that have been raised with us. Rates are too high — I was about to say rates are too low — but rates are too high and so on.

The rate of return to the shareholder ultimately. You have to remember that you, in the case of SaskPower, and all of us here have \$660 million invested in SaskPower. What is an adequate rate of return to you the shareholder on that investment? Some would argue, well, it should be 5 per cent, some would argue 10 per cent, some would argue 15 per cent. And we take all of those things into consideration.

Now one of the things coming out of this report here is the way in which perhaps we should take another look at the dividend policies. Perhaps we should differentiate them by Crown, because some Crowns are better performers than others, and take all those items into consideration.

So in the past it's been a solid level. But we've got to take a look at needs not only today but into the future in designing a proper dividend policy.

**Mr. Bjornerud:** — Thank you. But I'm still trying to get you my message across that somebody's numbers either were way out or else we're using this as a tax tool, because for my power bill to keep climbing like it has, and everybody else out in rural Saskatchewan whether you're residential or a farm, is really

hard to justify when they're coming out with 100 to \$150 million profit this year.

The other part of SaskPower I'd like to touch on is — and it's the same issue — is the reconstruction charge. And I think many people out there are really upset with this charge, because on top of that you've done away with the RUD (rural underground distribution) program. So it just adds to what I was saying before and I just want to get that message across, that I don't think too many people are all that happy with it out there.

Next thing I'd like to touch on is SaskTel. If SaskTel had've been privatized two years ago, do you not think their value would have been much superior to what it is at this point now that competition is in?

**Hon. Mr. Wiens:** — I've no idea how to predict a market-place. If I did, I wouldn't have raised pigs for the first 25 years of my life and wouldn't be here now. I think the . . . SaskTel is acknowledged as a sound business leader and its value in the market-place, should it even have relevance that we worry about the market-place, is directly attributable to the business base it has and the quality of its technology and its people.

And I think to try to estimate values in different environments is of not great value. The value of the corporation to Saskatchewan people is excellent service, world leadership in technology, broad accessibility.

**Mr. Bjornerud:** — I agree a hundred per cent that SaskTel is very efficient at communication systems and so on. But I think the point that I'm trying to get across is that if we don't take all the issues that came out of the 45-day review and the privatization of these companies serious now . . . SaskPower's going to be another that is in the same boat in about probably the next year or two because of competition. And I would hope that privatization would be given a fair chance or at least be looked at seriously.

**Hon. Mr. Wiens:** — Well I would say only this — again, keeping all options open and not wanting to comment to the extent of suggesting that any outcomes are foreclosed —but in terms of the past performance of these companies and their potential benefit to the future, I think in my part of the world there would be a huge outcry if we were to even contemplate privatizing SaskPower. Why? Because I don't think my power rates would go anywhere but straight up.

So SaskPower is doing exactly the same thing as SaskTel is by providing equitable service across Saskatchewan regardless of the density of the population. They're charging a reconstruction charge on every Saskatchewan power user, not just where the lines are the longest or the costs are the highest, but on every user. And they have re-balanced their rates, as I've said before, to make sure they hold the large industrial customers who already are paying something to keep my farm rates down and my residential rates down; but to keep those customers because they're valued customers.

We just believe there's some equity in that, that business has the capacity to contribute to good service for the people who are the workers in the system and that use the products of those businesses. That's a philosophy of our government; it's the root of the foundation of the Crowns; it's a belief of Saskatchewan people. And in that context, to the extent that privatization is still on the table, it's on the table because it is a necessary financial consideration for future circumstances.

But from a philosophical point of view, I don't think there's a Saskatchewan person, hardly, that wants to lose those things that these corporations have done. And they believe basically they're well run, and of course they would always hope that if a 5 per cent increase could be a 4 per cent increase by more efficiency, we should do that. And we all agree.

So we've got to have the dialogue between the user and the corporation and we should open that up and it should be responsive. I agree with all of that. But in terms of the basic ethic of the corporation, they need to run well. But let's not ever forget that it's because we have Crown corporations that we have equitable service across the province.

**Mr. Bjornerud:** — Thank you. I would suggest though that a 12 to 14 per cent increase that was initiated by SaskPower, comparing it to a private company, is fairly straight up.

**Hon. Mr. Wiens:** — Well as Mr. Messer said — and I should maybe caution myself and the Chair and yourself that we're probably into stuff that you should talk to SaskPower about when they're here — but they did not take 12 per cent to add to their bottom line; they took 12 per cent to re-balance, and with the big users who are also very important to the system. And having done that, we're still at about an 80 per cent cost for residents and farmers and something over 100 per cent for industrial, large industrial, users. And the bottom-line improvements that Jack is experiencing has to do with system improvements internally, and that will be part of the long-term business planning and review.

Certainly we have not established the Crown corporations to be cash cows. We want them to make a little bit of money, because they have to sustain themselves, and making some return to the shareholders, to the people of Saskatchewan, is not a bad idea. But we're not trying to find an alternate tax mechanism by any means.

**Mr. Bjornerud:** — Thank you. One thing that came up this morning in one of the reports was about the clean-up in Saskatoon was, I believe, \$1.2 million, and I was surprised to find out that's the responsibility of CIC, or under some subsidiary.

**Hon. Mr. Wiens:** — Yes, I know that and yet I don't know it well enough. I have to ask John or Kelly or Patti to remind me about the ownership structure that existed. Largely, environmental law puts liability on the polluter. And I think we were owners . . .

**Mr. Wright:** — Prior to 1986 we owned P.A. Pulp. In 1986 as part of the agreement with Weyerhaeuser, we sold Saskatoon

Chemicals as part of that to Weyerhaeuser. However, part of the agreement held that we retain the environmental liability associated with that.

**Mr. Bjornerud:** — This is why I'm asking. And there's a number of other sites, as you're well aware of, in the province that would probably fall under the same thing.

Would the one in Kamsack, the Northern Petroleum site, then be the responsibility of CIC, or is that under another . . .

**Hon. Mr. Wiens:** — No. I know this, not from this portfolio but from another one I've held. The list of 12 significant sites in the province that was published when I was the minister reflects a variety of owners. It just identified the most serious sites that needed to be attended to.

I don't think the government had a big hold in many of them. They happen to be historical and solutions are being looked for and legislation in that regard has been dealt with by the Canadian Council of Ministers of Environment in terms of recommendations. And that's been consulted around Saskatchewan for two years with respect to environmental liability and who should pay. But it's not a provincial direct responsibility.

**Mr. Bjornerud:** — Okay. Thank you, Mr. Minister. Madam Chairman, that's all I have right now.

**The Chair:** — Thank you very much.

**Mr. D'Autremont:** — Can I ask one supplementary question based on the last answer? It's very short.

**The Chair:** — Sure.

**Mr. D'Autremont:** — Is the Saskatchewan government, CIC, involved in the clean-up of the creosote at P.A. (Prince Albert)?

**Mr. Wright:** — Is that the bio-waste . . .

**Mr. D'Autremont:** — Right along the river there some place, yes.

**Mr. Wright:** — Yes, indeed we are. There's a bio-waste fermentation facility, fermentation — I'm not sure about the technical wording — facility up there. We own the land on which this bio-waste reactor is. We're operating and we do own the bio-waste reactor. Beyond that, I'm sorry, I can't tell you much more.

**Hon. Mr. Wiens:** — The information I'll give you will drive you all to distraction. But the regional college there or the community college or the SIAST (Saskatchewan Institute of Applied Science and Technology) campus, whatever it's called, has some land. Some is under one of the roads that belongs to Highways; some is city land. Some is . . . there are about four or five different owners on several different locations there.

And what was put together while I was the minister was a remediation plan for the whole piece, and that's undergoing.

That's under way. The city has contributed; I think others have contributed. Our involvement mostly came there through Sask Forest Products, I think. That was the original owner of the property.

**The Chair:** — Perhaps, Mr. D'Autremont, you might wish to discuss this with Mr. Wright later and get a specific answer.

**Mr. D'Autremont:** — Or Lorne Scott.

**The Chair:** — Okay. Any other questions?

**Mr. D'Autremont:** — No. That was it.

**Mr. Johnson:** — I'd like to bring up one of the things that's been pointed out here that goes back to the \$50 million from the Crowns to the General Revenue Fund, because one of the things that I find is that a lot of people always want to remove some source of revenue without talking about putting that source back into the fund.

And I think that in the case of this, there's one of the things that's taking place, is that you can remove that \$50 million source to the General Revenue Fund. And I believe that the new Leader of the Liberal Party has actually suggested how he was going to replace that and that was with the harmonization of the E&H (education and health) tax and the GST (goods and services tax), where you can run then the Crowns with no income and you can shift the flow of revenue to the revenue fund by simply taxing lawyers' fees, haircuts, restaurants, electricians, plumbers, etc.

And I'd like to point out that that will have a greater impact on rural Saskatchewan than it will have in the urban centres, because more of the businesses in rural Saskatchewan will be on a closer to the line as to whether they stay viable or not than what you'd find in urban Saskatchewan. So what happens is that shift.

Also one of the things that would occur, if I understand correctly, is that then the Crowns would not be liable for the E&H tax which they are now presently paying. And so you would then shift more of the cost back directly onto individuals who are paying it — a very neat trick. And I say that it's one of the things that in doing so would find that the people of the province of Saskatchewan would pay more, and pay it in a lot of cases out of funds that they have as individuals, where they've already paid an income tax on it. So the impact then becomes very free.

So why I bring it up is that I would like the minister to remember that as one of the impacts that occurs, because of running the Crown corporations in the province of Saskatchewan, a 14 per cent of the gross economic activity in the province — this is one big chunk of shift onto the individual consumer. And quite frankly, I'm not really sure that that's a shift that anybody wants to see. In fact I would think that a lot of people, if they understood it, would not want to see it.

**The Chair:** — Thank you, Mr. Johnson.

**Mr. Bjornerud:** — Madam Chair, I felt like a minister there for a second. I thought I was being questioned.

**The Chair:** — No. You knew the answer.

Are there any other questions of the minister or his officials with respect to the '94 and '95 CIC annual report . . . (inaudible interjection) . . . Yes, there are. So we will resume questioning after lunch. Do people wish to come back at 1 o'clock or at 1:30?

**Hon. Mr. Wiens:** — I'd prefer 1 if I could. I have a speaking engagement at 2:30 or 3 if we can get through it.

**The Chair:** — You're out of here by 2:30 regardless.

**Hon. Mr. Wiens:** — Okay. I'm going to be very, very brief.

**The Chair:** — So we will reconvene then at 1 o'clock as per the agenda that was circulated. Thank you.

**The committee recessed for a period of time.**

**The Vice-Chair:** — Order, committee members. It now being just past the hour of 1 o'clock, the committee will resume its deliberations. I have on the list Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chair. I'd like to go back to something that the auditor mentioned but it's not directed to the auditor but rather to you, Mr. Minister. The auditor said that in their investigations to determine who actually controlled Crown Life and HARO that it was not HARO that controlled Crown Life by virtue of the fact that they hold non-voting shares.

**Hon. Mr. Wiens:** — What he said, what his comment was, that it was HARO that controlled Crown Life by virtue of the shares.

**Mr. D'Autremont:** — Okay. That's what my question was: who does control it?

**Hon. Mr. Wiens:** — Others can answer this question more substantively, but the whole reason for the construction of HARO when the original deal was made was because regulators don't allow governments to own insurance companies — life insurance companies, I think. And so HARO was constructed as the operating entity, which segregated the investment from government control.

**Mr. D'Autremont:** — Okay, thank you.

On the — a potpourri here of questions — on the rate review, how many responses did you get back on the 45-day rate reviews and what percentages were on either side, for or against a rate increase.

**Hon. Mr. Wiens:** — I don't have that information. If it is a question you could ask of the specific Crown . . . or we could attempt to get you the tabulation, if there was a tabulation done. I don't think it's information that's here.

**Mr. Wright:** — If I can add to the minister's comments, and I'm just going to read from some of my notes here. Late in 1995, the 45-day process was used for the first time by SaskPower for proposed rate increase. The process engendered considerable discussion and feedback through more than 1,500 mail-in cards, almost 1,000 comments to district offices, and almost 2,000 requests for information through a 1-800 phone number.

Specifically what side of the equation did they lie on? Sorry, we don't have that available here.

**Mr. D'Autremont:** — The 1-800 numbers were basically "please send me information." The opportunity wasn't really there for comment, was it?

**Hon. Mr. Wiens:** — We had hoped there would be and that was one of the things we changed after that one, was that in fact they ended up just receiving . . . and they said, thank you very much, we'll send you a package. But if somebody asked a question, they weren't capable of answering and there was a frustration amongst those who called. So what we said, in future processes — which we then did — senior management or somebody who was in a position to answer the questions, would be on those lines, which we've now done.

**Mr. D'Autremont:** — Okay. I was interested in the chairman's comments about the structure and the composition of the boards of directors of the various Crowns, and I unfortunately had to leave at that time and so I didn't get your comments on it. But I know that it has been suggested at various times that if the structure was not to be changed as radically as the chairman would like to have it changed, that members of the legislature should be a part of those Crowns as an oversight — as this committee is — that members of government and opposition be a part of the Crowns' boards.

Do you have any comments on that, please?

**Hon. Mr. Wiens:** — Only the generic comment I'll make about board structure which I sort of made but didn't make in much detail this morning. The people who did the situational analysis — and in some respects I think the comments from the public, while that's focused — suggested that we should consider models which are less tightly controlling of the Crowns than the present model, where a minister is chairing the board and the CEO is approved by the board but by CIC and cabinet.

And what it suggests is a range . . . they suggest a range of governance models that would go to the other extreme, which wasn't quite the words Pat was using, but what I would suggest they would describe as a full commercialization model, where you would create a policy framework in CIC; have a process for appointing the board, which may still have to be government, who knows, because we're still the key shareholder on behalf of the people of Saskatchewan. But then have a commercial board that is given its targets by us, by CIC, and then let them run.

And those board members are directly liable for the achievement of those results, and they would pick their CEO to help them . . . (inaudible) . . . That would be sort of the most

distanced model that is suggested in the range.

And I think the discussion in the next number of months will be the discussion about where on that spectrum — from lesser control to greater control — do you want that? And I don't think it has an easy answer, because I mean, sometimes it flows from people saying, well it should automatically be to avoid the notion of political involvement.

There's a simple answer to that. The Crowns are political creations in a non-partisan sense. They're creations of the people of Saskatchewan, which are created by political will and not by independent business. And so the question then of how the current public political will is exercised with respect to them is the question, and how that board should be structured.

**Mr. D'Autremont:** — Well I'm glad to note from your hand gestures that you place the current control on the left-hand side of the spectrum and more people representation on the right-hand side.

**Hon. Mr. Wiens:** — Not necessarily. In fact quite possibly less people representation on the right-hand is what I would suggest.

**Mr. D'Autremont:** — But I think that's what the people, from the conversations that I've had, are looking for, is to have the actual shareholders, who are the taxpaying citizens of Saskatchewan, the people who use the service, have them represented on the board in a more democratic and direct manner rather than appointment to those boards. And it goes with all political stripes.

**Hon. Mr. Wiens:** — And that's a real tough call. And I say that, I say that because a private corporation . . . maybe I gave this answer after you left this morning. But a private corporation will have a defined interest amongst groups of shareholders who have significant stakes in the venture.

And so if I'm a 10 or 12 or 8 or a 20 per cent shareholder in the company, I'm going to make bloody sure I'm there protecting my shekels, you know. And the idea of an elected structure needs to be explored, but it needs to be explored within the context of how do you, as the government who is capable of constructing that process, assure the kind of financial management through that kind of process that you would expect.

Because these boards of directors, if they're going to be fiscally liable, need to have those talents, and it might be a very, very difficult construct to find a method that would give you the reliability you would want completely segregated from appointment structure. Anyway it's a . . .

**Mr. D'Autremont:** — It's a difficult scenario but it's something . . .

**Hon. Mr. Wiens:** — But I appreciate it's one of the . . . it's within the range of options.

**Mr. D'Autremont:** — Yes. It needs to be explored.

**Hon. Mr. Wiens:** — Yes.

**Mr. D'Autremont:** — Another comment that you made related to the editorial in today's paper commenting on the ownership of the paper. I would doubt, Mr. Minister, very much whether the owner of the newspaper actually wrote the editorial though.

**The Chair:** — Not in Conrad Black's case, Mr. D'Autremont.

**Mr. D'Autremont:** — Another comment that we took some umbrage with — particularly my colleague from Maple Creek, who is somewhat of your vintage and therefore has longer memory than some of us — comments on the rural telephone system that it was put in place by the government. That was, in his recollection, not the case. It was put in place by each local community, who as free enterprisers ran their own telephone system and then that was taken over and absorbed by SaskTel. So it was free enterprise within the communities at work that built up SaskTel initially.

**Hon. Mr. Wiens:** — Actually cooperative structures generally. If I remember the Herschel Rural Telephone Company, which I think was probably one of the very last to join and I was right with them there to keep running that . . . we buried our own lines. The only trouble was, SaskTel had to bury new ones because the gophers ate all ours before long. But we were a proud bunch out there. We did it our way, you know. But in the end, point well taken, SaskTel created the central linking infrastructure.

**Mr. D'Autremont:** — Well in fact does it . . . your comments just go to prove how close you and my colleague from Maple Creek are, because he was saying also that they also buried their own telephone lines.

**Hon. Mr. Wiens:** — I wonder if the gophers ate theirs too.

**Mr. D'Autremont:** — Probably the lines blew out of the ground down there.

You commented also that when you formed government, that the Crown corporations were carrying a large debt load and you talked about, further on, how part of the formation of the Crowns was based on the desire to provide services to rural Saskatchewan, Saskatchewan as a whole, that free enterprise was not prepared to do.

I'm just wondering what your thoughts now are on the fact that SaskTel — well let's not use SaskTel — SaskPower went around this province at a time when, according to you the free market was not prepared to put in telephone lines. Was that because that was uneconomical at that particular point in time? If so, then was it right for the government through the Crown corporation to do that?

