



# **Standing Committee on Crown Corporations**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON CROWN CORPORATIONS  
2000**

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Regina South

Ron Harper, Vice-Chair  
Regina Northeast

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Saskatoon Sutherland

Greg Brkich  
Arm River

Wayne Elhard  
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Peter Prebble  
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Kevin Yates  
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The committee met at 1:40 p.m.

**The Chair:** — I call the meeting to order. We are here today to deal with orientation as we had discussed. The items we have before us will today be a briefing from our esteemed committee Clerk, a briefing from the Legislative Library, and then at about 2:30 I'm expecting officials from CIC (Crown Investments Corporation of Saskatchewan) to be present to give us a brief orientation of how CIC functions and the various components of it.

So with that I guess we will proceed.

**Mr. Heppner:** — I'd like to add one more thing to that agenda. We haven't met in a long time as this particular standing committee, and I think there's an issue that's come up that I think we should address and I'd like to say a word or two about it and then put forward my motion. The committee can do with it as it sees fit. And that deals specifically with the review of SGI (Saskatchewan Government Insurance), and specifically no-fault.

There was a statement made I think on December 13 where our Premier assured the victims of no-fault group that this would be at arm's-length. There would be no involvement by government in this particular committee's frame of reference. Now we have information going to the committee which limits what they can do. And as a result, as you're well aware, there's two groups that pulled out of working with that committee: that's the victims of no-fault who are probably one of the key groups that should be addressed and should have the opportunity of having a full and open hearing; and the other one is the legal society as well.

With those two groups having pulled out, the committee becomes a eunuch and I think we need to deal with that and look at those frames of reference that were put out and see if we can address those and hopefully the necessary changes can be made to salvage the review process.

So, Mr. Chairman, with that in mind, I would like to present the following motion:

That the following be added to the agenda of the February 15, 2000 meeting of the Standing Committee on Crown Corporations:

A discussion of the mandate set out for the review committee studying SGI's no-fault system.

And that's moved by myself, Ben Heppner, and seconded by Greg Brkich from Arm River.

**The Chair:** — Okay, I would just note that I did receive a letter from Mr. Heppner this afternoon outlining that this was a concern and that he did want this addressed. Are there any comments?

**Mr. Harper:** — Mr. Chair, I would like to say I oppose that motion. I think this the first meeting of the Standing Committee of Crown Corporations, and I think it's important that we conduct ourselves in a business-like process and we have on

this agenda the orientation, and I believe that's very important to this committee. There's many of us on this committee that are new to the committee. This is the first time in my own personal experience of sitting on this committee and I was looking forward to the orientation to get a further and deeper understanding of the role of this committee.

And, Mr. Speaker, I think it will be highly inappropriate to deal with that particular motion at this time because I would think the need for the minister and officials to be here and I do not believe we have the ability to have them here today. So I would oppose that motion, Mr. Chairman.

**The Chair:** — Other comments? Mr. Yates.

**Mr. Yates:** — Well, Mr. Chairman, I'd also oppose the motion for a number of reasons. The first being that this public review has been announced. The terms and conditions under which the review is being conducted has been made public. The selection committee has been put in place. And now we have some individuals who don't want to participate in that review. And that's always of their own choice, whether it be any group in society.

I can tell you from long experience, when the government was looking at reviewing all the government departments in 1995 and downsizing them, I led an organization that was directly impacted by it. I had two choices: decide not to be involved, saying I didn't like the terms and conditions of the review, or to get involved and have my say in it. And as a consequence, government departments were significantly downsized.

But we chose to be part of it because the review is determined by the parameters under which the committee or the minister establishes, and I as an individual out there at that time didn't have an opportunity to change the context of the review.

And I think very strongly that . . . You know, when any individual group doesn't want to participate in a review, they make that choice. And in making that choice, they decide that they don't want to participate; they don't want to have an input into it.

Now just because there are large or significant groups in any process doesn't mean you'll change your terms of reference every time you do that. Because if any governing body were to do that, then it would be an endless list of groups of people every single time any type of review was put forward saying, we're not going to participate; let's change the rules. And that's highly difficult, if not totally impractical, for a government to do. And the terms of reference have been established and I think we have to stick with them.

**Mr. Heppner:** — Mr. Chairman?

**The Chair:** — Mr. Heppner.

**Mr. Heppner:** — I think those responses just see the issue exactly opposite to what it actually is. The terms of reference were just recently changed. When that committee was set up, there was a term of reference that was out there. Those were the terms of reference that the Premier, the NDP (New Democratic

Party) Premier, specifically said was going to be at arm's-length; government was going to have no involvement with.

So these committees were on side to do what the people of Saskatchewan waited for five years to do, and this government, and the people sitting across from me right now, refused to answer questions on it and take action on.

Now suddenly the minister goes ahead and changes those rules. This is not the people that want to go ahead and testify and make presentations asking for changes.

The thing was all in place. The committee was picked and selected and the parameters were out there. They were happy with that.

Then your minister changed it days ago. That's the problem. They're not asking for changes to where the thing was originally. So you have it all wrong.

A statement was made that we need to conduct ourselves in a businesslike manner. If victims of SGI and the legal society's concerns aren't the business of this government, sir, I would like to know what the business of government is. It's a whole lot more than just listening to these people tell us what CIC does.

Now I want to know what CIC does and we all need to know that, because most of us are new to this. So I agree with that part.

This is a new situation and it's an urgent situation. As you well know, if those groups do not get involved because of the changes your minister just made on the spur of the moment, then all the work that committee does is a total farce because they're working in a vacuum. And you're aware of that.

And I suggest to you a little further: why would the minister change that at the last minute? And I suggest to you, he has something to hide and we need to do that. There are things that need to be addressed. Those committees need to be able to get all the information possible, and let the committee which you appointed and we've supported, let them make the decisions on the information that comes in, not a minister of government decide what they can or cannot hear. That's totally contrary to the direction that was given, the direction that was promised the people of Saskatchewan for five years.

And I think what we're having here is a return to what existed before the election. You remember the headlines: this government has become arrogant. I think we're getting back there again.

So I beg you to go ahead and address this problem and let's make sure that committee comes back with a response that the committee has decided is valid based on all the information that's out there.

**The Chair:** — Other comments?

**Mr. Kasperski:** — Mr. Chairman, I'm not exactly sure what my friend, the hon. colleague from Rosthern, is referring to in

the minister having changes but I would think that this committee, I mean, the purpose of this committee meeting today was to have an orientation session.