**Hon. Mr. Wiens:** — Well I think it was absolutely right for two reasons. Again I attribute it to a Saskatchewan cooperative spirit; that there's a desire to have some equity and some equal access to the way communities develop.

What SaskPower did when they created it, they found some

more economical ways of doing it than the private sector had previously found. They initiated the single-line service and the neutral ground, you know, that saved double-wiring everything. And so they found a more economical way of doing it, but it is in the spirit of that Crown corporation that that development took place.

And I think it is a unassailable truth that in Saskatchewan . . . I mean to the point where last year when SaskTel, in an effort to make Internet service available to the whole province, had differential rates or amounts of time that came with a subscription for rural and urban areas.

I think it was maybe even yourself or one of your colleagues that suggested that it be done at an equitable rate. That's not the way the private sector operates, but it's the way Saskatchewan people think whether they're New Democrats or Conservatives. And SaskTel has done that. And I think it is the same spirit today as it was 50 years ago.

**Mr. D'Autremont:** — So was it wrong then during the 1980s for the Crowns to develop more debt based on the fact that costs at that time were escalating very dramatically, interest rates were increasing very dramatically. So when you use the argument that the Crowns were in a very difficult position in 1991 after having gone through periods of up to 24 per cent interest rates, was government wrong or were they socially correct to use the Crowns to provide some protection for consumers through that period of rapid adjustments?

**Hon. Mr. Wiens:** — Well I actually prefer the question hadn't been asked because I don't want to give that answer in this environment. I mean I honestly say that. But what happened in the last two years before we took office was, because the government found itself incapable of balancing the budget through other fashions, they took huge dividends from the Crown corporations. I think — I need to have my officials correct me — but I think it was in the vicinity of \$600 million in the last several years before '91?

**Mr. Wright:** — I don't think it was that much. I think it was \$230 million in one year and about 180 in the next. Something like that.

**Hon. Mr. Wiens:** — But it was well beyond the earning capacity of the Crowns. So it was in effect taking from an operation their very lifeblood in order to try to achieve a purpose on the other side. I mean it's one of the reasons why we've been working with discipline, with the auditor, to put mechanisms in place that we don't do that kind of stuff any more.

I mean maybe you don't support what happened any more than I do in those years, but to say that it was that sort of initiative that undermined the capacity of the Crowns. It wasn't their own capital needs or their own incapacity to manage; it was that that money was taken from them, to the other side of government.

**Mr. D'Autremont:** — I'd like to ask some questions related to SaskPower and its generation capacity. What is the position of SaskPower for generation of today and the projections for the

future? What happens if for some reason units are down?

**Hon. Mr. Wiens:** — I cannot answer, and probably shouldn't answer, those sorts of questions about SaskPower because I don't actually know their details. I know them in general from their reporting to us, but they have . . . I know they have a capacity to meet those kinds of demands. They have mutual arrangements with neighbouring provinces for supply in emergency purposes and for purchase in the event even that our overall rate of consumption goes up.

But generally, until today and for projections into the reasonable future, SaskPower has sufficient generating capacity to meet their needs and has other arrangements to cover emergencies.

**Mr. D'Autremont:** — Well the reason I asked is that I've heard that if a couple of units happen to be down that we're fine unless we have some severe weather, and at that point in time we may be looking at purchasing outside.

**Hon. Mr. Wiens:** — We often look at purchasing outside. I think in the average winter SaskPower probably goes outside quite often for power because there's exchanges. I don't know; others may know that better than I. I think that's quite common.

Their biggest concern has to do with their rationale for building the Condie-QE line. Their biggest concern is that there is a . . . If the generating capacity is all in part of the province and if there were a particular series of outages, there might be problems serving a particular corner of the province. And this is where they want to increase their capacity to move power back and forth on a north-south with the Condie-QE line.

**Mr. D'Autremont:** — I wasn't thinking particularly of the Condie line, but rather of whether or not we need to be looking at further capacity and where we were at today in that issue.

**Hon. Mr. Wiens:** — That's a question more properly addressed to SaskPower. I don't have that in my head.

**Mr. D'Autremont:** — Okay. Thank you, Mr. Minister. I'd like to go back then to the Crown Investments Corporation of Saskatchewan mandate — that sheet that you gave out.

And you talk here about . . . On objectives no. 3: provide assistance to the province in its financial recovery — that CIC obtained a release from its remaining guarantee to the Potash Corporation of three and a half million dollars as well as CIC's guarantee on a maximum \$38.2 million to Saferco which Saferco has repaid entirely.

Is this being . . . has this been repaid early?

**Hon. Mr. Wiens:** — Yes.

**Mr. D'Autremont:** — So therefore the Saferco project has been a success and is providing well for the people of Saskatchewan?

**Hon. Mr. Wiens:** — Saskferco is a very sound company.

**Mr. D'Autremont:** — So it was worthwhile for the province to then invest in that?

**Hon. Mr. Wiens:** — It was a good investment by Saskatchewan.

**Mr. D'Autremont:** — Thank you. It was hard getting that out.

**Hon. Mr. Wiens:** — I might point out that I think it is the only investment in which the province's loan guarantee actually had a compensation incorporated in it.

**Mr. D'Autremont:** — A commercial rate I believe it was.

**Hon. Mr. Wiens:** — Yes, yes.

**Mr. D'Autremont:** — I'd like to go back to the Crown Life one. How do those non-voting shares or how did the non-voting shares work on that particular issue? And the whole transfer in this last share issuing?

**Hon. Mr. Wiens:** — I should maybe let one of my officials speak to this since I may technically use the wrong words. What happened was that a loan that we had with HARO, \$68 million of that was converted to equity in HARO. And so it was a change in the form of the . . . from debt to equity.

**Ms. Beatch:** — I could add to that if you like. Actually to be specific, the loan agreement provided that we could exchange a minimum of 25 per cent of our loan into either HARO voting, HARO non-voting shares, or shares of Crown Life. And the 68 million was exactly 25 per cent of the loan.

**Mr. D'Autremont:** — Thank you. On the Cameco sale, I believe you said you got 50 per cent of the money up front, 50 per cent next March. Why the split?

**Hon. Mr. Wiens:** — Part of the . . . this is a most intriguing thing for an old farm boy to watch, was how you sell stuff like this, you know. There was a syndicate set up that was responsible to do the marketing and they then set up the conditions of marketing. And one of the conditions of marketing was in fact the split in the payment for the shares.

And I think all of the collective management of that sale can be credited to our officials and the people in the syndicate who did all the right things to put that on the market at a time to maximize value for the province. And part of that was that one condition.

Another condition, as you may or may not know, was that there was a basic offering but there was also flexibility for people who sold, that they could acquire extra shares for sale above and beyond their original commitments if they were oversubscribed. So that helped them in their sales efforts.

So just all around it was a well done piece of work. While it would be good to take credit for all of it as good management, there was probably just a little touch of good luck along with it too, since it was sold at the minute of the highest price and the highest day of the history of the shares to this point.



I haven't even been that lucky with my canola yet.

**Mr. D'Autremont:**— That's because you didn't forward-price.

On the shares, how much do you, does CIC, continue to retain as a percentage?

**Ms. Beatch:** — Roughly 10.2 per cent ... Of Cameco, I assume?

**Mr. D'Autremont:** — Yes, Cameco. Okay. Since the sale hit at the high point in the market that we've seen up until this point in time, why were the other 10 million shares not sold, or 10 per cent not sold?

**Hon. Mr. Wiens:** — The planning from the outset was that we wanted to sell 10 million shares and we wanted to deliberately keep a significant holding because it is a good investment for the people of Saskatchewan, and so that continues to be our strategy.

And the sale offering, once it's defined, has a condition attached which you cannot change at that point. I mean one couldn't say on the last day of the sale, well let's put another \$5 million in, because that would change the condition of the prospectus as it went out. Because that would mean the Saskatchewan government was getting out of it entirely. I mean it just adds a different condition.

So it was our plan and it was the condition attached and then that was carried through on.

**Mr. D'Autremont:** — What kind of a dividend has Cameco been paying?

**Ms. Beatch:** — Cameco pays 50 cents per share per annum.

**Mr. D'Autremont:** — Flat rate?

**Ms. Beatch:** — Yes, and it's been that way for two or three years now or so.

**Mr. D'Autremont:** — So how many shares then do we hold at 10.2 per cent?

**Mr. Wright:** — 5.4.

**Mr. D'Autremont:** — 5.4. Okay.

I'm kind of jumping around a bit here, but go back to Crown Life. You say that the regulators do not allow or don't want governments to hold insurance companies and that was why the arrangement was made then for HARO to hold the insurance company. Is HARO then basically just a shell to hold the shares of Crown Life?

**Hon. Mr. Wiens:** — I don't know what a shell is; I would have to have somebody define that, but it is a company which holds our interests, that is, to whom we loaned money and later converted some of that loan in order for that investment to be made in Crown Life in Saskatchewan. Anything else to ...

**Ms. Beatch:** — No, I'll just answer that. HARO's sole purpose is the holding of the Crown Life investment and the managing of that. So it has no other business function.

**Mr. D'Autremont:** — Are you looking at HARO having other business interests in the future?

**Hon. Mr. Wiens:** — No.

**Mr. D'Autremont:** — Okay. Are you comfortable with this arrangement, that the government hold the shares of HARO — 60-some per cent — and therefore control Crown Life through HARO, Crown Life being a private, international insurance company? Are you comfortable with that arrangement?

**Hon. Mr. Wiens:** — We don't control. The key reason for the existence of a HARO is that the government not control. So Crown Life has its own board of directors which HARO has a majority interest.

**Mr. D'Autremont:** — How many of the board of directors on Crown Life are appointed by HARO?

**Mr. Wright:** — I'm sorry. We could get that information for you if you want.

**Mr. D'Autremont:** — Yes, I wouldn't mind that if you could, please.

**Mr. Wright:** — Sure. HARO represents 64 per cent, or own 64 per cent, of Crown Life; 32.2 per cent is by Extencare and there is a 3 per cent public float. So if you translate that it would seem reasonable that HARO would have in the range of 50 per cent to two-thirds voting, based on its percentage. In fact ... boy, the president was correct that time. So it is they get to nominate up to two-thirds of the board of directors. There you go.

**Mr. D'Autremont:** — And you can find out whether HARO has actually exercised that?

**Mr. Wright:** — Yes we can.

**Mr. D'Autremont:** — Okay. Thank you. What are the long-term plans for HARO and the ownership of the shares of Crown Life?

**Hon. Mr. Wiens:** — As you know, Crown Life has been dealing very effectively with a couple of major challenges it had. One was in the, I guess the real estate market at one time, and still has some challenges there. The other was in the area that ... of vanishing premiums, which the whole industry in the United States was dealing with.

HARO has performed very well under these circumstances, is coming to a resolution on some of those big challenges, and are doing well in their earnings and are doing well in their bond ratings. The financial community is saying good things about their present performance.

So on the assumption that it is our interest to maximize the

benefit to Saskatchewan people, it's our intention to hold Crown Life and to maximize its value to people in Saskatchewan.

**Mr. Wright:** — Just as a correction. We don't hold Crown Life; we hold HARO.

**Hon. Mr. Wiens:** — Right. We hold our investment in our loans to HARO.

**Mr. Wright:** — That's correct.

**Hon. Mr. Wiens:** — We're not in a position to sell.

**Mr. Wright:** — I should mention that pursuant to the original agreements that were entered into at the original time of the 271 million, all said and done was provided for, HARO is obligated to approach the government when the markets are appropriate to provide take-out financing for the \$271 million loan facility that we provided to HARO. Markets have not been adequate because of the downgrading of many of the life insurance companies, and markets are not fully accessible at this point in time.

**Mr. D'Autremont:** — Now by take-out financing, do you mean to repay the 271 million?

**Mr. Wright:** — That's correct.

**Mr. D'Autremont:** — Okay. So is that then the only debt that Crown Life owes to HARO or that HARO owes to the government or . . .

**Mr. Wright:** — Well we're interested in our relationship with HARO. So I can't speak about . . . Well I suppose I can because it's all one and the same, HARO to Crown Life as well. But there is also the \$149.5 million loan facility that was provided to HARO and subsequently provided through to Crown Life.

**Mr. D'Autremont:** — Okay. The profits that Crown Life have been making, have they been . . . have they used any of that to repay the government or repay HARO?

**Mr. Wright:** — No.

**Ms. Beatch:** — No. Not — let me answer that — not in terms of principle. Clearly the additional loan of 149.5 million has interest that's paid semi-annually, and it has been paid up to date by Crown Life to HARO and then through to the government.

**Mr. D'Autremont:** — So the interest has been paid on the debt.

**Ms. Beatch:** — Interest has been paid on the additional . . .

**Hon. Mr. Wiens:** — On the 149.

**Ms. Beatch:** — That's correct.

**Mr. D'Autremont:** — On the 149, okay.

What direction or interest or avenues does the government have in dealing with the profits of Crown Life? Let's say Crown Life next year makes a profit of 200 million; is there some avenue for Crown Life then to either start repaying the 149 or the 271? What avenue . . . What's in place there?

**Mr. Wright:** — Well it's just their dividend stream. We would be delighted if Crown Life made \$200 million next year, as they would provide to their shareholders, dividends; 64 per cent of that again flowing through to HARO, of which we own 94 per cent in effect of HARO, although non-voting. So that would then flow back through to the government.

So hopefully they will make more than 200 million next year.

**Mr. D'Autremont:** — Yes. But you have no mechanisms by which to say that of that 200 million a percentage should be dividends and the rest should go for write-down or for the debt or acquisition, or that's strictly up to the board of directors of Crown Life.

**Mr. Wright:** — Very much so. Please remember we do not own Crown Life. We have an interest in HARO and we have loan facilities out to HARO. So what Crown Life decides to do, we have no control and no say.

**Mr. D'Autremont:** — You mentioned that SPMC (Saskatchewan Property Management Corporation) had . . . Bi-Provincial and SEDCO had write-downs from '91 to '92. I wonder if you could outline the SEDCO write-downs. I don't mean specifics. But in general terms, what was involved there?

**Ms. Beatch:** — For which period?

**Mr. D'Autremont:** — Well you mentioned in your comments that the reason that the return out to shareholders' equity was zero was because of the restructuring — debt-restructuring and write-downs.

**Ms. Beatch:** — Well in the case of SEDCO, CIC, while SEDCO existed, would annually write down the losses of SEDCO. So the losses I was referring to are those recorded by CIC which were equivalent to SEDCO's annual losses, which was their net loss for the year after write-downs, interest costs and the whole package.

**Mr. Wright:** — For example, the write-down in 1994 was 59,650,000 relative to the Saskatchewan Economic Development Corporation.

**Mr. D'Autremont:** — Has that changed with Saskatchewan Opportunities or are there any write-downs that apply in that particular case to CIC?

**Mr. Wright:** — No. Saskatchewan Opportunities Corporation is a self-standing entity and there's no flow-through, at this point in time, through CIC for reporting, financial reporting services such as the Treasury Board.

**Mr. D'Autremont:** — So it doesn't go through CIC now?

**Mr. Wright:** — For management purposes it goes through CIC. But for financial reporting, it goes through Treasury Board and is available in the estimates and the General Revenue Fund for those spoken purposes.

**Ms. Beatch:** — If I could add to that. Going back to SEDCO — just so you have an understanding of how that has wound down and how they are performing — SEDCO, as we knew it, measured by net income before what's called deficit interest, which is what they ... it's the interest associated with past years' losses. In '93 it was a loss of 36.3 million, and in '94 it was a loss of 22.4 million; in 95 they had a profit of 86,000. So clearly they've been ... the portfolio is, was shrinking and losses have disappeared.

**Mr. D'Autremont:** — There's very little left there.

**Ms. Beatch:** — There's actually quite a few loans left but they've cut it down by more than half, certainly. It was a large portfolio to begin with.

**Mr. D'Autremont:** — Thank you on that. Part of what this whole exercise was, to deal with major projects and I'd like to take a look at some of those things that would be classified as major projects under CIC such as the Meadow Lake pulp mill. And the annual report notes that some of these organizations, the market-place has a major impact, that you can have peaks and valleys with the sales of your commodity. In this particular case, the pulp market.

What are the current projections you have for the Meadow Lake pulp mill? Will it in all likelihood be in a profitable position or what's going to happen there?

**Hon. Mr. Wiens:** — Let me give you the farmer's view on that. As nearly as I can tell from asking the common sense questions, that market is so unpredictable as to not allow projections. That is the nearest truth that I've been able to come up with, which is a bit of an astounding way to do business, but that appears to be the truth. Is that roughly accurate?

**Ms. Beatch:** — Sure.

**A Member:** — Yes, Mr. Minister.

**A Member:** — *Yes, Minister.* Sorry, wrong terms.

**Mr. D'Autremont:** — Yes, we have to get our TV shows correct.

What happens though in the case of where the Meadow Lake pulp mill runs a loss and can't cover its repayment obligations? What consequences does that have for CIC?

**Hon. Mr. Wiens:** — One of my officials will carry you through that glorious detail.

**Mr. Wright:** — In summary terms, for example in 1995, Meadow Lake pulp mill made approximately \$44 million, as I recall off the top of my head. It was a very profitable year. Prices were up, very successful.

This year, year to date, it's been difficult. We'll see what the final numbers are. There are a number of loan facilities out there. I believe they're with the Bank of Montreal.

**A Member:** — CIBC (Canadian Imperial Bank of Commerce).

**Mr. Wright:** — My correction, CIBC. If in the event that they were unable to make payments, they would of course begin to negotiate with CIBC to come to terms and come to arrangements to improve the position and make payments as they came due. Please to remember that we own only a 49 per cent interest in Meadow Lake; we are not the controlling factor there. It's Millar Western that owns 51 per cent.

**Mr. Staudt:** — And CIBC has agreed to waivers and the loan payments will be made on a priority basis when the cash flow allows them to. So those arrangements have already been made.

**Mr. D'Autremont:** — I believe the mill just went through a significant expansion there of some 40-some million dollars. In the face of declining markets, why was this expansion carried out at the present, at this time?

**Mr. Wright:** — The best I can tell you is that it was taken at a time when prices were down at the bottom and they rose over the course of 1995 very successfully. So it was taken and undertaken at a very profitable point in the firm's cycle. Some days you win, some days you lose.

**Mr. D'Autremont:** — I know. I'm a farmer too. Will this expansion improve the competitive position of the Meadow Lake pulp mill?

**Mr. Wright:** — Yes, it has.

**Mr. D'Autremont:** — And what new markets then will they be dealing with, with this expansion?

**Mr. Wright:** — Existing markets and trying to put more of the existing pulp into those markets. So they're just increasing their supply that they can make available.

**Mr. D'Autremont:** — How many new jobs will this be creating?

**Mr. Wright:** — Well if you assumed it's a \$40 million capital investment, assume 20 million of that is approximately labour cost, assume on average, including benefits, we'll round up and call it \$50,000 per job, 50,000 into \$20 million is an awful lot of jobs.

**Mr. D'Autremont:** — 400 of them.

**Mr. Wright:** — 400, yes.

**Mr. D'Autremont:** — But I'm not thinking of the actual construction jobs. I'm thinking ... Are you talking in terms of construction or are you talking long-term jobs?

**Mr. Wright:** — I'm sorry, Madam Chair. I was referring to the number of construction jobs that were involved. I can't speak

off the top of my head as to how many permanent jobs there are. But certainly there are permanent jobs there.

**Mr. D'Autremont:** — Well hopefully this will be a successful one.

**Hon. Mr. Wiens:** — Don't ask me the question you asked about Saskferco.

**Mr. D'Autremont:** — Well they made a profit without the expansion so hopefully the expansion will be worthwhile for CIC's investments.

**Hon. Mr. Wiens:** — Somebody is at work better than others.

**Mr. D'Autremont:** — At Saferco, the expansion that took place there, is it still ongoing or has it been completed?

**Hon. Mr. Wiens:** — It's in progress.

**Mr. D'Autremont:** — What kind of impact will that have on the Saferco plant?

**Hon. Mr. Wiens:** — The numbers can be given but the market's very strong and it will just multiply by the same percentage of the capacity that their profitability increased efficiency to scale. I don't know what the numbers are.

**Mr. Wright:** — I believe it's a \$37 million expansion. That's ongoing, to be completed next year, as I recall. It's being funded entirely within the free cash flow of the corporation. I'm sorry we just don't have it right here right now.

**Mr. D'Autremont:** — Do you have any idea what percentage of an increase in the capacity this represents?

**Mr. Wright:** — Off the top of our heads, no.

**Hon. Mr. Wiens:** — I should know. I was at the launching. I think it's 20 per cent or something in that vicinity. I'm just not absolutely certain.

**Mr. D'Autremont:** — So what are your revenue expectations then for Saferco for the next year?

**Mr. Wright:** — Increased revenues.

**Mr. D'Autremont:** — So increased dividends?

**Mr. Wright:** — Not necessarily, because one has to expense the capital associated with the project. And it will of course, depend upon prices and a variety of other items associated with that. The firm is doing very well right now and we expect to have it do well into the future.

**Mr. D'Autremont:** — Well as a farmer, I also know that their commodity is well priced.

**Mr. Wright:** — Competition.

**Hon. Mr. Wiens:** — The capacity . . .

**Mr. D'Autremont:** — That's why people are buying it elsewhere too.

**Hon. Mr. Wiens:** — The capacity is increasing from 180 . . . by 180,000 tonnes to 930,000, so it's a little better than 20 per cent. And the . . . Yes, they're doing well. The earnings will go up whether they're paid in dividends or in asset value, but the value is there.

**Mr. D'Autremont:** — At the Bi-Provincial Upgrader, I believe revenues are expected to increase again next year. Is that correct?

**Hon. Mr. Wiens:** — That's not quite as speculative as pulp, but close. And I don't know what the latest projections are. I think . . . I don't think anybody's telling any glorious, get-rich-quick stories there yet, are they?

**Mr. Wright:** — No. All I can say right now is that differentials appear to have opened up into the 6 to \$7 range. That in fact makes both of our upgraders not only cash-flow positive but also profitable. Let us hope that those differentials continue into the future.

**Mr. D'Autremont:** — Do you have any projections as to whether or not that spread will continue?

**Mr. Wright:** — Of course we have the projections, but they are internal projections along with our partners, which are 50/50, and we would respectfully decline to make those available.

**Mr. D'Autremont:** — Could you indicate whether they are positive or negative?

**Mr. Wright:** — I'm a very positive kind of guy.

**Hon. Mr. Wiens:** — After the experience they've been through, just not losing any money any more feels good. So it's very positive in that regard. Hopefully they stay there.

**Mr. D'Autremont:** — The Sask Forest Products initiatives with MacMillan Bloedel, why was it necessary for CIC to put in three and a half million dollars early in '95? What happened in that particular circumstance?

**Ms. Beatch:** — Which particular advance are you referring to?

**Mr. D'Autremont:** — Well my note says, three and a half million dollars in early '95 was lent for operations.

**Mr. Wright:** — We're unaware of that. I'll have to check on that.

**Hon. Mr. Wiens:** — Yes — the detail I haven't been made aware of — that is true. The construct was given so they could jointly pursue an oriented strandboard plant. And the . . . Since they were both already in the forest there, the most logical resolution of their conflict about doing it each independently was to form a new company. So they formed the new 50/50 company SaskFor-Mac-Blo. And they just took their existing equity and divided a new ownership scheme from that.

**Mr. Wright:** — We were just checking, Madam Chair, and we have no record of that kind of cash injection. In fact we have a record of a \$2.1 million dividend being paid to us in March or April of this year . . . of last year. March of '96, just recently. I'm sorry.

**Mr. D'Autremont:** — Yes. I'm referring to '95, early '95, so . . .

**Hon. Mr. Wiens:** — We don't think so.

**Mr. D'Autremont:** — I'll check into it and see what these numbers . . .

**Mr. Wright:** — We'll check.

**The Chair:** — Mr. Wright, if you are presenting a formal response, and I'm assuming this is a formal question, would you please provide the response with 15 copies to the Clerk?

**Mr. Wright:** — Of course, Madam Chair.

**The Chair:** — And then we will distribute them.

**Mr. Wright:** — Thank you.

**Mr. D'Autremont:** — I have some questions about some of the other investments that CIC has, such as National Pig Development Co. What is happening with that particular development?

**Hon. Mr. Wiens:** — You know the most knowledgeable pig guy in this government, next to me, is now Mr. Wright, who is the proud owner of National Pig. So I want him to answer; it just makes me feel so . . . I should have brought Pigment with me, my little mascot, just so . . . I didn't know we were going to get into pigs.

**Mr. Wright:** — I think it would be fair to say that relative to 1995, it was a good year for National Pig. There have some problems associated with some disease and I believe one of the facilities, which has now been cleaned up, the outlook is very positive for National Pig. As you realize or appreciate, we own over 70 per cent of the common shares and something like 80 per cent of the preferred shares in National Pig and we're very pleased with the performance of our investment there.

**Mr. D'Autremont:** — Does CIC feel it's necessary to retain that sort of control over this agency?

**Mr. Wright:** — I think it would be fair to say that if interested parties wanted to pursue our interest in National Pig, we would certainly entertain those.

**Mr. D'Autremont:** — How much money has the government put into . . . or CIC put into National Pig?

**Mr. Wright:** — We have an equity investment of — and we're about to check, I don't remember that one off the top of my head — I want to say it's 5.5 million, I believe.

**A Member:** — 3.5.

**Mr. Wright:** — 3.5 million. That's correct. That's correct. However on an equity basis, given dividends flowed back, I believe it's 5.5 is where we're at.

**Mr. D'Autremont:** — Does National Pig operate as a commercial enterprise in the sense that they have to be profitable?

**Mr. Wright:** — Absolutely.

**Mr. D'Autremont:** — Do they pay dividends at all to CIC or any . . . what kind of loans would National Pig have?

**Mr. Wright:** — The 80 per cent of the preferred shares that I indicated carry an 8 per cent cumulative dividend or coupon which is paid to us.

**Mr. D'Autremont:** — And National Pig hasn't paid any dividends on the 70 per cent common shares?

**Mr. Wright:** — No, I do not believe so.

**Mr. D'Autremont:** — And does National Pig have any outstanding loans with the government?

**Mr. Wright:** — No it does not.

**Mr. D'Autremont:** — I get some complaints from constituents who are breeders and are always concerned that perhaps the government is subsidizing National Pig and the sale of breeding stock in competition to them. So they are always sensitive to government's involvement in National Pig.

**Hon. Mr. Wiens:** — National Pig is a very solid genetic line that came with when we were elected 1991, so someone else may have had an interest in this at one time. We have grown it substantially from what it was and it's a relatively highly valued commodity right now.

I don't want to declare what our conclusions will be at the end of the Crown review, but my assumption is that there are a number of these sorts of investments that we hold for a variety of reasons, mostly historic accident, that we would at an appropriate time divest of because they don't . . . Much as I love pigs . . .

**The Chair:** — It's hard to see the great public policy.

**Hon. Mr. Wiens:** — There's no great social value in us holding this company other than some warm and fuzzies for me.

And so I think that the . . . there is a significant portfolio of past SEDCO investments and community bond investments and those sorts of things that we will continue to market, to look for an opportunity for taxpayers to get their money out.

**Mr. Thomson:** — I would think that if Tories were wanting to purchase National Pig with their secret trust fund, we would probably be interested in an offer.

**Mr. D'Autremont:** — Well perhaps as Mr. Thomson suggests . . .

**Hon. Mr. Wiens:** — We shouldn't go there.

**Mr. D'Autremont:** — . . . Tommy Douglas House could handle that too.

**The Chair:** — Could we get on track again here?

**Mr. D'Autremont:** — So National Pig at some point in time may very well be up for sale to the private market.

**Hon. Mr. Wiens:** — I think it . . . suffice it to say that any of our assets that have a value to . . . those sorts of assets that have a value to somebody in the private sector, we are always willing to entertain offers.

**Mr. Wright:** — Profitable offers.

**Hon. Mr. Wiens:** — Yes of course, yes.

**A Member:** — Not 10 cents on the dollar.

**Hon. Mr. Wiens:** — No, we don't do 10 cents on the dollar stuff.

**Mr. D'Autremont:** — Could the same thing be said for Wascana Energy shares then?

**Mr. Wright:** — At this point in time I think it would be fair to say that we are in a cash position — CIC — whereby it does not need to increase its cash, as a result of the Cameco share offerings, and are not in a position and are not interested in pushing our shares up into the market-place at this time.

**Mr. D'Autremont:** — So it's only selected shares then that would be offered onto the market, not all commercial enterprises held by CIC?

**Mr. Wright:** — It depends upon market conditions and our needs at the time and the needs of others that are out there. For example, to use National Pig, this may be an opportune point in time in the pig cycle for us to be considering any offers that may come along.

Alternatively one could argue, as certain investment brokerages do, that the two-year price outlook for Wascana is \$20 a share, and it's currently trading I believe 15.40, 15.50. So perhaps one would want to wait. There are other considerations involved in them. Each and every one is different.

**Mr. D'Autremont:** — Well I'm not sure where the pigs are in their up and down cycle. All the pig producers in my area are always complaining, so I always assume it's at the bottom of the market and not at the top.

**Hon. Mr. Wiens:** — No, no, we're a positive lot and right now we're feeling quite good about ourselves.

**Mr. D'Autremont:** — So you have the warm and fuzzies for

pigs today?

**Hon. Mr. Wiens:** — Oh we do, yes. I should just say — it has absolutely nothing to do with this committee — but I should just say that there is . . . that one of the great economic development opportunities in Saskatchewan is pigs. And I think, as Harvey said earlier, I think the private sector will drive that because this is a very, very natural place for that to expand, which then direct-generates opportunities in genetics, in feeds, in processing, in specialty products and export marketing, and all those avenues.

So I think really one of the significant growths in the agricultural sector in the next five years will be in the pork sector, like significant multiples of what it is.

**The Chair:** — The time line is probably less than the next five years, Mr. Minister.

**Hon. Mr. Wiens:** — Oh yes. No, it's coming right now. But I'm saying . . .

**The Chair:** — It's going to be something that Saskatchewan farmers are going to have to get busy at right away.

**Hon. Mr. Wiens:** — Oh they are. I mean there are individual companies that have multiplied their own operations by a scale of five and they're moving in multiples of that, so it's in process. We're going to do it.

**The Chair:** — I'm sorry. I intervened there because I did want to just draw committee members' attention to the fact that it's now 2 o'clock and we only have the minister until 2:30. Mr. Bjornerud has indicated that he has a couple more questions as well. I don't know if other committee members have.

Mr. D'Autremont, carry on.

**Mr. D'Autremont:** — Okay. Thank you very much. We will get off of this particularly interesting . . .

**Hon. Mr. Wiens:** — It is; it's a subject dear to my heart.

**Mr. D'Autremont:** — I was wondering, within CIC, since you deal with all of the Crown corporations, and particularly the larger Crowns, SaskPower, SaskTel, etc., how many of the projects carried out — major construction projects carried out — by the Crown corporations fell under the Crown Tendering Agreement?

**Hon. Mr. Wiens:** — I don't know what the number of projects is — somebody may be able to find it — I think roughly \$30 million in project value, was it?

**Mr. D'Autremont:** — That actually fell under the agreement?

**Hon. Mr. Wiens:** — Yes.

**Mr. D'Autremont:** — How many of those projects were won by companies — construction companies — that were unionized and how many were successful that were not

unionized?

**Hon. Mr. Wiens:** — That is not recorded, I don't think, in our own records. The contracts were let, and let under the terms of the CCTA (Crown Construction Tendering Agreement), which meant that unionized and non-unionized firms dealt with them similarly. So I don't think there's an accounting of what the organizational status of the winning bidder was.

**Mr. D'Autremont:** — I seem to . . . I received some of that information in relationship to SaskPower and so I think it is available within the corporations themselves. Now perhaps they haven't passed that on to CIC.

**The Chair:** — Mr. D'Autremont, you will be aware that the CCTA is being reviewed now and probably there will be a formal report made public within the next few weeks. So I think that probably you can get all those questions from the Minister of Labour at that point.

**Mr. D'Autremont:** — He may very well not cover though the intimate details of what has happened with the CCTA.

**Hon. Mr. Wiens:** — There were 56 projects by the way, Dan, 56 projects for the 30 million. I think one of those itself . . . I think the Wakaw-Humboldt pipeline was 15 million because I used to use the number 15 million in the House; then somebody said it wasn't true. But it was, within the first construction season.

The other \$15 million contract was let outside of that first period. So one of those projects alone is half of that and the rest were — I think that's true — the rest were the other 15 million or the other 55.

**Mr. D'Autremont:** — Would it be possible to check with the various Crowns that fall under this particular criteria to determine whether or not the construction firms winning the tenders were unionized or not?

**Hon. Mr. Wiens:** — I'll ask my officials to explore because I don't know.

**Mr. D'Autremont:** — Okay. Thank you.

**The Chair:** — Have you finished all your questions, Mr. D'Autremont?

**Mr. D'Autremont:** — Unless I think up some new ones, yes.

**The Chair:** — All right.

**Hon. Mr. Wiens:** — Just for your information, since you didn't ask and I didn't give the answer because I wanted to give you the chance to ask, there were about \$90 million worth of contracts, about 380 contracts let outside of the CCTA by the same Crowns.

**The Chair:** — Mr. Bjornerud?

**Mr. Bjornerud:** — Thank you, Madam Chair. We just have a

few questions that we missed this morning, Mr. Minister, and they're to do with SOCO. Do you have any kind of a number, as you wound down SEDCO and then started SOCO up, any kind of a number what the cost of that was?

**Hon. Mr. Wiens:** — The wind down of SEDCO?

**Mr. Bjornerud:** — The wind-down and the start-up.

**Hon. Mr. Wiens:** — Start-up is an independent action which I'll let my colleagues respond to. They may not have the numbers because SOCO does its financial accounting through the finance . . . the Treasury Board. But that's done on an annual budget basis, which is reviewable in the House because it does come through Treasury Board. So that number will already be in somebody's books.

I don't know what the total wind-down costs of SEDCO were. I think it was in the vicinity of . . . Do you know what it is?

**Mr. Wright:** — There's two aspects to wind-down costs associated with SEDCO. One is to deal with the assets that have been written down and written off and that's in the 10's of millions of dollars each and every year, as we'd indicated earlier — a \$59 million write-down in 1994 for example. Then there's administrative costs associated with a wind-down with the existing staff that's ongoing.

In 1995 we converted the old SEDCO. We eliminated it and formed it into the asset management division of CIC. As a consequence, the only cost that we would have incurred would have been if severance payments were required for staff that were no longer necessary because of prior years' work. And that would've been minimal.

**Mr. Bjornerud:** — SOCO has just announced a \$7.9 million expansion. What was the purpose of this?

**Mr. Wright:** — I believe the purpose of that — and my minister will of course correct me — dealt with Innovation Place and an expansion on . . .

**A Member:** — The Atrium Building.

**Mr. Wright:** — The Atrium Building, 1212 — I just can't remember the name.

**The Chair:** — Innovation Boulevard.

**Mr. Wright:** — There's a very high demand currently for space out in Innovation Park, and SOCO is responding to that demand by building, I believe it's 92,000 square feet rings a bell, somewhere in that line.

**Mr. Bjornerud:** — This couldn't have been done though by the private sector instead of by our government money being tied up?

**Hon. Mr. Wiens:** — The private sector is paying for the use of the facilities. I mean in the language of my good folks around Rosetown, they would call it, I think, an incubator.

You know it's the province making an investment in a facility that the private sector is hungry to get their hands on, but some of the users are not long-term users. They're people that are coming in to do something because there is . . . It is such an ag biotechnology centre that people are coming in to do specific work. They want some space; they want access to the other people who are working around, and they may get out.