I would also think that it would behoove this committee very much to have at least the minister present if not also the officials of SGI. I think in very due course SGI would be coming before this committee for its review and I would think, Mr. Chair, that that would be the proper time to address his issues. I am sure there'll be, if there is items of concern on this, Mr. Chair, that these could be more properly identified when the SGI appears before this board . . . or before this committee.

**The Chair:** — Thank you. Other comments?

**Mr. Brkich:** — I understand, like I'm new to this too, and it would be nice to get the orientation but this is a problem that has to be addressed. I make a motion that we set up a meeting with SGI in the following week.

**The Chair:** — Well we've got one motion on the table now which we should dispense with, and I'd like there to be some . . . if there's any further debate on that, we should have that, at which point then we can proceed with other motions if that's the will of members.

Are there any other comments on the request or on the motion:

That the following be added to the agenda of the February 15, 2000 meeting of the Standing Committee on Crown Corporations: Discussion of the mandate set out for the review committee studying SGI's no-fault system.

Are there any other comments?

**Mr. Elhard:** — I'm not fully aware of what the original mandate was for the committee to look into SGI and no-fault insurance but I do think that it's imperative that at some point or other we as people involved in governance in this province are willing to look at issues that arise for the significance and immediacy that is required.

And I wouldn't want to forgo the orientation element of this meeting today. I think that that was well established. We knew from December that that was the plan for today. But also in the interim we've had a significant issue develop and I think that it's important for us to be flexible enough to understand that when issues come up, they need to be addressed and we should make time to do that.

I wouldn't want to see the rules of this committee so stringent that we couldn't deal with situations as they arise. So I would speak in favour of the motion that we amend our agenda just slightly to deal with this issue.

**The Chair:** — Well quite obviously the difficulty we have is we have no minister, we have no SGI officials, which logistically is problematic. And unfortunately from the time that I received this letter at about 1 o'clock today, that's simply not able to be arranged. But again the motion is on the floor and we can deal with that shortly.

**Mr. Addley:** — Well first I'd like to thank the member from

Rosthern for recognizing that this government is not arrogant, up to this point at least, since the election.

I want to speak against the motion for the reason that five years ago when no-fault was introduced, part of that legislation was a review after five years. I think that this is the first small bump in the road. It's been a transparent process up to this point. And I think that it's a fair comment to judge the results after the review, and if the results are not in keeping with what the public had expected, then I think the members opposite will have much to say about it.

But based on the first complaint about the review, I don't think we need to be reactionary. So I would speak against the motion.

**The Chair:** — All members have spoken once. Are there any further comments members want to make?

**Mr. Yates:** — Well I have a significant concern with every time somebody is unhappy with something, we're automatically going to look at changing things. Because there is not a single decision that will be made by any government in power anywhere in this nation that somebody's not going to be happy with.

And reviews occur all the time on many, many issues. And I think it's very, very dangerous to start looking at the first time somebody complains, just changing the rules. And it's . . . I have some concerns that this is a minor . . . the first step in a big process. There'll be lots of opportunity to debate it and discuss it. And we need to let the committee go on with this business and get it done.

**Mr. Brkich:** — Well I think you have things a little wrong there. It was you guys that went . . . the committee and changed the rules after they were set up; that was the problem. I think that is a major problem that this committee . . . or this review was set up a certain way, everybody was happy with it, and then the minister stepped in and changed the rules afterwards. It wasn't like they were unhappy to begin with. It was unhappy with the rule change that was set down just by minister on his own, basically, whim, it seems like — is the problem I have with it, and I think it is a major problem.

It's one of the problems we have with government. That's why people distrust us when you do stuff like that, when you set up a set of rules. I've talked to people of no-fault and they were happy with the way . . . they said they were going to get to talk, they were going to be able to, I understand, be able to compare the system to the old system, which now I understand they can't. And that rule was changed after they'd agreed to this.

So yes, they're very distrustful of the government again. And I think it's a problem that should be addressed. And I think it's our job to address stuff like that.

**The Chair:** — Okay, I have no other speakers on the list so I take it you're ready for the question. The motion before you is:

That the following be added to the agenda of the February 15, 2000 meeting of the Standing Committee on Crown Corporations:

A discussion of the mandate set out for the review committee studying SGI's no-fault system.

It's been moved and seconded. All those in favour? Down. Opposed? Motion is defeated.

**Mr. Brkich:** — Now, can I go make another motion now that we've dealt with that one? I make a motion that we meet with SGI in the following week to discuss this, and with Mr. Nilson and his government . . . and be set up.

**Mr. Elhard:** — I would second that motion.

**The Chair:** — Is there a discussion on the motion? The arguments have been well aired at this point.

**Mr. Kasperski:** — I guess, Mr. Chair, I'm only . . . say if motion is, say, within the next week — I'm not sure what the logistics are or something — I do notice in our outstanding business of this committee that the review of SGI, which would involve the minister, is a priority issue, is one of the priorities I'm sure; that this would come up in due course. I'm not so sure — I may be wrong — that I think that this is going up very early and it can be the view of the committee to bring it in. I'm not exactly sure that putting in an exact time limit might be the best. I would prefer to see something as quick as can may be possible or something like that.

But I do notice at this committee in its agenda, SGI certainly is a priority item agenda and so it could be dealt with at that point I would just suggest.

**The Chair:** — Other comments?

**Mr. Heppner:** — I make a comment concerning the mention by the government side that we would need those individuals here to answer those questions. I think this motion addresses that and we should be able to find out why, you know, those particular parameters were put on. And if there's an opportunity to make some adjustments to accommodate both the legal people and victims of no-fault, I think we want to see them all involved with it.

**The Chair:** — Do we have a copy of the specific motion at this point?

**Mr. Brkich:** — I would like to address Mr. Addley's point there of saying let's go through with the review and do it afterwards, but I think that's wrong because it's going to cost a lot of money. I think it should be set up to be done right the very first time even if it takes a little extra. Get an input from everybody. That's the idea of these reviews that get all the interested parties involved. And that's basically what we want to do is just make sure it's fair that everybody's voice is heard at this panel. And I think that's all that we all want on both sides.

And that's the only thing we're really kind of pushing for is we want everybody that's involved. And right now some of the major players that are going to make statements are unhappy the way things have developed in the last week. And I think it should be addressed before it goes to the review because if something is . . . if they're not involved, you are going to be

looking at probably going through this process again in another year or two — a review.

**Mr. Heppner:** — The motion will read as follows:

That the Chair of the standing committee immediately request the minister responsible for CIC and officials of SGI to attend a meeting of the standing committee within two weeks to discuss the mandate of the review of the no-fault insurance program.