Our involvements there, we're attempting . . . and I'm not sure how close to commercial break-even or whether it may be doing better than that; I don't know exactly — but it is attracting an immense amount of ag biotechnology expertise through the region and giving access to that for people who want to do diversification work.

**Mr. Bjornerud:** — During the session, \$100 million was approved for capital projects for SOCO, and I think 48 million, if I'm right, is going to Innovation Place. Is that right or is that not right?

**Mr. Wright:** — You're getting into a fair amount of detail here that . . . dealing with SOCO itself. Generally those questions, and I say very respectfully, are better to be addressed to SOCO themselves.

I believe, and I'm fishing here, that there is a \$100 million capital limit associated. You just approve an increase in the capital limit for SOCO, in part because Innovation Place moved from what was then SEDCO into SOCO, and so you're at \$48 million. That's correct. That's roughly correct.

**The Chair:** — Mr. Bjornerud, you will note that it's on the list of outstanding business items. And when we review items that we still wish to call, it may be that you'll want to have SOCO called to the . . .

**Mr. Bjornerud:** — That's really all we have. There is a couple more items I'll save until then.

**The Chair:** — Okay? Do committee members have further questions to ask of the minister and his officials with respect to the '94 or '95 CIC report?

**Mr. D'Autremont:** — This may not deal directly with the '94-95 report. It deals with something that the minister has talked about over time, over this day, and that's the task report. I'm wondering why in the report it didn't outline . . . You mention equity values for the Crown corporations but it didn't outline which avenue would realize the highest value between . . . I believe SaskTel was mentioned earlier, 760 million to roughly 900 million. What is that evaluation based on? What do those numbers represent when you look at 760 or 900 million — the \$140 million difference? What does that difference represent?

**Hon. Mr. Wiens:** — The consultants identified values under different scenarios. We wanted to get a maximum amount of information into the hands of yourself and the public without diminishing our capacity to manage our own internal affairs flexibly, by giving away information in terms of those various scenarios. So it was really a strictly commercial reason for not

attaching specific numbers to specific options while trying to reveal as much information as possible.

**Mr. D'Autremont:** — Well that commercial interest may be an argument, but that certainly makes it extremely difficult for anyone trying to evaluate the options when they don't know which option is related to which value.

**Hon. Mr. Wiens:** — That's information available to us as we're making our decisions for the future.

The other comment that we considered, in whether even to publish that much information, was the question of what evaluation really is. It is very much a snapshot at one moment in time, not knowing what other interests are, and so it really is an attempt to reveal an amount of information at a moment in time, which changes the next day.

And I mean as we spoke about earlier, Cameco shares, if I remember correctly, just in terms of an asset value, were worth \$14 when the previous government sold significant blocks of them. They were \$18 in the early days of our government but we were being encouraged to sell them, and they hit 75 within a year, I think, or two years later when we sold them.

So there is much that has a lot to do with circumstances when a value was attached. And it only has . . . the value was only a real issue at a time should we be considering selling. At a time should we be considering selling, I don't think I want the opposition to know or the competitors to know what our information is. So that's the sort of situation we're in.

So we try to provide as much information for public reference that gives the public the best opportunity to understand the nature of their investment without limiting our own options.

**Mr. D'Autremont:** — Well I think when you said you don't want the opposition to know, I believe that.

**Hon. Mr. Wiens:** — It was an inappropriate choice of words, a mistake in which . . . (inaudible interjection) . . . one of those things.

**Mr. D'Autremont:** — Then how are the public supposed to make an evaluation other than on perhaps a social direction as to the value of the Crowns when we come to looking at the various options between expanding the Crowns on the left-hand side to privatizing them on the right-hand side, when the public, who are being asked to make a determination on this, to give some input on it, when they don't know what those numbers relate to?

**Hon. Mr. Wiens:** — I think it's plain and simple as we described earlier. These assets we are responsible to manage, we want to manage them in the best way possible if we're operating them, and therefore we want to look for the best governance model, and we want to maximize their value if we're not going to operate them.

And that right is given to me to manage on your behalf, and I think we wouldn't expect the private corporation that was



trying to manage in a competitive atmosphere, where someday might consider selling some of its assets, to disclose details that would be of a competitive disinterest to the company.

So the board of directors and their management manage those affairs on behalf of the shareholders and they get approval for policies and re-electing their board at annual meetings.

And we're sort of in the same box. We want the advice of our shareholders. We want the most information to our shareholders, but we do, at the end of the day, take responsibility for the actions, having received that advice. So we want to maximize the information flow both ways but don't run away from the obligation of making the right decision at the end of the day.

**Mr. D'Autremont:** — Well if it's a private corporation not everyone in the province would be a shareholder in it, and secondly they would not be a monopoly. In this case everyone is a shareholder in the province and we are dealing in the main with monopolies on the four big ones at least.

And that makes it a special circumstance for the public who have been asked, by yourselves, to give direction. And you may as well have not put any numbers out there as to the value of the Crown corporations if you're not going to tell them what the values mean and simply say that SaskTel has an asset base of X and leave it at that.

**Hon. Mr. Wiens:** — Well this document then is a summary of what? Some 10,000 pages of consultants' advice. And there was . . . if I may say it again, we want to maximize the amount of information flow both ways while protecting the public interest with respect to not jeopardizing the commercial interest of our Crowns.

And it's . . . I guess you have to take at face value whether you believe that or not. I think if the signals given in this book are questioned, you can ask the consultants who wrote the 10,000 pages, and they'll indicate whether they think this is a fair reflection of that.

But those other judgements are recommended to me by people who have good business training and know the law and the business risks and advise me, and I appreciate their advice, and I think they've given me good advice. I think we've taken the most disclosing route we can, while still protecting the business interest of the corporation.

**Mr. D'Autremont:** — Well based on that information, it would seem to me then that you're asking for people to make a social judgement on the Crown corporations without knowing all of the financial implications of those judgements. And I think that puts the public in a very difficult position to make those judgements other than on an ideological direction.

Either you support Crown corporations or you don't support Crown corporations, and you leave nothing in between there because the information isn't available for people to make good, sound judgements based on the values and the projections of the corporations — whether or not there's going

to be a better return to the public through keeping them or a better return to the public through selling them. Because that information — from what I've seen — isn't available.

**Hon. Mr. Wiens:** — Well I think you're wrong about that in the sense that every year you can get this book checked over by the auditor and all the good people who write good things like this, that give you a fair, detailed analysis of the financial operations here.

I remember a Sask Wheat Pool meeting I was at in my youth — when I was first starting to farm — where somebody asked the new president of Sask Wheat Pool what heifer prices were going to be tomorrow and — because Sask Wheat Pool was into the auction market business — and he gave the same answer I gave earlier. If I knew that I wouldn't be the president of Sask Wheat Pool; I'd be somewhere else because I wouldn't need this job.

And so the . . . those are functions of a market-place. I think — I don't want to give a philosophical speech here — but I . . . that issue is only relevant if you want to look at that being provided through the private sector. That is a judgement that has to be made and it is one of the open judgements to be made.

And the rough values of those corporations in the instant of that — even though we wouldn't limit ourselves to those numbers — is reflected there. You can see the numbers. They're given to you as a rough . . . today's estimate of the value of the corporation.

Those values are of not particular interest. I mean if I'm not selling my home quarter, I don't give much of a hoot whether it's worth 10 times the assessment, five times the assessment, or 40 times the assessment. And it could be any one of those within a year the way prices are going, and the way the weather is. And that doesn't make my family eat better or worse, or make next year's crop yields or returns any better. It's just sort of an asset value.

So on the day they gave us the reports, those are the estimates. Wouldn't limit ourselves to those estimates in the event that we wanted to sell any of these assets, but there's no particular need to know more in order to manage these assets well. And because those numbers would be different six months from now.

**Mr. D'Autremont:** — Well there is somebody though who has an interest in those particular numbers. And in the case of the quarter land, it's the tax man. And he says, this is what the value is. And you can go out to your neighbours and say, what is the price of land selling for? And you can estimate what the value is. In this particular case, you don't know what the asset value is.

**Hon. Mr. Wiens:** — It changes daily.

**Mr. D'Autremont:** — And so does the price of land, but you can still make a reasonable estimation.

**Hon. Mr. Wiens:** — Which we did.

**The Chair:** — Mr. D'Autremont, Mr. Wiens, if I may respectfully suggest . . .

**Hon. Mr. Wiens:** — To finish this discussion later.

**The Chair:** — This is an extremely interesting conversation that is probably best conducted on December 6, at the Crown review conference.

**Hon. Mr. Wiens:** — Well that would be a good idea.

**The Chair:** — If you have no further questions of the CIC annual reports, Mr. D'Autremont, I would suggest that perhaps now is time that we could consider a motion from Mr. Trew.

**Mr. Trew:** — Thank you, Madam Chair. I move:

That the committee has concluded its review of the 1994 and 1995 annual reports of Crown Investments Corporation and the '94-95 CIC Mineral Investments Corporation report and the Crown Corporation's III or Industrial Interests Inc. 1994 and '95 report.

**The Chair:** — Is that acceptable to the committee members?

**A Member:** — I do have one more question.

**The Chair:** — One more question. All right, why don't we have one more question before Mr. Trew formally puts his . . .

**Hon. Mr. Wiens:** — I've got an answer brewing within me just ready to be given.

**The Chair:** — That's what I'm afraid of, Mr. Wiens.

**Hon. Mr. Wiens:** — I just don't know what the question is yet.

**Mr. D'Autremont:** — Okay, among the implications of this report, which has been discussed as the need to review the role of the Crown corporations as a public policy tool, if the Crowns' social role is reduced — and we've talked about commercialization — what are . . . if that happens, what are the remaining major rationales for keeping the Crowns? For example, if revenue is the key reason, could that not be dealt with through tax regimes?

**Hon. Mr. Wiens:** — I think those are exactly the sort of questions that hopefully we'll get more input into on Friday, and I don't say that as a cute duck or to copy the Chair. It is one of the key questions that confront us as we face a deregulated world where some of those options that used to be ours are no longer. And I think it is a very astute question, an appropriate one.

**Mr. D'Autremont:** — But you're not going to answer it.

**Hon. Mr. Wiens:** — There is no answer that's easy. The only thing I can say is that until we have been emasculated in that sense to the point where we can no longer provide any social benefit, I think Saskatchewan people still want us to do the maximum that we can.

**The Chair:** — I would also suggest that this will be a matter that this committee properly should discuss after the conference and after cabinet and the CIC board has considered the input from the public and so forth. And I would encourage committee members to bring it back to this committee as an agenda item so that we can continue this fruitful discussion.

Right now though, today our task is to conclude our review of the '94 and '95 annual reports. So I would ask again: are there any further questions about those annual reports?

If not, I will take it as read — Mr. Trew's motion — and I will ask the committee members, are you in agreement with the motion? Agreed. Thank you. Any opposed? Hearing none, the motion is passed.

Thank you very much. Before you leave, we've got a couple of other items of business. I had indicated that we would discuss the question of significant transactions today. I notice though that it is almost 2:30 so I think that rather than dealing with that, we will put that as an item for another meeting.

I would though at this point, formally ask Mr. Strelieff, the Provincial Auditor, to send a letter to all members of the committee giving his thoughts about how one might define significant transactions. We did have a discussion about the fact that auditors do customarily look at impact magnitude and sensitivity when they are defining significant transactions and perhaps he might wish to give us some initial thoughts on how we might operationalize this.

I would also ask committee members to review the letter that you have received from Minister Wiens and to formulate your own personal answers to the questions that he's posing in his response.

The final item then that we would have to deal with today before we take a half-hour break is the whole question of the Crown review conference that's happening this Friday. I have discussed this with the Clerk and it is possible, if we pass a motion, that the registration fee could be paid on behalf of committee members or their designated substitutes to attend the Public Enterprise in an Era of Change conference to be held in Regina this Friday, December 6.

You'll notice that I did say committee members or their designates. That would mean that we would be authorizing up to a maximum of 10 registration fees. I know that there are some government members who would not be attending and so I don't know if there are some opposition members who would want to attend in their stead, but the government members who wouldn't be attending have signed substitution forms so it's possible that we can use all 10 spots. But we wouldn't use any more than 10.

And it will also be necessary for people to submit their expense claims on the government S-4 expenses. So your expense claims would include your meal costs, accommodation, and the registration fee . . . (inaudible interjection) . . . Yes. Not accommodation. Okay, not accommodation. Just meals and registration. And certainly not travel since you've already

travelled here to come to the Crown Corporations Committee meeting.

So I'm wondering if people did want to attend the meeting, and if so, I wonder if somebody would feel inspired to make the motion.

**Ms. Hamilton:** — I would so move:

That the Standing Committee on Crown Corporations authorize the payment of the registration fee on behalf of the members of the committee or their designated substitutes who attend the Public Enterprise in an Era of Change conference to be held in Regina on December 6, 1996.

**The Chair:** — That's been moved. Discussion? Certainly.

**Mr. D'Autremont:** — I believe that the committee should attend but I disagree with the committee paying the registration fees. The public in general has to pay \$50 to attend; students, 25; seniors, 25; and I believe that we should pay our own way since the public also has to.

I think it's wrong that the committee is charging \$50. I think the public should have had access to this report without a charge, but since a charge is being made on this particular committee, on this conference, that we should pay our own way in the door.

**The Chair:** — I would just point out, Mr. D'Autremont, that this committee is well under budget in terms of the amount of public money that we have expended over this fiscal year and it also is part of our responsibility as responsible legislators to attend this kind of conference.

**Mr. Trew:** — Thank you. I was going to be silent on this, having already sent my cheque to register for this. I want to just disagree with Dan with respect to committee members should be paying their own way. In a former life I worked for Saskatchewan Wheat Pool and if there was a conference or seminar that was of any value to the corporation, there was never a question about who would pay the freight. I think as legislators we do ourselves dirt by thinking that somehow the rules should be significantly different for us.

I do share Mr. D'Autremont's view that, you know, the \$50 registration fee might be problematic for some members of the public, but that wasn't his nor my decision and I suspect there were some fixed costs they had to cover off some way or another. It's regrettable that it couldn't have been done so that his constituents and mine could attend at no immediate out-of-pocket expense.

Bottom line, I guess I'm going to be supporting the motion, although until five minutes ago I did not know that the motion was coming. I think I've said what I wanted to say about it. Thank you.

**Ms. Hamilton:** — Thank you. I too have my cheque in and I'm registered and will attend no matter what the outcome of the

vote is here today. But I think if we're formalizing this, and the motion says to authorize that the committee members will go, or designates, that what we're saying is there is a commitment to attend, a commitment to be there and be participants on behalf of the committees and on behalf of our respective caucuses, and to report back and provide service to this committee through the work that happens there.

I see it as an avenue for professional development. And also I see that as a resource to the deliberations that we bring to the committee. And with that in mind I've moved the motion for the committee today.

**The Chair:** — Any further discussion? All those in favour of the motion please indicate. Opposed? The motion is carried.

It is now 2:30. I would thank the minister and his officials for their very complete responses to the questions. And we will break until 3 o'clock, at which time we will reconvene and deal with Saskatchewan Transportation Company. Thank you.

**The committee recessed for a period of time.**

#### Saskatchewan Transportation Company

**The Chair:** — We will start our review of the 1994 and 1995 Saskatchewan Transportation Company annual reports. Is it the committee's wish that we consider both concurrently? Okay, that's agreed to.

Mr. Minister, welcome to the committee, and to your officials. I wonder if you would introduce your officials, make an opening statement, and then I will ask the auditor to make a comment on the annual reports under consideration. And I will then entertain a speaking list.

**Hon. Mr. Renaud:** — Thank you, Madam Chairperson. On my immediate left is Peter Glendinning, president and CEO of Saskatchewan Transportation Company. Next to Peter is Ernie Temrick, vice-president of strategic development and finance. He will also make a presentation shortly. On my right is James Winkel. James is a ministerial assistant in my office. And I would like to also introduce Rupert James, chartered accountant with Ernst & Young, who is our external auditor.

And I will not have any kind of an opening statement. I think Mr. Temrick will give us a presentation shortly so I will turn it back to you, Madam Chair.

**The Chair:** — Okay. And I apologize to you, Mr. James. It's been one of those long days. Do you have a comment to make on the financial statements before I ask the auditor to comment on the reports?

**Mr. James:** — We go after management, is it my understanding . . .

**The Chair:** — Well I guess I'm a little bit . . .

**Mr. James:** — I've got some very brief comments.

**The Chair:** — Do you have a management report to give?

**Hon. Mr. Renaud:** — Yes. Yes.

**The Chair:** — You see I think my brain is in total decline here; I apologize.

**Hon. Mr. Renaud:** — Would you like us to do that first?

**The Chair:** — I'm really confused. Yes, would you do that first? Then I will ask your auditing firm to make a statement and then the Provincial Auditor, and then we're all on track.

**Hon. Mr. Renaud:** — I think we're on track, Madam Chairperson.

**The Chair:** — And then Mr. McLane is first up on the speaking list.

**Hon. Mr. Renaud:** — Already? Did he put his hand up?

**The Chair:** — Yes.

**Hon. Mr. Renaud:** — All right, I will turn it over to Mr. Temrick, the vice-president of strategic development and finance.

**Mr. Temrick:** — Madam Chair, my approach, if it is okay with the committee, is to do a hand-out and walk the committee through the hand-out.

**The Chair:** — Yes. Just, when you're speaking though, speak into the microphone.

**Mr. Temrick:** — I sure will.

**The Chair:** — So that *Hansard* can get every drop of wisdom from you because they're certainly not getting it from their Chair right now.

**Mr. Temrick:** — Now, Madam Chair, in the spring of this year the directors of communications of the Crown corporations derived a format that they wanted to see all of the Crowns play to, and this hand-out is our response to that common format. The hand-out that has been distributed consists of three parts.

The first being a backgrounder on the Crown corporation and its industry; the second piece being the mandate of the corporation, some of the issues being addressed in its business plan, and operating results for the last five years; and finally, the compensation of our board of directors and the executive management for these two years under review.

The background information speaks to the structure of the corporation as a Crown corporation, originated in 1946 with a mandate to provide passenger and parcel express throughout the province. It speaks to our growth and subsequent decline in passengers. In 1946, we carried some 388,000 passengers. We peaked in 1980 with some 787,000. In 1995, we carried some 380,000 passengers. This is not inconsistent with our industry where a similar pattern of passenger decline can be seen.

And exhibit 1 of that hand-out is, first of all, a graphical presentation of STC's passenger volumes over the period '80 through '95 as against scheduled miles driven over that same period. Exhibit 2 is the Canadian profile of the same statistics. The number of passengers carried seemed to decline similarly right across Canada and there is a reduction in mileage evident here as well over that same period.

The business plan that STC has been following since 1994 has been one of attempting to break our two businesses, the express and passenger, into separate networks that will serve each of the clientele in those markets as best as possible without each other's requirements conflicting.

The corporation's rates are regulated by the Highway Traffic Board and exhibit 3, the final exhibit in this hand-out, is a comparison of STC's rates, which are the green line in your hand-out, against Greyhound rates in this province and the western Canadian average. And for the last few years, STC has been below that Canadian average.

The bottom half of that last page is a profile of the corporation's total revenues, and you can see that our fare passenger revenue, which is the red, has been declining for the past few years while the blue line, which is our express revenue, has been holding relatively steady and increasing towards the end of this period.

Turning now to the second hand-out that was distributed, we're again going over the mandate of the corporation, which is passenger and express service in the province. And we've brought out the corporation's mission and values as well. These two stem from 1994 and have not changed over this period.

The business plan, which we described earlier as being one of separating the two networks, is really based upon an assessment of the two markets that we served and an attempt to address certain issues in those markets.

The first being declining ridership. There are a number of underlying causes to that declining ridership, not the least of which is the change in the population patterns in this province from a greater concentration in the cities as opposed to the rural communities, which are the community that we serve.

The separation of this passenger service from express was designed to improve schedules and encourage a greater usage of the bus while recognizing that certain areas of the province could not support a passenger service of any kind but there was a express market there. And this is where the express strategy came in, where, with a separate truck network to handle express, not only could we operate two schedules which are more conducive to that market, but we could also serve markets that existed in the absence of a passenger market.

Another of our strategies in these past two years were automation, in that in 1994 we actually saw a bit of a decline in our passenger . . . rather in our express, and we found that many large shippers were not prepared to hand write waybills, which they had to do under our old system. And we've since introduced an automated shipping system into several of our

largest high-volume shippers.

Then too, the financial results for the last five years are presented in the calendar year format which is currently our fiscal year. And you can see that over the five-year period '91 through '93, we improved the bottom line fairly substantially, largely through . . . there was some significant mileage reductions here in July of 1993.

In 1994 the bottom line deteriorated somewhat, and we believed that if something were not undertaken here to grow the business, that that would be the trend long into the future. And we began a process of implementing this business plan, bringing on a truck network, beefing up our express sales resources, our pick-up and delivery service, and in 1995 we experienced a loss of 5.5, which is at least partly attributed to the fact that we were building up the structure to support a larger market which has not yet actually materialized.

In looking at the change, '94 to '95, the gain in expenses is seen to derive directly from that express market strategy where the increased expenses are related to things like the addition of the truck network, the addition of a P & D — which is pick-up and delivery service — some increased marketing and promotions, and finally, the interest and depreciation charges which go up with the investment made in the company.

So the decline in the corporation's bottom line was about 2 million, which is attributable, for the most part, to the implementation of the express strategy, which in the end, we believe is in the best interests of the long-term prospects of this company.

The final piece that I distributed to the committee was the board of directors' remuneration and that of senior management. I really have no comment to make on that. The numbers are available there and should you have any questions, we'll be prepared to address them.

I'd like to, just briefly, turn to the 1995 annual report. And I guess page 16 is the one I want to direct your attention to, simply because we may have a little bit of confusion due to the fact that within fiscal '95, we changed our fiscal reporting period from a year ending October 31 to a year ending December 31. And when you do that, you've got a little two-month stub period that you have to report on in some fashion.

I guess we went to a little bit more effort than is typically done in terms of trying to be as plain with the presentation as possible. And what we did is we presented in our annual report a comparative which jibes with our previous year's annual report, that is, a 12-month period ending October 31, '94.

Then we showed separately what the two months ending December '94, what the results for this period were, separately. And then we presented a 12-month period for the 12 months ending December 31, '95, which is our new fiscal period and will be directly comparable to our 1996 numbers when they're published early next year.

So what did we do? Well we ensured that there was a continuity between 1994 results as published in the annual report and the comparatives in this annual report, and we sort of insured that we would be through all complications with the change in fiscal in next year's annual report.

However in speaking to the committee about the trend in results, I wanted to deal in consistent 12-month periods. And in order to do that I have restated, restated all my numbers for the five-year period, to a 12 months ending December 31. So that you're looking at 12-month periods right across the piece. That sounds complicated, but it was meant to be a simplification. Thank you.

**The Vice-Chair:** — Thank you, Mr. Temrick. That's very typical of the little company that can, in that you do what you can to make it easier for us to understand. And I certainly appreciate — your explanation is fairly simple — what you've done and it allows us to compare apples to apples. You and your president, and of course minister, are to be congratulated on that.

The Ernst & Young auditor representative is Mr. Rupert James, and I'll turn the floor over to you.

**Mr. James:** — Thank you, Mr. Chairman. Yes, I'm the audit partner who is in charge of the audits for both of the years under review — 1994 and 1995. And you will notice on page — looking at 1995 — page 14 of the annual report, the report that we've issued to the members of the Legislative Assembly, which briefly, in our opinion, these financial statements present fairly the financial position of the company at that December 31 period. And there is a similar report on the 1994 financial statements which is found on page 16.

All I can say is that we received very good cooperation from the company and were provided with the information that we asked for, and we worked directly with Mr. Strelieff's staff in conducting the audit. There were some issues that were raised which we discussed with Mr. Strelieff's people and I believe you are going to discuss those issues as they are set out in your report.

**The Vice-Chair:** — Thank you, Mr. James. Mr. Strelieff, on behalf of . . . Well you're the Provincial Auditor, but on behalf of your department, you have some comments.

**Mr. Strelieff:** — Okay. Thank you very much, members. And yes, Mr. James is right, we worked together and agreed on the financial statements. For our office, Karim Pradhan, who's with me today, was in charge of the file on STC. As you know, several years ago our reports to the Assembly were quite long related to STC, and the more recent one, that we just published last week or so, was far briefer and more positive about the practices at STC.

And our office thinks that the organization has done a good job of improving the basic financial management and internal control issues. And the one issue that remains outstanding relates to the implementation of the cash revenue receivable system, which I understand has been done or is in process. So I

certainly look forward to even that issue being off the table in 1996.

So in general a positive perspective on the basic internal control issues facing STC. Of course you all know that they face other kinds of revenue-raising issues which I'm sure you're going to be discussing later. Thank you very much.

**The Vice-Chair:** — Thank you, Mr. Strelieff and Mr. James. Are there any questions of the auditors?

Seeing no questions, no hands going up, I thank both Mr. James and Mr. Strelieff for your comments on the auditor's reports. Little editorial comment — it is very delightful for me sitting here and hearing the words of praise to the little company that is struggling so valiantly to get accurate reporting and being responsive to us and to the public.

With that little editorial comment, Minister, I'll turn it over to you for some opening comments.

**Hon. Mr. Renaud:** — I just want to say that I think we should just get right into the questions and I'm sure that the president, Mr. Glendinning, and Mr. Temrick and myself will try and answer those questions.

I believe we have a company here that is providing a service to the people of Saskatchewan. It has had its financial troubles. We're attempting to turn it around and will continue to do so. So I'll just leave it at that and open it up for questions.

**The Vice-Chair:** — Thank you, Mr. Renaud.

**Mr. McLane:** — Welcome, Mr. Minister, and to your officials; also to the auditor. Yes, I too am happy to hear that the Provincial Auditor basically likes what's happening within STC in terms of the way it reports and the way it handles its reporting. That's something that is always nice for someone to hear that always has had a problem with some of the Crowns in the way they're looked after and run.

However, my question is not to do with that; it's more to do with your . . . with some of your new initiatives, Mr. Minister. And of course you embarked on a major restructuring program basically because of the down traffic that ST (Saskatchewan Transportation) has seen over the last number of years as indicated in your report. However, you have moved to . . . it appears you have moved to an additional service in freight which is where I would like to direct some of my questions to you to.

When you were deciding on the direction that you might take and how you might sort of refinance or reinvent the company, what types of discussions did you have in deciding that: (a) to dissolve the company or to at least do away with the passenger service that wasn't viable, and decide on a freight service that would basically supplement your passenger service in order for the corporation to survive? I'm interesting in knowing what the discussions were and if it was basically to try and . . . to ensure that the company itself would survive.

**Hon. Mr. Renaud:** — Well I will briefly comment on it and then I will turn it over to President Peter for his comments. But as the financial statements indicate, passenger revenue was going down; freight revenue was increasing. To continue to provide the passenger service in the province of Saskatchewan, we decided to look at the freight side.

The problem with carrying freight and people was that it didn't really match that well. Like when people wanted their freight was exactly the opposite as to when people wanted to get on or off the bus. So it made a lot of sense to us to try and divide that so that we could not only give people better times of using the passenger service and perhaps increase that usage, but also giving farmers and garage operators and industry, better times at receiving freight.

I think it's beginning to work. Certainly in the statements that we're looking at, you know, the growing pains are there, and getting into the freight side certainly shows up there. But I think as we . . . you know, certainly we haven't turned the corner yet. But I believe that we will see over the next few years that proving itself.

Peter, do you want to add to that?

**Mr. Glendinning:** — Yes. Mr. McLane, we started the discussions — the strategic planning — based on our financial performance and what we broke down in terms of the passenger revenues, passenger costs, express revenues, and express costs.

And at that time, at the end of '93 into '94, you would recall that we were operating all of that within the confines of a bus — bus and bus schedule. And we realized . . . And we had also made reductions in bus operations, passenger operations, because of the costs relative to the revenues being generated both by express and passenger on certain routes. And we had either eliminated a few routes, and made schedule reductions in a number of other areas.

It became apparent that at one point, at one point in time — maybe in the '50s, '60s, and '70s — the utilization of a full passenger bus to carry freight was an economy; it made economic sense. But the circumstances had changed dramatically during the '80s, with STC, so that — in part because of express revenues now exceeded the passenger revenues, which was a reflection in part of express increase and passenger decrease — that express, both in terms of operations and terms of attention within the company, tended to be the tail wagging the dog.

We regarded and reinforced the mandate of the company . . . was to provide passenger service to make it accessible throughout the province. We viewed express as incidental to the provision of passenger service, but we saw that express, given the revenue growth, provided us with an opportunity to further grow that express revenue in support of the passenger services, specifically so that we could avoid further passenger reductions.

We can improve financial performance in STC quite dramatically, but in my mind, in our minds, it would destroy the fundamental objective of the company. We could dramatically

reduce, eliminate, a number of runs, improve the profitability picture, but then at the end of the day what do you have in terms of the nature of the company? What's it to provide?

So we're trying to find a balance between the mandate, which is to make passenger service accessible, and the structure of the company, which is to turn a profit or at least break even. It's a good balance; it's an interesting balance and very demanding.

So having examined the express revenue line, we came to recognize that we had to expand our revenue in express, as you can see in '94. Partly because of the changes we'd already made to the bus express system, we were starting to show an erosion of express revenues. We didn't provide sufficient coverage on a daily basis to the shippers, to the consignees, throughout the province. Hence they were using Purolator Courier, Loomis, Priority Post. They had been doing that extensively anyway.

In order to build the line of business that seemed the most viable, we realized that we had to do it and minimize the costs of doing it, so we focused on improving our express share of the express market from 8 per cent to 14 per cent. And we're well under way in that regard. We wanted to put the express into a less costly form of movement. The idea of having buses running around the province that cost a capital outlay of \$400,000 to move express packages made it inherently untenable that you could ever make a profitable express dollar.

That was all right when passengers were filling the top of it and express was on the premiss of the buses going anyway, but we were well past those days. I'll give you an illustration, Mr. McLane. Prior to my arrival the company made an acquisition of 11 coaches. They were large coaches — 55-passenger coaches. The coaches cost over \$400,000 — 430,000, I believe — but in the vicinity of 400,000 each.

They were purchased, not because we needed them for the passenger capacity, but they were purchased because they offered the freight capacity we needed to move on various routes. Now if you're filling them with passengers that makes eminent sense, but if there's . . . and the average load factor on those buses when they were in use was 6 per trip on a 55-passenger coach.

So there's something inherently wrong with that picture. You've kind of followed your logic to the point of being illogical in the operation of the system. We can provide a greater freight capacity in a truck that costs us \$100,000 or less than spending \$400,000 to move freight around in a bus, or even at a less costly type of coach equipment — \$380,000.

So what we sought to do was to improve our share of the express market at a lower cost of operation, and the way to improve the share of express market was offer the customer what they needed, not . . . the bus system provided a good system when the bus schedules went and we had farm-implement distributors that used us all the time, whenever they could, but we only had 15 per cent of their express business. In order to get 80 or 90 per cent of that business we had to provide what the couriers were providing — a next-day service that was reliable. And of course we were . . . we had to

be competitive within the rate structure of the couriers.

That got back to the issue of the capital equipment again fundamentally, and you had to do that with a trucking system — vans, 1-tons, and 3-ton trucks — as opposed to \$400,000 passenger buses.

Now the fundamental objective was to create revenue to improve the stability of the passenger service so we didn't have to cost it out of existence. But almost as significant was the opportunity that taking freight out of the buses provided us for the buses and the coach systems.

The minister has alluded to the circumstances. Because the revenue had become so predominant in STC from express, we had buses leaving major centres or arriving in major centres at times it suited express. Consequently we were imposing conveniences on passengers — and they were hard to get at the best of times — we were imposing inconvenience in scheduling on passengers because it suited the express system.

Well we didn't quite satisfy the express system because we weren't providing a type of service that the express needed. As an illustration, express would prefer to leave Regina at 9 at night or 10 at night so it's all gathered up. Passengers obviously wouldn't stand for that because they'd arrive in the middle of the morning, and express doesn't mind that. So if we went when the passengers wanted to go, at 4 or 4:30, we weren't getting the express needs met — same equivalent.

So with the express off the bus, we can have the passenger bus go when passengers want to go and go on days when passengers want to go, and return when passengers want to go, depending on the geographic distance from the centres and the purposes. As you work further out, you find that the reasons change. If you go to Strasbourg, you find that they want a same-day return. If you get out to, say, a Preeceville or a Norquay, you find that riders on that route would prefer, rather than a long day, a next-day return.

Now with the freedom that no express or limited express gives us, we can now start to tailor the passenger schedules to the convenience of the passenger market. And we're working our way through it presently on a route-by-route basis.

The other thing . . . and I'm sorry . . . I'll find that. The other thing that it offers us is the obvious, is that where we have an average of six passengers on a route, and where we can make it more convenient, and we might anticipate even doubling that to 12 or 15. And those are realistic expectations. We do not expect to see hundreds of people returning to the bus system.

We can tailor the size of the equipment to the type of ridership that you expect on the route, so that the capital costs are lower, the operating costs are lower — somewhat lower — and get your economies of scale back in proportion in terms of the passenger operation. And we again have been able, having gotten into the venture, begun moving the freight off the buses into the truck system. We've been successful and continue to be successful as we proceed in each of those ventures.

**Hon. Mr. Renaud:** — I just want to add that — and Peter alluded to it right at the end — but it allows us to take a look at smaller buses as well, passenger buses, so the size of the equipment and the cost of the equipment and utilization.

**Mr. McLane:** — Thank you, and I would commend you for that move and I give you credit, Mr. Glendinning, for initiating that. However the majority of the people of the province, myself included, were talking about that and asking for that 15 years ago as these big buses were running up and down the highways near empty. So that's really not my major concern here; you're running smaller buses, trying to be more efficient — I commend you for that.

When I initially asked the question of the minister, was the discussions around increasing your freight market . . . did you look at to see if there was a need out there for additional freight service in the province, is a question that I would ask.

**Hon. Mr. Renaud:** — Well we believe that there was. We believe that the . . . we have to remember that the courier services that provided the service to rural Saskatchewan basically were Canada Post owned. We believed that there was some room for us to be in that market. We were looking at 14 per cent of the market.

We believe by providing a better service — we had the agents' system already in place — that it made perfect sense that if we utilized that agent network properly, that we should be able to move up to 14 per cent of that express freight business, which would allow us then to hopefully break even as a company, which means, of course, taking some of the express side and, if you want to say, subsidizing the passenger side, which declines in a province that, if you take a look at our demographics and the changes in the rural/urban population changes over the past years, that we needed to do something.

The other services, the other courier services, do not provide a passenger service and provide just that freight service. So we believe that there is room, we still believe that there is room, and we think that we will get to 14 per cent, which is, I don't think, a huge amount of the business, and then allow us to provide a passenger service to the people of Saskatchewan.

Peter, do you want to add to that?

**Mr. Glendinning:** — I'll be brief, Mr. Minister. Mr. McLane, I'd start off by pointing out — and I don't mean to be rude — but this wasn't a new business to us. We were already in it and we were already competing with Priority Post, Loomis, and Purolator. Within our bus network, we were competing ineffectually with them. We had started to see an erosion of our express revenues. We had — by doing what we did well — we gained 8 per cent of the market in Saskatchewan, which is estimated to be between 70 and \$90 million annually. But Purolator and Priority Post, owned by Canada Post, their market share in Saskatchewan is 70 per cent of that 70 to \$90 million. Loomis has something in the order of 18 to 20 per cent of that.