**The Chair:** — Well we have a motion before us . . . (inaudible interjection) . . . It's fine, I can read it.

The motion is:

That the Chair of the standing committee immediately request the minister responsible for CIC and officials of SGI attend a meeting of the standing committee within two weeks to discuss the mandate of the review of the no-fault insurance program.

I'm going to rule this motion out of order based on rule 100(1) of the legislature's rule book which says that:

The Standing Committee on Crown Corporations is empowered to review the annual reports and financial statements of the various Crown corporations and related agencies, as received; and the said Committee is authorized to question the operations of the Crown corporations and related agencies for periods outside the year under review.

The difficulty that we have is SGI is not undertaking the review. The review is established pursuant to section 220 of The Automobile Accident Insurance Act that sets out the provisions for the PIPP (personal injury protection plan) review committee. And as such, it is not directly an SGI review.

While it may fall under SGI's annual report and there may be comment that we wish to address through that, I'm going to rule that it is not within the mandate of the committee to review this particular no-fault insurance review

And I'm sorry that I didn't catch that earlier. I probably could have saved us all some debate. But having us not gone through the orientation yet, it's . . . I'm still trying to get up to speed myself. So with that, if there are no further motions . . .

**Mr. Harper:** — Mr. Chair, that's exactly why it's so important to have the orientation.

**The Chair:** — Thank you Mr. Harper.

With that, gentlemen, I would suggest that we proceed with the orientation briefing from the committee Clerk. Ms. Woods.

**Ms. Woods:** — Thank you.

I have already handed out to you three documents, one of which is the notes from which I'll be speaking this afternoon. The other two I'll refer to a little bit later on.

Just to begin with, I guess it's probably appropriate to deal with

the terms of reference of this committee.

**The Chair:** — I think that's a good idea.

**Ms. Woods:** — The mandate of the Crown Corporations Committee, as with all legislative committees, is derived from the Assembly in the forms of the terms of reference. The terms of reference are the means by which the Assembly delegates certain powers to its committees. Inherent in this statement is a restriction placed upon committees to consider only those matters that have been referred to it by the Assembly.

At the start of every new legislature, the Assembly will define the general powers that are common to all standing committees, and these are set out in the paper. And they read in part that the committees are empowered to examine and inquire into all such matters and things as may be referred to them by the Assembly, to report from time to time their observations, and to have the power to send for persons, papers, records, and to examine witnesses under oath.

In addition to the power, these powers, each committee will have its unique area of business individually referred to it. This committee differs from other committees in that its terms of reference are contained in the rule book. This permanent referral mechanism was included in 1994 to enable the committee to proceed with its examination of the reports and the statements without having to wait for the Assembly to refer the business to the committee. And we've already read out what rule 100(1) says so I won't read it again.

The Assembly can also expand the committee's terms of reference by referring a written question to it or by referring a specific matter for review. That being said, the committee probably has not had a written question referred to it in a great number of years. In contrast, the government last December in the Throne Speech indicated that it would be asking the committee to review . . . review and recommend legislation regarding a permanent body to review the monopoly utility rates. That matter has not yet been referred to this committee but we suspect that it probably will come in the next session.

The committee can also decide to review its mode of operation and the terms of reference and make recommendations to the Assembly. This was last done in 1994. But apart from that, the operations of this committee haven't changed significantly since it was created.

The next topic deals with the corporations and agencies that are reviewed by the committee. In this province the government can create a Crown corporation in one of two ways: either by means of an order in council pursuant to The Crown Corporations Act, 1993, or by means of a new and distinct piece of legislation.

Regardless of the manner in which the corporation is created, it will be subject to The Tabling of Documents Act, 1991, and this is the mechanism by which the committee will receive its work. These annual reports and financial statements, once they are tabled in the House, will be distributed to all members. And I want to take the opportunity to remind members to hold on to their copies because they will be asked to bring them with them to the committee. The Clerk's office does have a small number

of additional copies of the reports which are brought to the meeting, but these are generally used to provide to those who have not received one yet such as members of the public and on occasion members of the press.

Since the committee's inception in 1946, it has for the most part had the discretion to determine which of the Crown corporations and agencies it would review provided that an annual report has been tabled in the Assembly. The committee has never found it necessary to specifically define the term "Crown corporation." Instead the list of corporations reviewed has been based largely on tradition and partly on decisions made by the committee at the time a new corporation has been created.

In 1994, the committee indicated that it would concentrate its work on those government organizations that generate income from sources outside the General Revenue Fund, in effect the major Crown corporations. That being said, the committee did reserve the right to call any corporation or agency that it deems appropriate.

At the same time in 1994, the committee chose to expand the scope of its review. Where in the past only the year under review was scrutinized, the committee is currently authorized to ask questions about future objectives and past performance indicators. In practice this has had the effect of permitting an examination of matters beyond the year under review.

A further reason for focusing primarily on the major Crown corporations was to avoid any overlap with the work of the Standing Committee on Public Accounts. There has been an ongoing issue regarding which committee is the appropriate committee for scrutinizing the operations of some of the Crowns and agencies.

The Public Accounts Committee has responded by declining to review certain matters referred to it and to instead report these matters back to the Assembly along with the recommendation that they be referred to this committee. This business has not yet been referred to this committee, so the issue is ongoing and at some point in the future the two committees might have to meet to address the issue.

One of the documents I handed out to you was a chart, and this is the list of outstanding business that is currently before the committee. The reports and financial statements in the chart are the ones that were tabled in the last session of the legislature. You'll also notice that some of them are indicated as a priority item. Those are the ones that were identified as such in the 1994 report of this committee.

Later this afternoon, you will be getting a briefing from officials of the Crown Investments Corporation so I don't want to say too much about that other than a few points. As a parent holding company of those Crown corporations that generate income outside the General Revenue Fund, CIC is a primary focus of this committee.

In 1994 the Assembly directed CIC to provide additional information on its own operations to the committee in order to establish the context for a broader review of CIC and the corporations under its jurisdiction.

In particular, the minister responsible for CIC was to provide the committee with the following items. One was an annual statement. Another was to make an annual presentation to this committee. Normally that presentation takes place at the start of each new year of meetings.

CIC is also to provide notification by letter within 90 days of any significant transaction occurring in any of their Crown corporations.

At the time the committee did define what the term "significant transaction" was to include. However in 1997 the term was further defined in a document which I have provided to you entitled *Policy Guidelines for Reporting on Significant Transactions*.

These guidelines were prepared by CIC after consultations with its subsidiary Crown corporations, the Provincial Comptroller, and the Provincial Auditor, and the document was adopted by the committee in 1997.