In operating as a bus company we were in competition with them, but we were relatively small potatoes as competitors and

we were already seeing a loss of some of that business to these existing competitors. So the issue was, are we going to do in a better way . . . are we going to be more effectively competitive?

And of course in order to compete effectively we talked to the customers about what we weren't providing and why we weren't getting their full service. And it was obvious that in order to maintain and grow revenues we had to get into that business in a different way. But it's certainly not a . . . it's not a new business; it's a new way of doing the same business. We feel it's a more effective way of doing the same business.

**Mr. McLane:** — I realize your freight revenues were fairly flat from right on from the early '90s right up to '95 and you're talking now of increasing or almost doubling that to 14 or 15 per cent, if I understand you right, from 7 or 8.

The question I would have . . . and maybe if I could just quote from a letter here that was sent to the minister. One line kind of would indicate what I'm trying to get at here is, that this association which is the Regina courier association:

We are writing to you as an organization concerned about the potential of competition subsidized by ourselves.

So what I'm saying is that we have government now planning to take a bigger chunk out of the freight market that the private entrepreneurs were doing across this province. And from what I can understand, were meeting the needs. I haven't really had anybody tell me that there was a whole lot of need for another business to supply the freight.

I talked with the truckers that are up our line. There's more than just the couriers. We have freight shippers that come up our line once or twice a week. They're talking about now cutting back their service maybe to one day, and I'm just wondering if you really should have been trying to subsidize the passenger service with the freight side of it at the jeopardy of many small businesses in the province, and that being the freight haulers.

**Hon. Mr. Renaud:** — Well I think, and I'm not sure, did you get a copy of the response to that letter? I think I did respond, and certainly I believe that the concern was inner city and we are . . . you know, we're not in a competition, inner city, for sure.

I guess the courier service in rural Saskatchewan have to understand that we — like Peter said earlier — that we were in that business. We always have been, and we were sitting at what, 7 or 8 per cent of the business, trying to increase certainly that share to some degree. If Canada Post wants to carry passengers around the province, we certainly would take a look at maybe not trying to increase.

I mean I guess what you might be telling me is, get out of freight, but if we get out of freight, we've got to get out of passenger as well, I think. So you know that's where the decision is, unless you can tell me where there's other areas of business that we should be looking at in order to continue the service to rural Saskatchewan.



**Mr. McLane:** — I guess this discussion, or part of it, would have fit in this morning and this afternoon, where talking with the CIC minister, and the Crown's perspective is trying to determine what the mandate of a Crown is. What is the mandate of STC? Is it the bus service, and has it been for, as you mentioned, sir, for many years a social service that's been subsidized by the taxpayers of the province?

If that's what it is going to be, then you as a government have to decide if that's what you want to maintain. If you're going to have a social service there and subsidize bus for whatever areas of rural Saskatchewan, most likely it is.

Since the changes, and I can relate most easily to where I live, we've seen a decrease in bus service. And so what have we gained by you subsidizing your passenger service with freight? I do see a lot of . . . One of the questions I was going to ask . . . and I think I understand you talked about 14 per cent, how that relates into millions of dollars as compared to, say, a '95 figure. Maybe that's a question I would ask you. What's your '95 revenue figure from your freight service and what do you project it to be in 1996 after the expansion? Because I do see a lot of STC trucks on the road.

**Hon. Mr. Renaud:** — Our '95 figures will be in the financial statement, express revenue, 6.7. What they will be in '96, I don't know 'til the end of the year.

**Mr. McLane:** — I'm sure you must have a projection . . . (inaudible) . . . I mean you're doing this . . .

**Hon. Mr. Renaud:** — Well, I would think — yes — I would think that they will be very close, probably slightly higher. Still, you know, the growing pains of beginning a new service and having people know the service and respect the service and trust the service. And like I said earlier, we're just beginning to turn the corner. I think you would see likely a lot more improvement probably in the '97 year end report than you will see in the '96 year end report.

**Mr. McLane:** — However if you're talking 6.7, you're talking 14 per cent of the market as opposed to 7. You should almost be doubling your revenues, and if it's going to take you five or six years to do that, in the meantime you've taken revenue from a lot of these private operators that were already established. They didn't have to go through the upsizing. So my question is, was this a wise move and is it going to jeopardize a lot of private industry out there?

**Hon. Mr. Renaud:** — I would think not. I would think it would not jeopardize. I mean, you know, like I said earlier, we have been competing all along and so I think they know that STC is there. They make their business plans according to what they see fit. We make ours, you know.

I guess we have to remember that the face of rural Saskatchewan is changing dramatically. I think the use of this type of service is increasing dramatically. I think, you know . . . I mean rail is a thing that's gone, and certainly the courier service, the STC service, is becoming more and more important especially on the freight side. You have less dealerships in the

communities in rural Saskatchewan. You have more centralized services. So that you will continue, I think, to see an increase in the need for that service. So the increase from 8 to 14 per cent could very well be a lot of new business.

So I wouldn't think we're a threat at all to the private sector.

**Mr. McLane:** — That certainly isn't the indication with the amount of calls that I get from truck lines and of course the courier service. And I guess I can understand it. The service wasn't being met out there before. And I think it was. And I think the private couriers would have adapted if you're talking about all this increased traffic because of distances and stuff; that's fine. I think the service was being met.

So I think that you're going to find that a lot of these private entrepreneurs are going to have trouble. It's awful hard for people to compete with government. The government has a lot of people behind it in revenue and I just think it's inappropriate that STC would try and take a major share of that market when the service was being provided.

**Hon. Mr. Renaud:** — I'm going to turn it over to Peter because Peter has had several meetings with the trucking association and he will talk about some of those meetings.

**Mr. Glendinning:** — Mr. McLane, I just want to emphasize three points. One — and I'm familiar with the letter that you cited — it is from the in-city courier association which moves goods within Regina, or in this case it's Regina, from point A to point B. That is not a business that STC is in, nor have we any intention of getting into that business.

The involvement STC has in either Regina, Saskatoon, or Prince Albert is to move goods from a customer of ours to our freight facilities and out into our truck system. We do not move goods from point A to point B in Regina or Saskatoon or Prince Albert, only in so far as part of our distribution from a customer to a customer, and in that respect we don't . . . we're not on the same competitive market with those in-city couriers.

And the second point that I would emphasize I guess, because the minister mentioned it, is that there are no . . . for to any large extent, there is no system of private entrepreneurs, if you wish to call it that, in rural Saskatchewan. The competition in the express business throughout rural Saskatchewan comes, as I said earlier, from Priority Post and Purolator, both of which are owned by Canada Post, and Loomis, which is owned out of Australia or New Zealand.

We are not competing within the rural system on an express basis with a provincial courier system. In terms of the general merchandise carriers to whom you refer, I share a concern personally about those carriers, and as we set this system up we met I think three, possibly four times, with the general merchandise group from the Saskatchewan Trucking Association — I was present at all the meetings — and then sometimes with the general merchandise conference.

The type of business that an express courier does is not the type of business that a general merchandise carrier seeks. Now the

general merchandise carrier will take express if you define it as something 70 pounds or less when the truck is going if the customer has it to go. But the general merchandise carrier does not have a schedule — much like the bus issue — it doesn't have a schedule that meets the needs of the courier-type express parcel.

So you end up with a general merchandise carrier which may operate down a route two days a week with carrying fridges and it may carry something of 20 or 30 pounds if it needs to go that particular day.

The result of our meetings with them and in fact in front of the Highway Traffic Board, where we needed the authority, were that we agreed that we would restrict our weights to 70 pounds or less, and restrict the amount in terms of total shipments as well in conjunction with them. As a consequence of that, the trucking association withdrew its objections, in front of the Highway Traffic Board, to our application and they didn't appear in opposition.

And I should point out that those limits are the same as the limits that are held by couriers like Priority Post, Purolator, and Loomis.

We did have one . . . Purolator opposed us, but we also had opposition from two general merchandise truckers who . . . well the members of the truckers' association acted in their own right and voiced objection so I don't want to misrepresent the situation to you, but the last comment I would make goes back to this thing — the comment you made earlier on in terms of express. I would agree with your comments that there was no need for an express business in rural Saskatchewan generally because you've got Loomis, Purolator, and Priority Post, with one exception. And it's a very important exception.

I initially downplayed it, but we had rural coordinators who spent a good deal of time with us since '91 reporting back from rural Saskatchewan. And they came back and talked to us about passenger needs, and they said that rural Saskatchewan needs STC express to get the courier prices in line and to provide express when the couriers aren't running.

Now I thought, as you suggested, well who needs a Crown corporation to provide those needs? We've begun to examine over the past while the dependence of rural Saskatchewan, particularly the agricultural economy and to a lesser degree the oil industry, on STC and on those times when the couriers aren't running, and they're enormous. We've tended to devalue ourselves the dependence of the agricultural economy on STC when it runs the service on the weekends or it runs the same-day service on the bus schedule. And the same with the oil industry, because there isn't anybody else doing it, period. There's just no one else doing it.

But couriers, to provide the same type of service that we provide for say Oxbow or that oil industry area right now, would charge up to \$200 to \$250 to provide a service that we provide for roughly the same weight around \$10 to that area. Maybe we're wrong in not charging more for the value of the service, but okay, so my point is that there is a need for that

type of service that is not being met by anybody.

STC had met it over the years with the bus system and it's still there. If we're not there, there's a significant issue in terms of the agricultural economy, those that need that kind of same-day service or weekend service.

**Hon. Mr. Renaud:** — I just want to add a little bit. I think if you look on . . . at our mandate, which says: we act as a common carrier providing passenger, parcel express, and freight services, that's our mandate. Our mission and values' entrepreneurial spirit is part of it.

Now unless you're suggesting that we change that, and I guess I would have the question to you, Mr. McLane, is, what would you do? Would you have a subsidized service and forget freight? Would you rely on the taxpayers to provide a passenger service or would you sell STC or what would you do?

**Mr. McLane:** — Hopefully that I . . . Maybe in three or four years that one of us will be sitting there and you can ask us that question at that time. Right now I think it's appropriate that we're asking government. We're asking why you did this; we're asking if there was a need.

And we're asking you if that is your plan, to ensure that this Crown corporation is going to be a — not a cash cow, I guess, as some of the other Crowns are . . . but try and have it to be on a break-even situation to supply the passenger service to rural Saskatchewan.

**Hon. Mr. Renaud:** — Well I appreciate that. I just think as official opposition, if you're saying we're doing the wrong thing here, I should know an alternative I guess, or what you would suggest that you would do if you had the corporation.

**Mr. McLane:** — As I said, hopefully in maybe about four years time we will have the corporation and we will tell you at that time what we will do. Our question right now is, the couriers, the people that are hauling freight, are saying that they're concerned with government funds operating a courier, a freight system.

And I'm asking you if your intentions are to further expand or if it's simply to offset the cost of a passenger service which, as I said earlier, in my area of the country the passenger service has decreased to virtually nothing. So we haven't seen a gain. If there's a gain to . . . or a plan to ensure that our passenger service is going to be supplied — whether it's a four-person van or a 10-person depending on the needs — then I'd like to see that.

**The Chair:** — I assume, Mr. Minister, that you feel that you've answered the question.

**Hon. Mr. Renaud:** — I feel that, yes.

**Mr. McLane:** — Maybe some of the back-benchers that won't speak up in the House, Madam Chair, would be prepared to stand up now and make some comments.

**The Chair:** — No, the back-benchers are going to stop speaking up right now. I can assure you of that, Mr. McLane. I can assure all of the back-benchers of that. Do you have other questions?

**Mr. McLane:** — Well I do, but I'll let someone else have an opportunity.

**The Chair:** — Okay, thank you.

**Mr. Goohsen:** — Thank you, Madam Chair. Well, Minister, I've enjoyed the debate, which is somewhat repetitious of the things we've gone through in past years with this company. Now you've asked the Liberal opposition what they would do to change the problems with this company and they of course don't have any answers, and probably wouldn't have in three years if they did form government. But we do have answers and we have alternatives and we're not afraid to tell you today what we would do.

First of all, the way to cure your problem is to identify why you're losing money, and I wanted to suggest to you that I'll ask for your input into this observation.

I think first of all you have to check and see on your own figures here why you've increased your labour force at a time when you have reduced your number of runs and reduced the number of miles or kilometres that you've been travelling. Obviously there is something there that doesn't add up.

Now you also have come in here for the last five years and shown us that you've lost money consistently every year when last year you assured us that there was a plan in the 1994 . . . 1993 year end that we were reviewing.

You assured us in that time that there was a long-term plan that would make this company viable and that it would break even very soon, and that the plans you had were going to work. And then you carried that on into 1994-95 and '96. And that plan obviously is not working because we are still seeing not only a deficit but an increased deficit.

Now, Mr. Minister, just for an observation. If you were running the Toronto Argonauts football team and you were the person who represented ownership — as the minister in charge of STC, you are the person representing the ownership, which is the taxpayers of Saskatchewan — and you came in with a team that had lost every game for the last five years and had lost money every year for the last five years and no government body was willing to bail you out any more, what's the first thing that your owners and the fans would demand? A change in the coach. Sack the coach. I'm telling you, my friend, as bad as I hate to say this in front of the people that are in the coaching position, you've got to change your coaching staff because they haven't identified the critical problems within your company. So that's where you've got to start — is fire the coach.

The second thing you've got to do is take a look at your board of directors that you appointed that are dreadfully failing this coaching system by not giving them the proper advice obviously, otherwise you wouldn't still be losing money. So

you've got to fire your board that you've hand-picked, get rid of those people that are hand-picked as a result of their political patronage, and find some people that know how to run a bus company and get them to advise you and put them on your board. That's what I would do and that's what our government will do when we form government.

Now the next thing of course is that we would solve the whole problem by not just firing the coaching staff, we would sell the company. That would even be better. Now have you any long-term plans to sell the company, Mr. Minister, because obviously if you did and piecemealed it out to individual couriers that are already represented out in rural Saskatchewan and which you fail to allude to . . .

Parts of this company have already been abandoned, parts of the routes have been abandoned. Those routes have been picked up by private people, private individuals who are running them, I suspect, at a profit or the banks wouldn't be allowing them to continue to operate. So do you have any long-term plans either to change your coaching staff or do you have any long-term plans to sell the company?

**Hon. Mr. Renaud:** — First of all I would presume that you would fire the coach. I've noticed a lot of ball teams and hockey teams that have fired the coach but really haven't solved the problem. I might not have a Doug Flutie on my team.

I think the board of directors have done an excellent job. Blood, sweat and tears at the meetings to try and pursue a break-even point at the Saskatchewan Transportation Corporation; inheriting it at a time that it was in not great shape, a lot of changes had to take place. We're working through a lot of those changes, and I think we will see improvements over the next while.

So I wouldn't fire my coach. I think you have to understand, and I guess you would have to come straight with the people of Saskatchewan, if you do sell the Saskatchewan Transportation Company to the couriers of the province, what happens to the passenger service?

I guess you have to make a decision then that there would be likely no passenger service in rural Saskatchewan. You might have the main lines like Saskatoon to Regina, Saskatoon to Prince Albert, perhaps Regina to Moose Jaw. That would be about it for passenger service in the province of Saskatchewan because that's virtually the only areas that shows a positive return.

So I think that's . . . when you talk about selling the corporation, you have to remember that that's likely what would happen. You may have no passenger service or you would have a very, very small route.

So we believe that combining freight, a good freight service, with a good passenger service, looking at the fleet size and what the bus size should be and what the van or truck size should be on freight, providing better service to the people of Saskatchewan, that we can hold on to a reasonable network of

routes to serve the people of Saskatchewan, plus provide them a freight service that's beneficial to rural Saskatchewan for the 21st century in light of all the changes that are taking place with reduction in population in rural Saskatchewan versus increase in population in urban Saskatchewan.

**Mr. Goohsen:** — Well, Minister, I've observed the Crown meetings through the day and it would appear that we are entering into more of a philosophical debate format than we are into review of how things work.

But that's been the process throughout the day and I think probably we might as well pursue that because the reality is that you've alluded to the fact that a company that was formed in 1946 is losing money because it has growing pains.

I want to suggest to you, Minister, that in 1947 and 1948 the company maybe had growing pains. In 1994-95 and going into '96 very shortly to be ended, this company is not having growing pains. It has a death struggle. And it is a company that is dying on its feet and you should probably admit that to yourself and then take a look at some of the realities that are in the real world around you that contradict your statements.

For example, the passenger service and the freight service from Leader, Saskatchewan to Swift Current, Saskatchewan has been carried on ever since STC abandoned that route many years ago. It is a profitable company run by a couple of individuals with their own private truck and their own private input. They're doing quite nicely they tell me. I ask them every time I see them, how's it going, and they say, quite fine; we're doing well.

Now STC couldn't make that run — one of the first routes that they abandoned because it was a loser. It is a clear example of the fact that if the need is there the private sector will pick it up. You sell this company and the private sector will take care of the fact that there will not only be passenger service where it's needed but there will also be freight service where it's needed. It will happen.

I will suggest to you also that if you want alternatives — and you said you'd like somebody to tell you how to run this company and how to make money — the clear alternative is that you cannot afford to send buses of any size out on a route where you have six passengers. If that is your average passenger load, you'd be cheaper off to buy them a car and donate it to them and give it to them and supply them with the gas than to run your bus. You'd be better off to hire a taxi to take these folks out rather than to run your own bus.

Maybe some days that's what you should do. If your bus arrives at a location and you find only three people, hire a taxi and send them and leave your bus at home. I mean maybe those are some of the alternatives that you have to start to consider, is that you will have cars or those kind of cheaper vehicles that cost 30 or \$40,000 rather than to continue to drive these buses up and down the road.

Now I want to ask you directly though, Minister, why has the staffing gone up so significantly in the last couple of years

when obviously the number of miles and number of routes and everything has declined? And why have you not studied further the option of letting more of these routes go to private operators like the one from Leader to Swift Current?