The practice has evolved whereby the significant transaction reports are forwarded to all committee members. If any member feels that the matter should be reviewed further, they can then request that the Chair call a meeting and invite the corporation to appear.

The next heading deals with the creation of the Crown Corporations Committee. And this is just some of the history and the background as to how this committee came about.

Until 1944 there were for all intents and purposes very few government entities in this province that one might properly call Crown corporations. In Canada and throughout the Commonwealth, Crown corporations had for many decades been regarded as accepted instruments of public policy.

Three good examples would be the CBC (Canadian Broadcasting Corporation), the CNR (Canadian National Railways), and TransCanada Airlines. For corporations such as these the conventional view maintained that if governments found it necessary to pursue commercial operations, then the Crown corporations should be left free from political interference.

Prime ministers were on record of complaining about MPs (Member of Parliament) attempting to meddle in the affairs of competitive Crown corporations. The corporations were deemed to be autonomous and therefore every attempt was made to remove them from the realm of parliamentary control despite the fact that large amounts of public funds were involved.

Governments were also reluctant to make its ministers directly accountable for the Crown corporations. One can find many instances in the House of Commons *Hansard* where the Speaker ruled questions out of order because they refer to the internal management of an autonomous corporation.

Members in effect had few avenues to scrutinize the activities of these corporations other than in the Public Accounts Committee, but even then the reviews were sporadic and in no way systematic. This led members, particularly opposition

members, to have little faith in the review.

In Saskatchewan The Crown Corporations Act of 1945 greatly expanded the number of publicly owned enterprises, but for the first time in Canada ministers were made directly responsible and accountable for the corporations. To reflect this attitude, the Standing Committee on Crown Corporations was created in 1946 to provide a forum for the review.

It's noteworthy to see that the government chose not to expand the terms of reference of the Public Accounts Committee. Instead, these government enterprises were viewed as an important enough sector to be distinguished from all other government activity. Nonetheless, from the beginning this committee was designed to parallel the Public Accounts Committee in its method of operation and its purpose.

The primary distinction between the two committees was the documents that were before it. In the case of this committee, it's the annual reports and financial statements of the Crown corporations, while the Public Accounts Committee scrutinizes the public accounts documents and the Provincial Auditor reports.

The two committees also differ in the witnesses that appear before it. From the beginning, the Crown Corporations Committee called ministers to appear as opposed to only having corporate officials attending. This was mainly to underscore the accountability aspect, but also due to complaints that in the Public Accounts Committee, civil servants had occasionally been the subject of political attacks and it was felt that because Crown corporations were so-called instruments of public policy, the minister should take full responsibility to answer the questions.

It should be noted that the purpose of both the Public Accounts Committee and the Crown Corporations Committee is to scrutinize. They are designed to hold the government accountable and as such the mode of operation is like that of the House, adversarial in nature.

When creating these scrutiny committees, the creators could only guess at what would be the proper balance between autonomy and legislative control. After all, many Crown corporations remain sensitive commercial entities. It has been the practice of this committee to allow members to ask for explanations of policy for the year under review and to ask questions impinging on policy.

However, policy must not be argued or debated. Debate on broad matters of policy is a prerogative of the House. Previous Chairs have dissuaded sweeping debates on issues such as privatization versus government enterprise.

Having obtained information by questioning the minister, members of the committee are in a position to assess the activities of a Crown corporation for the period under review. If such an assessment suggests that the activities or the policy line a corporation is following should be debated, the member can follow one of three courses: they could debate the committee's report when it's presented to the Assembly; they could raise the matter in the Committee of Finance on the vote for the Crown Investments Corporation; or they could move a substantive

motion for debate in the House.

Another practice of the committee is to permit the minister to refuse to answer a question on the grounds that to do so could be prejudicial to the operation of the corporation and therefore not in the public interest. The rules guiding the Chair in such situations are clear. The Chair must accept the statement of the minister; the questioner cannot insist on an answer. This practice is the same as that followed in the House.

The questioner can, however, put the question in the form of a motion and let the committee decide whether it feels the minister should answer. Nonetheless, the committee has no power to discipline if a minister refuses to answer. The committee's only recourse is to report the situation to the House as a contempt.

The next part of the presentation deals with some of the procedural practices here in the committee. And I think some of these issues will be familiar to some of the veteran members but I'll go through them for the benefit of the new members.

First of all, dealing with membership. The Assembly is the one who decides membership on the committees, and a permanent change can only be accomplished by way of passing a motion in the House or reconvening the special nominating committee. This committee is one of three standing committees that does permit the transfer of membership, and substituting members have the privileges of a regular member in that they are counted as part of quorum, they can move motions, and they can vote on the motions.

In this committee the substitutions could be done on a daily basis or for the review of a particular Crown corporation. This latter option is to allow the critic for a particular Crown to participate in the proceedings. The substitution is effected by completing a substitution form and filing it with the Chair or the Clerk at the start of the meeting.

There is one exception to the transfer of membership and that is of the Chair — his membership cannot be transferred or substituted.

There is also the practice in this legislature whereby members who are not members of the committee can still attend and participate in the proceedings provided that the committee allows them to do so. However, these members may not vote, move motions, or form part of quorum.

Quorum is defined in the rule book as a majority of the members. And in this committee with 10 members, a quorum is six members. A quorum is required to begin a meeting and whenever a vote or decision is made.

Rule 98(2) of the rule book does permit a committee by way of motion to authorize the Chair to conduct hearings and receive evidence when a quorum is not present. And it's up to each committee to decide whether they want to adopt a motion such as that.

In the same way that the Speaker is responsible for order and decorum in the House, so is the Chair responsible for this in the committee, and generally the rules and practices of the House



are followed in committee with some notable exceptions.

First of all, seconders are not required for motions in committees. Secondly, the rulings of the Chair may be appealed to the committee itself. You will know in the House, the Speaker's rulings cannot be challenged in any way.

The committee has no authority to punish or censure one of its members nor can it decide questions of privilege. Both of these must be reported to the House and decided upon there.

There is one area that is not reported to the House and that is the area of procedure. Each committee is regarded as being the masters of their own procedure, so if any procedural difficulties do arise in a committee, they have to be dealt with and resolved within the committee. The House is traditionally very reluctant to become involved in a committee matter.

All legislative committees have the option of holding a meeting in camera. Closing the meeting to all outsiders is a practice that has been used in committees whenever sensitive, confidential, or incriminating oral or written evidence is anticipated or known to be forthcoming. And it's important for a committee to be sensitive to the needs of a witness and others that will be affected by the testimony given. However it's up to each committee to decide when and in what circumstances they will move in camera.

I also want to say a few words on the question of broadcasting of proceedings. In contrast to what is permitted in all other legislative committees, the media is permitted to make both audio and audio-visual recordings of the proceedings of the Crown Corporations Committee, and this was specifically authorized in 1994.

I've set out the background to how this came about in the paper and I'm not going to go into at this point. Suffice it to say that there are no other committees that do allow the press to attend and record the meetings except for this committee.

In the past the members have not seen fit to establish formal rules or guidelines as to how the media should conduct itself when it is in one of our meetings, but if their presence or their conduct becomes disruptive, the committee may wish to revisit that issue and set out some guidelines.

There is a formal procedure and applicable forums for calling witnesses before legislative committees. However, where the calling of witnesses and their attendance is not an issue, these are routinely dispensed with. And the standard procedure for calling ministers and officials from Crown corporations to appear before this committee usually begins with an agreement over which Crown will be called. The Chair and the Clerk's office will then notify the minister and the corporation to confirm and arrange their attendance.

It is left to the discretion of each corporation to determine which officials will attend, although generally it will be the senior corporate officials who will come with the minister.

Members should also be aware that the committee has adopted a practice back in 1998 to request certain standard information from each of the corporations and agencies that are called

before it. In the past the committee has requested information outlining the remuneration received by senior management from the Crown corporations and agencies appearing before it. In many instances, additional information regarding expenses was also provided.

In 1998, the committee decided that its review of the annual reports and financial statements would be better facilitated by receiving, in advance of its deliberations, a standard list of information from each of these corporations and agencies.

And the information that is requested from the corporations and agencies at the end of their fiscal year is as set out in the paper there, and that consists of out-of-province travel expenses for the minister and ministerial staff undertaken on behalf of the Crown corporation or agency; honoraria and out-of-province travel expenses for each member of the board of directors; salary and out-of-province travel expenses for senior management and executives; and fees paid to consultants that total over \$10,000.

CIC has begun the practice of compiling this information for all the Crowns under its jurisdiction so that information will come as one bundle. For the other agencies it comes in on an individual basis.

The final topic that I just want to say a few words on is in regards to reports to the House. All legislative committees must report to the Assembly on a regular basis. And in the past the reports of this committee have tended to be simply a statement indicating which corporations and agencies have been reviewed, which ones were still being considered, and which ones the committee had decided it would not review.

Back in the 1970s the reports were more substantive in nature and often included recommendations. However, it is up to each committee to decide what it wishes to include in a report.

I also want to make note that this Assembly does not permit minority reports. Other jurisdictions do but this one does not. There have been occasions, however, where committees have agreed to include reservations in their reports. And these reservations are essentially concise statements indicating where a member or members have held views that differ from the content of the report. But these reservations can only be included in the report with the consent of the majority of the members.

So that's all the points that I want to make note of today. But if there's any questions we can certainly deal with them.

**The Chair:** — Are there any questions on procedure or other matters that you'd like to address to our Clerk? Can I ask one question? In terms of review of reports, has it been the practice of the committee in the past to do simultaneous review of seeing two years in a row, '98 and '99? Could we do a simultaneous review?

**Ms. Woods:** — There was a practice that has developed whereby the committee will call a Crown, and then if they have one or two reports that haven't been considered, they will consider them together. So that has been done on quite a few occasions.

**The Chair:** — Okay. So I'm looking at our priority items of outstanding business. I note that there are some 10 or 11 annual reports where the fiscal year end was December 31 of '99. So I would assume that we will have annual reports for '99 tabled in the Assembly by March, by mid-March. So would it be possible for us to call the corporations to review both their '99 and '98 reports during the spring sitting?

**Ms. Woods:** — Yes. That's certainly acceptable.

**The Chair:** — Okay. Were there other questions? No. Okay.

With that I'd like to thank you very much. A very thorough and informative briefing. Next on the agenda is the Legislative Library, and I'd like to invite Michele Howland to make a few comments to us.

**Ms. Howland:** — I won't take much of your time — it's late. I think everyone here is familiar with the current awareness service that the library gives to members individually. And the first service that we provide to committees is basically identical to that service that you each receive from us.

It's really a notification on a regular basis of all the new materials that we have in the library on specific topics — new books, journal and magazine articles, and newspaper articles. And we are also able to search on-line, and, you know, basically monitor the press across the country, and in fact anywhere in the world if it's required.

All of the services that we would be offering to the committee can be customized through discussions between the library and the Clerk and the Chair of the committee, and we can also talk about how regularly you want to receive these services. If you want them weekly, that would be possible. Some committees have found over the years that they don't need to get the material that frequently — bimonthly, sometimes monthly, depending on, you know, the desires of the committee.

That's the first service that we would offer you. The second one is a compilation of bibliographies or lists of materials on specific subjects. For instance, if you wanted a comprehensive bibliography done, or a selected bibliography done on Crown Corporations. Or if you wanted us to do a comprehensive or selective bibliography, let's say on utility rates, the library would be able to provide you with that list of materials. And then of course, as a result of that, get you the materials that you would like from the bibliography.

The third service is a service that some of you will be familiar with; I'm not sure that all of you will be. Anybody that has attended a Commonwealth Parliamentary Conference has received a package of information from the library which gives background information about all the agenda and topics that will be discussed at the conference. And the library is happy to prepare that type of package on any subject that you are interested in keeping track of.

Or, if you feel that you are not quite up to speed on one of the subjects that's going to be discussed in meetings, or something comes up in committee meetings and you want to know more about it, we're very happy to do a background kit for you on that.

I think that's really all I have to say. It's a basic service that . . . and certainly if you have specific — as individual members — specific issues that you want to have research done on, please just approach the reference desk, phone us, whatever, and we'll deal with those ad hoc requests as well.

Have you got any? I think that's really all I have to say.

**The Chair:** — Any questions from the members?

**Mr. Brkich:** — Just one. I'm probably going to ask as we go along, a lot of stupid questions, but one of them is, let's say if I wanted a board of directors or people that are working for a specific corporation last year, can I get that from you?

**Ms. Howland:** — Yes, if it's publicly available information, the library can find it for you.

**Mr. Kasperski:** — Mr. Chairman, I would just like to add that, you know, having served on this committee the last four years, and many of us here, as a note just to our new colleagues all around the table, that in my experience, the Legislative Library has provided just exemplary service to all members. And if I could to take the opportunity, Michele, to congratulate you and pass it on to your staff. I know we don't have a chance to do so that often and I just want to say that you couldn't run across a more co-operative and helpful bunch of people, and I think Mr. Heppner could back that statement.