**Hon. Mr. Renaud:** — Okay, we'll deal with the staff question. And certainly we . . . there were five increases in passenger sales part-time ticket agents. There was a decrease in coach operations driver, reductions of one. There was a decrease of two in bus development and communications. There was an increase of 25: 12 drivers, 9 express shift additions, 3 sales, and 2 management support on the express side. There were three maintenance — additional service line workers. There was one communications officer and there were four project staff additions to maintain the work flow and part-time management support for an increase of 35.

In the process of change often you will need additional staff. And certainly this is an area that we continue to look at on a continuing basis. And we will continue to look at that because certainly you have to be right-sized. There is no question about that.

In regards to the lines that communities have been interested in, it certainly is a success story in some areas. Shellbrook to Blaine Lake, that was . . . we're not dealing with '96, but that's certainly one route that was just taken over by a person from the Shellbrook area providing a service. We have the Little Red Bus Line in the Bengough area, which is a success story.

Works in certain areas certainly; in other areas it's very difficult. You have to have the community support. If you look at the Little Red Bus Lines at Bengough, where you have the users of the system in fact putting the money into the system. You have a garage owner, I believe; you have a value added agricultural person; you have the seniors' groups that have put money into this bus service. And they use it. They control the costs and it's very successful. And where it works we certainly are supportive of that.

**Mr. Goohsen:** — Well, Minister . . .

**Mr. Glendinning:** — Mr. Goohsen, may I add something further on that? I'm familiar . . . and I take a great deal of pride in Mark Clary's operation out of Leader as well. But as with the Little Red Bus Line and Bakaluk services that serves the Kenosee area, without STC in the picture in one shape or form or another, the results for those companies would be dramatically different. The Leader bus operation provides passengers through Swift Current for Saskatoon on the STC system, into Regina on the Greyhound system, and so on. So that you end up having a necessary network.

I don't deny . . . and I think that it's an appropriate form of passenger service in rural Saskatchewan for smaller, independent entrepreneurs that bring less cost than STC does. But without the inter-line facilities of STC or some such operation, those passengers do not get past Swift Current from Leader.

So that you've got an interrelationship. STC provides low

inter-line rates, if you will. for those services in order to make sure that those companies continue to perform so they're not faced with huge costs in terms of depot and facility charges.

**Mr. Goohsen:** — Well, sir, you've made my argument for me by mentioning the word Greyhound. Obviously if STC can organize the networking, and networking is necessary with all kinds of bussing and all kinds of freighting — obviously that's true in a province where we all live so far apart; that is the only way that things can work.

However, to suggest that STC would be the only vehicle that could make that happen, to me doesn't make sense, because it seems to me that Greyhound has learned how to network, and I would expect that STC probably has studied other bussing throughout the world in order to get some good ideas; or maybe even some bad ideas, seeing as how we keep on losing money maybe some of them aren't that good.

So maybe the reality is though, that if you give people the opportunity to put private industry to work on the lines that are now supposedly very profitable, potentially going to turn around the problems at STC, as you people are going to continue to run it, if they're the best runs and you've already abandoned the worst ones — and we've got examples now, several of them, of people who have picked up on their own and taken those worst routes and turned them into success stories running their own little systems — now if you give them the best routes, how can they possibly fail?

You've kept the best ones for yourself and you still can't make it go; they've taken the worst ones and they've made them go.

That tells me that there's an analogy that's got to be followed here, that private entrepreneurs are able to make a success where the community purse has failed. And the reason, I'm going to tell you, Minister, again is that you've got to go back to identifying where your problems are.

Is it not true, Minister, that one of the reasons why you have such a large number of people working with STC now is because of union pressure? Is it not true that you are under extreme pressure by the unions to have people that really are not productive in terms of comparing them to the people that work in the private sector?

**Hon. Mr. Renaud:** — Well I guess my question to you is, you wouldn't have unions, and I understand that. But I think our . . .

**A Member:** — Don't ask me for an answer because you'll get it.

**Hon. Mr. Renaud:** — Exactly. I think the ATU (Amalgamated Transit Union), the union people with STC, do a fine job, do an excellent job, and I guess somebody . . . And I don't have the Greyhound's financial statements and it would be nice to have them, to take a look at their passenger rates and to see what has happened with them, to see . . . You know they're getting into the airlines business; they're looking at branching out, and it would be certainly very interesting, I think, to look at exactly why they're moving into other directions.

But I think STC provides a service that the people of Saskatchewan want and expect. Our job is to try and make it break even and that's exactly what we're going to do.

**Mr. Goohsen:** — Well I commend you for that goal, because obviously that's what the taxpayers of this province would like to see, I'm sure. But you've already been here for the last few years telling us each year that you're going to put this great plan, this master plan, into effect that's going to next year show us the results — it's always next year.

And I know this is next-year country but now we're up to 1997 already predicted today before we're going to see a turnaround. We've even skipped over 1996 somehow. I think you need a new master plan.

And I will again suggest to you that, Minister, when you find that your metaphorical comparisons into the sports world show you that you're consistently losing money and losing games, you fire the coach and you fire the directors and you change them and you get some different people into those places. And you try those things.

If they fail, then you sell the team. And in this case if you were the Toronto Argonauts, you'd be considering putting it up for auction. I suggest to you that it's time STC were sold and privatized.

Or I'll give you another alternative because you don't like the idea of privatization — it's a bad word for you — so I'll give you yet another alternative to make this company work, and that is simply to set up a company that is sponsored by yourself and sell shares into it and let those shareholders that have bought the shares then elect their board of directors and hire their own coach and let it unfold that way, with you having picked the people that will be buying the shares. You can make it all Saskatchewan people — you have to be a resident of Saskatchewan or something like that if you want to keep it at home, but go ahead and try that.

You got to try something with this company because it's a dismal failure at a time when it should be succeeding. There's something wrong in this company. We can clearly identify a lot of the areas where you're losing money and why, and if you refuse to change them, then you are going to always lose money. You continue to run empty buses, you continue to run conflicting lines. The private sector, I'm suggesting to you, would straighten that out.

So what do you think about selling shares in STC and letting the people that buy those shares become the voters of that company and the controllers of the company?

**Hon. Mr. Renaud:** — I know the federal government sold the CNR (Canadian National Railway) and I guess I can use that maybe as a bit of an example. I know that in the next little while we're going to see many, many grain-dependent branch lines abandoned.

That's a bit of my fear with STC. And I guess we have to say if we decide to do that, that we're not going to give the service to

rural Saskatchewan, because I think that's exactly what would happen. So I guess you have to make up your mind whether rural Saskatchewan wants and needs a service and/or does not.

And I think we have said that we believe we can give the people of rural Saskatchewan a reasonable service, a good quality of service, and eventually get to a break-even point.

**Mr. Goohsen:** — In your long-term plan, Minister, what routes are you planning on changing? Now in the year 1995, which we are wrapping up, you must have one of these grand plans of how you're going to turn this company around. Which routes are you contemplating changing and do you estimate that there'll be some changes in that route system this year?

**Hon. Mr. Renaud:** — We always look at routes. Every year we look at routes. If the public do not use a route, certainly we take a look at it to see if there is other ways of servicing that area. Certainly we cannot afford to run a bus . . . a group of empty buses, so there's no question about that.

So we can never rule out additional, I guess looking at, or studying the routes that we do serve now and taking a look at who . . . at the amount of people that use the route and then determine whether the people of that area want the service or is there another service that can be provided. So we do that on a yearly basis.

**Mr. Goohsen:** — I understand that there's been a public meeting held in the town of Shaunavon to discuss the Climax route and the Eastend route from Shaunavon. Are those kind of meetings a new policy that you are bringing in or is that an old policy that you had in 1995 and will that policy continue and what are the results of those meetings and those discussions?

**The Chair:** — Those meetings take personnel, Mr. Goohsen.

**Mr. Goohsen:** — No, they don't. They're volunteer.

**Hon. Mr. Renaud:** — We always do that. We go into . . . if we find that the route is not being used as much as is necessary or we think is necessary, we want to find out how we can improve the service, if that's going to make some difference. But we certainly need the grass roots input and we've always done that and we will continue to do so.

**Mr. Goohsen:** — Going back specifically to the Climax-Shaunavon line, has there been a decision made?

**Hon. Mr. Renaud:** — We're dealing with the '96 probably, and then we're here dealing with '94-95. I don't believe there's been a decision made in regards to that line at this point in time. But certainly we review our routes. We have community meetings on a ongoing basis, year after year after year, with the idea of giving as best a service as we can to rural Saskatchewan, and yet taking a look at the corporation and wanting to break even or, you know, even maybe someday make a few dollars.

**Mr. Goohsen:** — That'll be a surprise. Minister, how many STC former routes have been picked up by private sector

operators? We've talked about a few of them. How many are there all together?

**Mr. Glendinning:** — If you could give us a moment, Mr. Goohsen.

**Mr. Goohsen:** — I get paid by the hour — take your time. Non-unionized too.

**Mr. Glendinning:** — Mr. Goohsen, we can provide that information. The word "picked up" is . . . needs some interpretation. In some respects, in a variety of ways, STC, either by infrastructure support or operating support, provides the encouragement for the operator to provide the service. We have, to my knowledge, we have no operator which has replaced an STC withdrawal independent of support in one way or another from STC.

So that we haven't got out of a service where there is an operator that has replaced us independent of some type of support, whether it be by infrastructure or operating support from STC.

**Mr. Goohsen:** — The part you alluded to, as far as getting the information, that'll be fine? We don't mind getting that later.

**Hon. Mr. Renaud:** — Yes. We can give you a list of those.

**Mr. Goohsen:** — I wanted to talk a little bit about these fuel-efficient, smaller buses. Now how many of those have you bought and how many do you anticipate buying?

**Hon. Mr. Renaud:** — Madam Chairperson, that deals with '96 and we're dealing with '94-95 here so . . .

**The Chair:** — I'm sorry, I didn't quite hear the question.

**Hon. Mr. Renaud:** — Well the question was how many small buses have we purchased and how many do we intend to purchase.

**The Chair:** — I realize it does deal with '96. What the committee has been doing is not only dealing with the year under review but also entertaining broad questions, not specific questions, but broad questions about directions.

**Hon. Mr. Renaud:** — I can give an approximation then?

**The Chair:** — Yes, it's entirely your call if you choose to answer, but we are trying to be a little bit more concurrent with the questions. Current, not concurrent. Yes, current.

**A Member:** — We had two years running together.

**The Chair:** — Well we did. We're concurrent with the reports and current with the questions.

**Hon. Mr. Renaud:** — Okay, we've purchased four 35-passenger buses and one 20-passenger bus in 1996, and the long-range plans means we're contemplating another purchase of five 20-passenger buses.

**Mr. Goohsen:** — Now it seems like this is a part of the long-term planning, and I think actually back in 1994-95 I recall being at meetings like this where we talked about these long-term plans and already it was alluded to that the plan included downsizing some of these vehicles. So these seem like small vehicles and yet you have talked about the fact that you have an average of only six passengers on some routes. Are you then saying that your plan also, in the long-term, includes going to, say eight-passenger vans instead of buses?

**Hon. Mr. Renaud:** — Well certainly, you know, we look at the situation on a ongoing basis. But we believe that we can increase the ridership by a lot of the things that we are doing, so we hope that if it's six passengers today that it might be 8 or 10 or 12 tomorrow. I think you can be undersized as well and you don't want to get into the situation where, you know, you've got a 50 bushel to the acre crop and you just bought a new combine but it's very slow and very small. You know, you want to be right-sized but, you know, give it a little bit of room there as well.

**Mr. Goohsen:** — Well you can always hire your neighbour. So what you maybe should do is buy the right size and then if you find yourself overloaded, hire a taxi to take the rest that one day and spend that little extra money and be glad you got the passengers and then arrange for a bigger one next trip.

**Hon. Mr. Renaud:** — We've done that. We've done that on occasion.

**Mr. Goohsen:** — You want alternatives, we're going to give them to you.

**Hon. Mr. Renaud:** — We've done that on occasions at Christmas time, for example, where even some of the larger 45-passenger buses get to be stressed. You know at certain times of the year the capacity is nice to have.

**Mr. Goohsen:** — Okay, so now you're suggesting in this long-term plan, by reducing the size of your buses, by splitting up your freight loads and all that, it's supposed to be saving us some money. So how much can you trim off of the deficit through the move of downsizing these buses?

**Hon. Mr. Renaud:** — We want to get to a break-even point as soon as possible, whether that's one year, two years, three years, I don't know. But we have to continue to work on it. So I can't give you a speculation of whether we'll be at a break-even point next year or the year after.

I just know that we haven't turned the corner yet, but I believe the signs look like we are going to turn the corner. So whether you'll see a lot of improvements in '96, I would rather doubt it, but I believe you will see some improvements beginning in '97.

**Mr. Goohsen:** — Well, Minister, with all due respect, I think that my point is going to be this: that the size of your buses and the work that you are doing to turn this company around in this area are nothing but a bunch of red herrings, because that's not your problem.

The company has more serious problems than the sizes of the buses. Now of course, 55-passenger buses running down the road empty are a problem, and they're a part of your problem. And if you clearly identify how much you can save on the deficit by downsizing these buses, we'll find out what percentage of the problem the size of buses is.

And I'm suggesting that it won't be very big. And that's probably why you're not prepared to give us the mathematics on it — which should be easy enough with a calculator — to show the people of this province and the taxpayers that downsizing is going to be significant in terms of solving your problem with the deficit. Because I'm still going to suggest to you that the solution to your problem lies in changing management and selling the company.

**Hon. Mr. Renaud:** — Well I think you have to understand we're just purchasing the buses now at '96. We didn't purchase them in '94 or '95. I think it's only part of the strategy. So you know, it's pretty hard to give you one little piece. And you were dealing with '94-'95 statements here. You're talking about '96. I think when we discuss '96, when we take a look at '97, I think you will see where the trend is going.

Now you mentioned red herrings and I wonder if there's sort of a market, a freight market, for red herrings because it certainly would be interesting. You could maybe drop me a line about that.

**Mr. Goohsen:** — What I'm trying to find out, Minister, is how big of a part of the strategy is the change in bus sizes?

**Hon. Mr. Renaud:** — Well it's part of the strategy. I mean there's . . . you know, we look at . . .

**Mr. Goohsen:** — I'm just asking. Is it 10 per cent? 20 per cent?

**Hon. Mr. Renaud:** — Increased ridership, we look at smaller buses, we look at trucks versus buses for freight. We look at, you know, are there going to be any change this year in the routes that we service. You know there's a whole bunch of variables here, and I think when we deal with the '96 statement that you'll . . . we'll be able to deal with that in a much . . . we'll have the information right before us.

**Mr. Goohsen:** — Well, Minister, again I will bring you back to last year when we attended this meeting and at that time you told us that in 1995 you would have a plan that would be a long-term plan to solve the problems of this company.

In that 1995 year plan that we are talking about, the year end 1995, in that plan, how many of these small buses were you planning on buying; and at what cost did you estimate that they would be; and what percentage of difference would that make in the deficit that you're presently or were running even in 1995?

**Hon. Mr. Renaud:** — I can give you the idea of the difference in cost. Between a 47-passenger bus and a 35-passenger bus is about \$100,000 per unit. The 20-passenger bus is actually much less than that. You're looking at about \$80,000 for a

20-passenger bus. You have to remember that a 20-passenger bus has no bathroom facilities. It's very comfortable but it's basically is very . . . (inaudible interjection) . . . for shorter trips for sure, with a lot of stops.

In comparison the large bus is, you know, in the \$380,000 range, so there's a considerable amount of savings when you move in that direction.

We also have to remember that, you know, your buses get older year by year and as you update your buses, it's a good opportunity to look at the smaller units. You know there's a good . . . a brand-new, large bus you may not want . . . or a fairly new large bus, you may not want to get rid of it until it's a certain age and you got the best years out of it. So you know, it's a matter of planning to get to that right-sized unit.

**Mr. Goohsen:** — Well I'm glad to hear you using the word "planning", Minister, because obviously the planning hasn't been too good.

Now you've just clearly identified for me that you have purchased about 10 buses: four 35's, one 20 and five 20's from the answer you gave a little earlier, so that's 10 at a hundred thousand saving each, and I've used your round figures just as you've used it. Now that's a \$1 million saving.

Now we've got \$1 million saving by changing all of these buses and that's your contingency plan for turning this company around. And you've got a \$5.5 million deficit in 1995. If you take that off, that still leaves us with \$4.5 million loss. If that's all we're going to do to save this company, I suggest to you that in 1996 you'll have a \$4.5 million loss still on your hands.

What else are your long-term plans to solve this problem? Obviously this one isn't enough.

**Hon. Mr. Renaud:** — Well I certainly mentioned . . . first of all, I want to clarify that the five 20-passenger vans are not ordered at this point in time. We're contemplating that, but there are other things, like I mentioned take a look at the routes that we serve now, increase our passenger services, increase our freight handling — those kinds of things. So you look at the expense side, but you also look at the revenue side with the idea of providing a passenger service to the rural residents of Saskatchewan, along with a good freight service, with a company that hopefully at some point in time can break even.

**Mr. Goohsen:** — Well, Minister, now you're just trying to play games with us here because now you can't clearly identify any place where you can save any money that amounts to anything, because you haven't even got the whole million dollars saved on the buses because you haven't even got five of them into the system yet and this is 1996.

So then you want to change the trend of thought over to revenue and that's fine. Last year when we were at these meetings, you and your advisers and the people that run this company told us that they were going to do some major changes, going into freight business. They were going to

restructure the routes. They were going to do all these fabulous, wonderful things that were going to change the income structure and the efficiencies of this company.

At that time you said there was a long-term plan to have a very big advertising program. There was going to be a concerted effort to increase the number of people that would be using the services and all of that. I'm presuming, I take your word, that it all happened. And yet we see the results — that we have less people using the service. In fact we're almost down to the same number of people using the service as it had in 1946 and we dropped from the peaks of the 1980s.