**Mr. Heppner:** — Yes, I'm just wondering what subscription do I get for that? But I do agree with what you say!

**Ms. Howland:** — Thank you very much Mr. Kasperski and Mr. Heppner.

**The Chair:** — Are there any other questions or comments? I think that probably says it all right there. So thank you very much for joining us today.

I was going to suggest that perhaps what we could do is take a very brief coffee break and allow the CIC officials, who I hope should be here by now, to come in set up and perhaps we can reconvene in 10 minutes? Okay. So at 20 minutes to 3 we'll reconvene then.

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

**The Chair:** — We'll call the meeting back to order here. CIC officials are here. I'd like to introduce Mike Shaw and ask him to introduce the rest of the folks from the Crown Investments Corporation he's brought with him today.

**Mr. Shaw:** — Mr. Chair, I'm Mike Shaw, the senior vice-president of the Crown Investments Corporation, and on the team today is Michael Fix, who is vice-president of the investments division of CIC; Sheldon Schwartz is the chief financial officer; John Amundson, who is the controller; and James Hoffman is a member of our strategic planning staff and the individual responsible for putting together the briefing today that I'm going to present.

We have a formal presentation, Mr. Chairman, and we're obviously at your direction. My proposal is that we go through the

formal presentation. We have hard copy handouts which you have received which are duplicates of the material that we're going to show on the screen, and I'm assuming that after the presentation you'll want to have a period of discussion and questions. My own preference is if during the presentation members have questions and they want to ask them at that time that's perfectly fine by me. I'm open to, you know, whatever procedure the committee wants to adopt.

**The Chair:** — I think that sounds like a fair approach. Are we agreed on that? Okay. So with that . . .

**Mr. Shaw:** — I'm mostly used to standing up, and hopefully it doesn't sound like a speech and sounds like a presentation. Is that going to be all right?

**The Chair:** — We'll just have to check with *Hansard* and make sure you can be . . .

**Mr. Shaw:** — It's kind of helpful to get out of the way of the presentation.

**The Chair:** — I'm sorry, just before we get started, Mr. Brkich?

**Mr. Brkich:** — Yes. I was just going to ask the question. You didn't introduce the gentleman against the wall. Is he with you . . .

**A Member:** — Against you?

**Mr. Martens:** — I'm Andrew Martens . . . (inaudible) . . . with the Provincial Auditor who's . . .

**The Chair:** — Just a quick point of information. The Provincial Auditor is the auditor of record, right, for CIC? Is this correct?

**A Member:** — Yes.

**The Chair:** — Okay, good.

**Mr. Shaw:** — Okay, we were asked to prepare an overview of Crown Investments Corporation and its role and your role in relationship to Crown Investments and subsidiary Crown corporations. These are topics upon which we prepared some formal information and which is in your packets and I propose to go through this fairly quickly. Do I have a time frame, Mr. Chairman, like 20 minutes?

**The Chair:** — I see members looking at me and saying, well . . .

**Mr. Shaw:** — Twenty minutes would probably be too long?

**The Chair:** — No, that would be fine.

**Mr. Shaw:** — That would be fine?

**The Chair:** — Okay, certainly.

**Mr. Shaw:** — I've been known to get into long-winded kind of digressions, so my colleague here is going to reach over and touch me on the leg when I do that.

CIC's roles and responsibilities, James. We are governed . . . CIC

is governed by an Act, as you might understand. It's called the Crown Investments Corporation Act. The current version was established in . . . was passed by the government, or the legislature in 1993.

These are the two sections of the Act which basically, in its very essence, explains what CIC's role is. It is a holding company, first and foremost, for the public enterprise assets of the government, both the subsidiary Crown corporations and other investments, and it has responsibility for exercising, as it says, "supervisory powers" with respect to subsidiary Crown corporations. Then consequently CIC may make orders and give instructions and directions on behalf of the government to the subsidiary Crown corporations.

As an organization, we're a fairly small organization, 65 people or so. A fairly small budget, as you would expect, for a small staff organization. We have a very clear understanding of what our role is as we interpret directions from the government and our own legislation and we believe it is to provide a strategic focus to the Crown corporation sector and to be a centre of excellence for public investment, because that's our role.

We want to ensure that CIC is financially self-sufficient. And with respect to facilitating economic growth, we do that through commercially viable investments. We then sketch out a three-part mission statement, strategic directions of subsidiary Crown corporations, prudent management of a diversified portfolio of investments, and our role, very clearly, is one of supporting long-term economic growth in the economy through the instruments that we have at our disposal.

The board of directors — the seven members of the board — all are members of the cabinet, and you can see the list here. Ministers Nilson, MacKinnon, Lautermilch, Lingenfelter, and Serby have all served on the CIC board prior to their current appointments in some, in some capacity for some periods of time. Minister Hillson and Sonntag are new appointments. This is their first appointment to the CIC board. So from the staff's point of view there's an experienced board directing the affairs of CIC.

When we talk about . . . when we used the word governance, what we mean is the set of rules and directions which establish roles and responsibilities and accountabilities. Who does what and what are they accountable for and who holds them accountable?

This is a very simplified version of the government structure, or the accountability structure with respect to giving direction to subsidiary Crown corporations and generally managing the public enterprise investments that are in the trust of CIC. If you wanted to move from the bottom up, you would see that CIC, the board, on behalf of the government gives broad directions, strategic direction to the Crown corporations to ensure that the basic service offerings and operations of the Crown corporations are, and they're performing in, the direction that the government wishes to see. The government of course is the sole shareholder of these companies.

CIC also communicates public policy direction, directs their performance management system — which I will speak to in detail in a moment — supports the Crown boards, and

establishes financial targets. If you come down from that strategic layer to the next layer down, the Crown boards themselves or the boards of the subsidiary Crown corporations are responsible for establishing a strategic plan for their corporation.

SaskTel's board establishes a strategic plan. It has a horizon . . . a planning horizon of two or three or four years, for example. Although that's becoming more difficult to do in the communications business these days because of the vast change in technology and the rapidly changing environment within which they're working. But they're responsible for establishing the strategic direction and for setting the operating goals and objectives of the company. They're responsible for preparing and implementing the business plan for the company.

Then the day-to-day decision making of course is in the hands of, is in the hands of the executives and the employees of the Crown corporations. You can see a hierarchy or a cascading of responsibility and accountability in this model. I'll come to it in a moment.

But I should say — I was saying earlier in private conversation — that the governance framework in systems that we've been putting into place over the last three years as a result of the Crown review that was conducted in 1996 and 1997, we have had that audited, in a sense, by people at The Conference Board of Canada whose job it is to be experts in the area of governance both in the private sector and in the public sector, both in Canada and North America and other industrialized countries.

And they have assessed our performance with respect to our governance model and found that we're in the top quartile, the top 25 per cent of all companies in Canada that they actually surveyed. And Canada itself is the best performing of all countries in the industrialized world with respect to leading governance practices.

And you might recall that there was a very great focus on governance in both the United Kingdom, in United States, and in Canada after various failures in the private sector in large businesses, large companies.

And one of the reports that came out were that the TSE (Toronto Stock Exchange) report was . . . Where were the directors when these companies failed? And they found that it was a failure in governance in the allocation of roles, responsibilities, the allocation of accountability mechanisms and systems and processes in place to make sure that everybody knew what they were doing, the decisions were made at the appropriate level, and there were systems in place.

And so, we're very, as I was saying earlier, at the staff level we're very pleased that we have been able to implement with the Crown corporations a governance system that seems to be working quite well and is found to be working well by outside observers.

There is the basic accountability structure. Maybe just go right through to the chart, James.

This is one that you might have seen earlier today in your

briefings from the Clerk to the committee. In terms of management and control reporting, the solid lines, subsidiary Crown corporations are responsible to the CIC board of directors, to the subsidiary Crown board directors. Subsidiary Crowns responsible to the CIC board of directors who are then responsible to cabinet and to the Legislative Assembly, and of course ultimately to the public.

In terms of financial reporting, the subsidiary Crown corporations such as Tel and Energy, as well as CIC, and CIC Industrial Interests Inc., are responsible to reporting to this committee here. Which is of course is then responsible to the Legislative Assembly.

That's how we see reporting — both financial, management, and control, in our system of governance.

CIC exercises supervisory responsibilities for the following subsidiary Crown corporations. Most of these you will know about. Saskatchewan Land Information Services is a new Crown Corporation establish January 1, or December 31, I have forgotten which was the legal . . . (inaudible interjection) . . . January 1st? Yes. And is the Land Titles system and the build . . . the development that is going to go on over the next two years with respect to rebuilding the Land Titles system and providing a much higher level of service in that area.

The Saskatchewan Development Fund is basically — I wouldn't call it a moribund Crown Corporation — but it is in a wind-down phase, and it is not something that you will spend very much time on. I think it was in the annuity business in 1976 and it, in terms of the number of contracts it had in place, it peaked at about 700 contracts in 1981. And now, at the end of 1998, has about 74 annuities that it is still managing, and it has a small liability left, and I think it will continue to be in operation until the year 2013, or something. But it's a . . . it takes a very small amount of time of one of our staff persons to actually manage that.

The rest of them you know about, I'm quite certain. And if there are any questions generally about those Crown corporations, we can have them in the discussion period. But that is the landscape in terms of the supervisory responsibilities of the CIC board.

The investment division manages, under the direction of the CIC board, a large portfolio of investments. Here is a very partial list of some of the larger ones, the large-scale ones. Also have a portfolio of loans, mortgages, properties and debentures, some of which came with . . . when SEDCO (Saskatchewan Economic Development Corporation) was — what's the word I should use . . . (inaudible interjection) . . . Wound down? Wound down. We're still winding down SEDCO.

Also have shares in a number of investments and in enterprises and there is a list here. Michael Fix is here, of course, to talk about some of those investments if you have certain questions about them.

What's the size, the dollar value of that portfolio now?

**Mr. Fix:** — About 1.2 to 1 . . . (inaudible) . . . billion dollars.

**Mr. Shaw:** — It's smaller than it once was, of course you'll know that we sold our interest in Crown Life or part of Crown Life's holdings. We sold our interest in the Lloydminster upgrader, some Cameco shares two or three years ago when they were at 112 or \$120. We're very fortunate; they've been languishing around 50 or \$60 since then.

So there's been a number of asset sales, most of which I think a reasonable observer would judge to have been at a very good time to sell.

When I get to the issue of planning, this is our view of planning in the Crown sector. The CIC has established a broad sector strategic plan that gives broad direction to the Crown corporations and ensures that . . . and there's a mechanism which ensures that the strategic plans of the individual Crown corporations fall under that umbrella.

As you might expect, the directions set out in the Crown sector strategic plan is at a very high level and it provides kind of a boundary or guideline that the individual Crown corporations are to follow, but it is . . . if you were to read the document you would find it is much less specific than it is directional.

We think the plan kind of anchors our performance management model — that I'll get to in a moment — and our goal here is to balance autonomy with accountability. And by that I mean the CIC board is accountable to the cabinet and accountable to the legislature for the operations of the Crown corporations, but the management and the board of the Crown corporations must have the ability to operate the business in the way that they see best because they are the individuals who have the greatest degree of knowledge about the sector that they're operating in and about the business that they're operating in and about the needs of the individuals, the citizens to whom our service is being provided. So we're always looking for that balance and we think we've found it.

When the Crown review was finished in 1997 a report was issued in which the government laid out three broad policy — pillars of policy I'd call them — which gives direction to the Crown sector.

The government said that its intentions for the Crown corporations would be that they are to provide a reasonable return on the capital invested in them; that they are to ensure access to reasonably and competitively priced products and services on an equitable basis; and that they were to support the social and economic development policies of the government or of the province.

And these five points here are an examination of what we understand to be kind of the broad social and economic policies of the government that the Crown corporations can support: economic diversification and growth; representative workforces; skill training and development of staff and others; technical innovation and development; environmental responsibility and stewardship.

So this is our elaboration of the broad policy that was provided by the government to the Crown corporations in 1997. The strategic plan was established in a very consensus-seeking collaborative way between CIC as the holding company and all

of the Crown corporations.

And you can imagine, there had not been before then a kind of formal strategic plan, a formal description of broad goals and objectives for the Crown corporation sector, and some further direction on how those objectives are to be achieved. And we think it was a good piece of work to be able to come up with a document that quite clearly met the government's objectives and was found to be usable and workable by the senior executives and the members of the boards of the Crown corporations. So we're pleased with this product here.

The reason you need to have a strategic plan is basically you need to know what your overall goals and objectives are, not just in the next year in front of you but in terms of a more farther distant horizon. You also need a performance management system to ensure that what you want to achieve, you actually do achieve in the end. And performance management is a management tool that translates strategy into outcomes. And what we say here is we have a performance management system in place that we think is an effective means of evaluating overall performance.

The one we use is called a balanced scorecard — and I think James, we have a handout, the next one. We use a balanced scorecard. This is a performance management regime or methodology that is very widely used in both private and public sector in North America and elsewhere. I think something in the order of 75 per cent of the Fortune 500 companies have the balanced scorecard performance management methodology in place.