Now what more are you planning on doing that is going to attract people to use this service? What more than advertising? What more than all of the great plans you had last year? What great revelation have you got for us this year that's going to change what didn't happen last year?

**Hon. Mr. Renaud:** — Well you have to remember that 1995 was the beginning of the process and you've got to allow it time to develop. You can't expect when you change something tonight that everything's going to be better in the morning. We thought when we took over government in '91 that we could make everything better in the morning, except when we got looking at the things that became an impossibility. It's very similar to a bus company.

I mean we're making some changes but it doesn't happen overnight. There's some additional costs to change. There's certainly additional employees, you know, in the change, as you develop your markets in the express area, as you look at new ways as far as passenger revenues, look at other ways at reducing expenses. It just doesn't happen overnight.

We started this in '95. We're going to continue. We're not around the corner yet. We will not be around the corner in '96. Hopefully, you will start to see the results of what we're doing now in late '95-96, in 1997. Now I'm sure you will experience that as a farmer in your own operations. I mean things just don't turn around overnight. It takes time, and that's exactly what we're doing here.

**Mr. Goohsen:** — Well, Minister, you've been at this since 1991, just to make sure that we get the right numbers here. And I've been attending Crown meetings since that time. Now maybe we should have given you some constructive advice at that time, but you had this great, wonderful plan that you said you were going to put into place. And each year you said, we've got another wonderful plan and none of them has worked. You said you've got to give things time to turn around. Well you've had six years.

You're already projecting that nothing is changing for 1996, that we're going to have to wait until 1997. So obviously what you have been doing is a failure. So that tells us then that we have to ask you if you have plans to make those changes necessary to turn this company around. And I'm going to suggest again that you have to change your board of directors; you have to change the coach on the team.



And if you don't do those things, and get some different people and different ideas . . . and I'm not saying fire good people. Put them into other areas in different places in government where they can serve you well in other capacities and use their talents. But certainly bring in some new people into this company with some new, innovative ideas from somewhere, anywhere — people that know something about business or companies — to try something different for a change.

And if you can't do that then we're going to suggest once again that you have to sell the team, because it keeps on losing money. So what we want to know, Minister, as a wrap-up here, is you've talked about having a mandate, you've talked about that mandate, I think being back in 1946, that you were going to try to provide transportation for people and transportation for goods in this province to places where it couldn't be gotten before.

And you were going to do that through a Crown corporation that basically would run at cost. And there is nothing wrong with that philosophy even though there are other philosophies that can and will work. The thing is though that you haven't been able to do that. You haven't been able to provide that service at cost. Your best argument here still remains that it is worthwhile to subsidize from the taxpayers' purse a service that the community needs.

Unfortunately though we have now proven in our society that private entrepreneurs are able to pick up your worst routes that you've abandoned and they've been able to do it profitably. So that tells us that you don't have to be operating at a loss, you have to change the strategy that you're using to run your company.

And I'm saying to you if you can't run it yourselves, hire some of those entrepreneurs to come in and help you to run your company. And so have you any plans, Minister, to change the mandate that you are operating under, and are you planning on changing any of your management structure? My last question.

**Hon. Mr. Renaud:** — This will be my last answer then maybe. I look back at 1991 and I see STC have revenues of \$16.2 million, but they have an operating and administration cost of \$20.1 million — a net loss of \$6.8 million. Why didn't your administration sell it? I don't understand that. And we've been able to work at that and bring it down to, in fact, in '93 a \$3.2 million loss from a \$6.8 million loss in 1991. With the change then, a slight increase in '94 to \$3.5 million. Now in '95 . . . and if you look at the sheets that Mr. Temrick brought forward, mostly because of the change — getting into freight and separating freight from passenger — the loss went to 5.5.

Now just allow us some time here and we'll be bringing it back down to those '93 and hopefully better numbers. But to tell me that we've done bad, when I look at the 1991 figures at a \$6.8 million loss, boy I'm telling you, I think we're doing a fine job. And we're going to continue with our plans. And we're going to continue to try and get this company to a break even-point and I think we will be successful. So you know, just bear with us, and I think you'll see some good things.

**Mr. Goohsen:** — Well just in closing, Minister, we'll just point out to you that I have never had an administration, just to clear the record. If I had had an administration that I'd been a part of, and I had been a part of running those kind of deficits and were responsible for it, I would say simply to you two wrongs don't make a right. The fact that I was dumb enough to run a company at a loss doesn't make it right that you should, and that's not a good excuse to keep on making the same mistakes over and over.

So don't let that be your excuse for running a loss, is because somebody else did it and you aren't quite as bad as they were. Straighten the thing out. Don't look to point fingers at other folks and don't look to compare it to how I would clean up a deficit on my farm. Because quite frankly, if I ran these kind of deficits on my farm, even in a ratio proportion context, I'd be out of business and the bankers would see to it. And if they didn't probably ACS (Agricultural Credit Corporation of Saskatchewan) or some other government agency would do it for me.

So the reality is that you cannot compare these things and you cannot point fingers. You have to be the master of this ship and you have to lead it out of the problems that it's in financially and we have given you the clear indication of ideas that will work to do that. And so you don't have to ask anybody any more to give you any ideas because I think we have given you the straightforward goods on what alternatives you need.

**The Chair:** — Thank you, Mr. Goohsen, for that very clear and compelling bit of rhetoric.

**Mr. Trew:** — Thank you, Madam Chair. It will be most interesting. I want to have a chat with Mr. Goohsen sometime and find out what attracted him to run for the Devine Tories in 1991, with your expressed views on debts and deficits and how to run corporations. However that's, I think, outside of the purview of the Crown Corporations Committee.

I am delighted that the member for Cypress Hills has been so succinct in saying, let's do away with the big bad unions and let's just privatize STC; let's dump STC. We know where the Tories stand.

I've got a question about courier service for you, Minister, and that is, when did couriers start inter-centre, you know, town-to-town or city-to-city deliveries? And I'm not looking necessarily for the specific year but sort of the group of years or the decade?

**Hon. Mr. Renaud:** — Our good president says probably in the '75 to '80 range where they started.

**Mr. Trew:** — Thank you. That's what I thought. When was it that STC, Saskatchewan Transportation Company, got into the freight business?

**Hon. Mr. Renaud:** — I think probably when it started in 1946. I don't remember because that was the year I was born.

**Mr. Trew:** — Well you being much old . . . You being much

older than me, Minister, you would have a better chance.

But the point is it was started . . . The freight business for STC started at, or very, very shortly after, STC entered. So I find it interesting that the member for Arm River, asking should STC subsidize passenger service with freight service, and part of his argument is he says, gee, you know, STC is coming in on this freight and competing with couriers for freight. Well flip it. STC has been in that business for more than two decades before the couriers entered in it.

I'm not here trying to attack the couriers. I'm here trying to set the record straight. STC had been in the business. If someone has a right in Saskatchewan to cry foul, or unfair competition, it seems to me STC has the right to cry foul. I don't hear it happening and I'm not saying it should. I'm simply saying STC has a right and in fact an obligation to the 324 employees and to the taxpayers to do what it can to make STC a viable business.

I'm most interested . . . The member for Arm River, the Liberal member, is advocating, shut down STC. He's saying, no more passenger service and no more freight service. And I find it very interesting, this coming from a rural member. I represent a city constituency and I'll tell you that's not where I'm coming from. PCs (Progressive Conservative) say, privatize. Liberals say, do everything to force a shut-down of STC. I'm telling you as a New Democrat, we know . . . and want to see STC as a viable running corporation well into the future.

There. I feel a whole lot better having gotten that off my chest. I know there is no question in there, but the important thing to note is the differentiation. Tories say, shut it down or privatize it. Liberals say, shut it down. New Democrats say, let's make it work. Let's work with the employees, with the management team, with the board of directors, with the people of Saskatchewan. Let's make STC work.

Back to you. Thanks.

**The Chair:** — Thank you very much, Mr. Trew. This New Democrat says, let's wait for the results of the Crown corporation review. I would, as a final speaker I would hope, recognize Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Madam Chair. We've had almost 50 years of trying to make STC work and at some point in time hopefully it did make a profit. But over the last many number of years it certainly hasn't.

We earlier today dealt with CIC and the rate structure changes that are taking place within a number of the Crown corporations. And the minister for CIC, in dealing with SaskPower in particular but also with SaskTel, indicated that we need to move away from the ideas of cross-subsidization within the corporations.

With SaskPower we had to move away from industry subsidizing residential. In SaskTel we have to move away from long distance subsidizing residential service. Yet within STC you are promoting the idea that freight should subsidize passenger service, which is a direct contradiction to the

direction that CIC is going with the other major Crown corporations. How do you justify that cross purpose within CIC and STC?

**Hon. Mr. Renaud:** — Well certainly it would be my hope that the passenger service at some point in time would pick up enough to pay its own way. But certainly it's impossible, I believe. I think if we're going to provide a passenger service to rural Saskatchewan in the market-place that's there now, that we need to have revenues from express and revenues from passenger service. If you want to call it cross-subsidization, you can, but the total revenue equal the total expenses is the way I look at it.

But, you know — and that would be my comment — I cannot comment on SaskPower and SaskTel in a fully deregulated market-place. Certainly as deregulation comes to the bus market, that will be something that we will have look at. But I think it's very separate at this point in time.

**Mr. D'Autremont:** — Well SaskPower certainly doesn't operate in a deregulated market. Individual consumers may be able to provide their own generation but it's certainly not deregulated. But that's an area that STC needs to be very, very careful with and take a very serious look at. Because obviously, as my colleague has pointed out, private carriers have been able to make lines successful.

Mentioned Oxbow. I know that there are some concerns there with decreasing service in some areas. But just the line north of that on 33 and 13, Fuller bus lines is making a successful go of it, picking up a line that STC had dropped, or Greyhound, one of the two. But they made . . . he's made a success of it and he's been in the business now for a couple of years and still there. So if it wasn't working, he'd be out of it. And so . . . and actually he is providing more service than was provided previously.

But I think I want to just talk about one small item that has come up to my concern of a technical nature within STC. And that is freight service but not express.

I've had a complaint from a constituent that he phoned in to Regina for a part delivery. The part was delivered to STC at a reasonable time of the day. The bus, I believe, wasn't leaving until a later time in the evening, 6, 7 o'clock or something, and yet he could not get his parcel on the bus because of next-day service. If you want same-day service you have to pay extra for it.

Now why is that happening? If there's time available for the item to reach the bus depot — time enough . . . in this particular case there was about three or four hours difference between the time the package arrived to the time the bus left, which would seem to be a reasonable amount of time to make the connection — why is that not happening?

Or is STC trying to push people into paying a higher fee — the premier service — or else wait until the next day? In that particular case, for him it meant not just the next day; it meant two working days later that he would receive his part rather

than actually getting it for service the next morning.

**Hon. Mr. Renaud:** — Well I think we're very competitive in our rates. And very, you know, reasonable. I don't think we're undercutting a lot of the other couriers, but certainly I think we're in the market. But I'll let Peter answer a little bit more about the same-day service versus the not-same-day service.

**Mr. Glendinning:** — Thank you, Minister. I'm familiar with, not perhaps that specific experience, but I think I've heard of that case, Mr. D'Autremont.

**Mr. D'Autremont:** — Yes, I wrote.

**Mr. Glendinning:** — Yes. It's an interesting experience. In this instance, in terms of generating freight in a lower-cost mode — the truck system — meeting the customer's need five days a week in terms of the next day service, the worst competitor — the best competitor, to put it that way — that STC faced was STC. Because where STC had been able to carry parts in a bus on the same day, people liked that service and came to, as I said earlier, in many respects rely heavily on it because couriers didn't offer it and they didn't offer the weekend service.

In order to get the freight out of the expensive bus into the cheaper truck and to enable us to run the truck five days a week, we had to persuade the customer that we could provide — let's say the one-time customer — that we could provide the service next day or same day. We can give them an alternative.

So you have to picture ourselves at the front counter in the express department saying, now do you want that to go out on the bus today or do you want it to go out on the truck so that it gets there tomorrow morning? Customer says, what's the difference? Well one gets there tonight, one gets there tomorrow morning. Customer says, well send it out; it'll go out tonight.

We've done very thorough surveys of our express customers, both the shippers' and consignees' expectations; 90 per cent of them consistently all around the province, don't expect — don't need — anything more than next-day service. There's 10 per cent, and it varies to some degree . . . oil industry. It's consistent when you're into the seeding and harvest period in terms of the same-day service.

Most of the customers, the only reason they expect it at 9 or 10 at night is because STC's delivered at 9 or 10 at night. They don't need it — 20 per cent of them do. If it's an emergency, same-day service.

It didn't work, saying you can have it out there next morning or have it out there tonight. So we chose to do what we considered to be was fairly entrepreneurial. We gave them an economic decision.

We weren't intending to generate revenue out of this service that only STC provided. But we were intending to say to the customer, if you want it, if you need it out there the same day, if your consignee needs it out there the same day, we can have it out there the same day. And for that we're going to charge you

\$8. But if you only need it out there the next morning, the charge is \$5. So you've got an alternative. For those that needed it out there the same day, they were offered the \$8 alternative — 3 more dollars. Same-day sticker goes on it; out it goes.

Now there is no doubt that in terms in making a change from a service that has been that, at \$5 on the bus for years, and persuading . . . providing an alternative to people for a truck network, there are either consignees or shippers who are not as familiar with that system as we'd like. That area of the country, as a matter of fact, is usually very conversant with it.

But often the consignee in rural Saskatchewan may well phone up the supplier and say — knowing that we provide a same-day service, and there's a charge for it — say to the shipper . . . Let me find this . . . Get it out on the bus; I need it right away.

So the shipper delivers it to an in-city courier who brings it down to our back door. The in-city courier drops it off at our express counter with no instructions as to how it's to go, one way or the other. And if there are no specific instructions about same day, either by way of an additional \$3 charge or a specific request, it goes in the cheaper, economic truck system and the person's charged accordingly.

From time to time that miscommunication, and we may be part of it, goes through in terms of the consignee, in terms of the disappointment. And that's precisely what you've got there.

We continually have to strive to sell, to have people understand, the new service alternatives and to avoid those miscommunications. That may have been our responsibility. It may not have been the shipper's responsibility or the in-city courier's. You've got a number of chains you've got to continue to work at acquainting with the alternatives in the service.

**Mr. D'Autremont:** — Do you run truck service along all of your bus routes?

**Mr. Glendinning:** — No. No, we don't. I'm sorry.

**Hon. Mr. Renaud:** — No, go ahead, because I don't know.

**Mr. Glendinning:** — No we don't.

**Mr. D'Autremont:** — Then what difference does it make to that consumer who puts it on the bus on a route without a truck? It's going to get there by the same vehicle whether it's today or tomorrow. If it's possible to get it on the bus today, why doesn't it go on the bus today?

**Mr. Glendinning:** — Because if we continue to put it on the bus, then we have to have the bus run when express wants to go. If we continue to put it on the bus we have to have a bus that costs \$400,000 as opposed to 280,000 or \$80,000.

**Mr. D'Autremont:** — But if you're not trucking it anyway; if it's going on the bus anyway?

**Mr. Glendinning:** — On those routes, that's right. On those routes where there is only a bus alternative it goes on the bus. There's no extra charge for that service.

**Mr. D'Autremont:** — But why wouldn't it go on the day of the package comes into you then, if it's possible to get it on, rather than waiting until the next day. Which is, I believe . . .

**Mr. Glendinning:** — It would. It would go that day. In those areas where only the bus provides both passenger and freight service, it goes on the next bus out. If it doesn't get on, it's an error on our part. I mean there's no holding it over. The hold-over until the next day is where the truck operates. Only in that . . .

**Mr. D'Autremont:** — Do you have trucking down 48 highway? Truck service?

**Mr. Glendinning:** — Can you give me a hint about 48?

**Mr. D'Autremont:** — Wawota. Through Kipling. Montmartre, Kipling, Kennedy, down to Maryfield.

**Hon. Mr. Renaud:** — It goes down to Fairlight, actually.

**Mr. Glendinning:** — No, we do not.

**Mr. D'Autremont:** — See. And that's what happened in that particular case. He was . . . it didn't go on the bus. It was there about 2 o'clock in the afternoon. It didn't go on the bus and it went out the next night on the bus.

**Hon. Mr. Renaud:** — On the bus. Yes, that's because there was an error.

**Mr. Glendinning:** — See that would be simply fundamentally an error, I'm sure. I wasn't sure of the route that we were relating to in that respect.

**The Chair:** — All right. Well perhaps in the future, Mr. D'Autremont, you can take up those specific constituent concerns directly with either the Minister . . .

**Mr. D'Autremont:** — I did, but I want a clearer answer.

**The Chair:** — . . . take it up directly with the Minister or the officials. It sounds like they are more than willing, in the spirit of openness, transparency, and accountability, to give you your responses.

Are there any other questions?

**Mr. Kasperski:** — Yes, I would move:

That the Crown Corporations Committee has concluded its review on the 1994-95 annual report of the Saskatchewan Transportation Company.

**The Chair:** — All those in favour, please indicate. Opposed? None. The review is concluded. Thank you very much, Mr. Minister.

**Hon. Mr. Renaud:** — Thank you.

**The Chair:** — And I thank your officials and you won't have to see us again until sometime in 1997.

**Hon. Mr. Renaud:** — Right. And we're looking forward to that, I can assure you.

**The Chair:** — I would hope you are. And you have been given several suggestions today. I hope you will give them appropriate consideration.

**Hon. Mr. Renaud:** — I want to thank you, Madam Chairman. I want to thank the Liberal members that were here and the Conservative members that were here. I want to thank Mr. Strelieff. I want to thank you, our external . . .

**The Chair:** — Don't forget to thank your mother.

**Hon. Mr. Renaud:** — Exactly. And I want to thank the MLAs on the government side and I want to thank the officials. I enjoyed it very much and we'll be ready in '97 again.

**The Chair:** — We will meet again tomorrow at 10 a.m., at which point we'll be dealing with SaskEnergy 1995.

The committee adjourned at 5 p.m.