It's called balanced because prior to it many performance systems were focused solely on the financial outcome of a corporation's operations. And it was determined by individuals who were examining public administration and academics who were examining the performance of corporations, that it was necessary to take a broader view of the corporations' success and failures and what led to success and failure — a broader view than just the bottom line. And they adopted what was called the balanced score card and they have a number of perspectives.

They're named somewhat differently in the private sector. We've adapted the balanced score card to Saskatchewan's particular situation and the fact that the companies that we are managing here are Crown corporations. And we've built this public policy quadrant into the performance management system.

But we find . . . And this is a generic model. But we find that this serves our needs very well and we are in probably year three of what we think is a five-year kind of development of the fully functioning performance management system.

Okay. I'm going to stop right here and Sheldon Schwartz is going to take you through the next couple of overheads which deal with the financial matters of CIC.

**Mr. Schwartz:** — Thanks, Mike. This is pretty well impossible to read even close up. The basic idea here is that there's in your annual reports . . . you'll see three sets of financial statements for CIC.

**The Chair:** — Sheldon, could I just interrupt you for a second. I think for *Hansard* or for the verbatim, we'll need you closer to a microphone.

**Mr. Schwartz:** — Sorry. You'll see three sets of financial statements. CIC's consolidated financial statements, which is that white box at the top, are composed of the results of CIC itself to the non-consolidated financial statements plus the results of its subsidiaries — both CIC Industrial Interests Inc., which holds most of CIC's commercial investments, plus the financial statements of its subsidiaries, such as SaskPower, SaskTel, SaskEnergy, and that list that you saw at the beginning of Mike's presentation.

The purpose of showing it this way is to show you on a consolidated basis what the results are of the Crown sector as if it was one big company. So everything's put together. And to focus on the results of CIC as a holding company, we show you CIC's non-consolidated financial statements that basically focuses on the holding company's results and we show you results of CIC's activities that are managed through its subsidiary, CIC Industrial Interests Inc. or CIC III, which is a business corporation, that corporation. And finally, the results of CIC's subsidiaries which lead into the results of CIC's consolidated statements.

And I've shown this to you as of December 31 because that's the last annual financial statements that have been released. We'll be releasing the '99 financial statements sometime likely in mid-April.

Just as a bit of background in terms of the next slides you'll see, there's a couple concepts we use in assessing our financial position and our financial health. And one thing we look at in terms of debt and investments is whether they're self-supporting. So when an investment can reliably service the underlying debt, we consider it to be self-supporting debt, or in less hyphenated terms, good debt.

In contrast, non-self-supporting debt, or as might be called, bad debt or dead-weight debt, is debt that doesn't produce returns for which the timing and amounts are sufficient to retire and service the underlying debt.

Our ability to pay dividends into the General Revenue Fund mainly depends on the level of dividends coming into CIC from its subsidiaries, SaskPower, SaskTel, SaskEnergy, and SGI. In fact about 90 per cent of our regular income comes from SaskPower and SaskTel dividends, less the amount that we pay on our non-self-supporting debt. And the level of dividends coming into CIC from the commercial Crowns basically depends on their earnings.

The next slide will kind of highlight how the system all works together in terms of determining CIC's income from its subsidiaries, and how much we pay to the General Revenue Fund as dividends.

The top part of the . . . in terms of the conceptual framework, there's only really three things you can do with cash profits. You can reinvest it within the company, either to sustain an existing level or activity or to undertake new investments. You can use it to reduce debt if you aren't where you want to be in

terms of the capital structure of your corporation or the percentage of debt. And then if you don't need it for those two purposes, by definition it's surplus to the corporation's needs and can be paid as a dividend to the shareholder.

That determines the dividend coming into CIC from its Crown subsidiaries. And the reason the box looks very much the same at the bottom of the chart is it's basically the same framework.

There's only three things CIC can do with cash. It can reinvest it in new investments or existing investments, same as any other Crown corporation, or private corporation, for that matter. It can use it to reduce debt if necessary. And anything surplus to those two uses is by definition cash that CIC doesn't need and we can pay that as a dividend to the General Revenue Fund.

The importance of this is that as debt has fallen in CIC, that leaves more money available for other uses. Two other uses are to reinvest money within CIC without incurring non-self-supporting debt, or to pay as dividends to the General Revenue Fund.

And in the next slide you'll see how all this kind of works together and it shows the financial trends in CIC and in the consolidated Crown sector over the five years between 1994 and 1998. And what you can see -- and again these things are pretty hard to see on the screen -- but in your handouts, the left-hand bar graph at the top, consolidated earnings, there's been a trend upward. They've increased from about 85 million in 1994 to almost quadruple that, 237 million in 1998.

Return on equity rose from 5 per cent in 1994, which is far less than the cost of debt, to 12 per cent in 1998, which is a fairly respectable return for an equity investment.

Over that same period, the second bar chart that you see, second from the left, shows what's been happening to the debt ratio in the Crown sector and what it shows is a pretty steady decline which has accompanied the overall decrease in debt. Debt fell \$1.1 billion between 1994 and the end of 1998 in the Crown sector as a whole.

The debt ratio or the percentage of debt in the overall capital structure of the consolidated Crown sector fell 15 points from 69 per cent at the end of 1994 to 54 per cent at the end of 1998 and that brought the debt ratios of the major Crowns -- SaskPower, SaskTel, SaskEnergy -- more in line with their industry counterparts, more competitive debt ratio, more competitive cost structures in terms of the funds they have to allocate towards interest.

Proceeds from selling assets, major asset sales such as Cameco in 1996, Wascana Energy in 1997, the Bi-Provincial in 1998, have been a major factor enabling CIC to reduce its own non-self-supporting debt and that fell from \$1.1 billion in 1995 to \$218 million in 1998. And that's a sustainable level, meaning that the income that we receive or generate from the underlying investments that that debt was incurred for are sufficient to service and retire that debt, so it's not a burden on CIC's ability to make investments or to pay dividends.

The reduced debt has resulted in corresponding lower interest expense and from that schematic, the previous slide, if we're

not spending money on interest, we can spend it on other purposes and that's been a major factor enabling us to increase our dividend to the General Revenue Fund on a sustainable basis.

The far right-hand bar chart shows that our dividend went from nil in 1994 to 50 million for '95, '96, and '97, and it was doubled to 100 million for 1998. Together with special dividends that were declared as a result of asset sales in 1996, that white bar at the top of the orange portion is a special dividend declared to the General Revenue Fund. I think it was about 366 million in respect of proceeds from the Cameco share sale. And in 1998 was a 100 million, a special dividend declared in respect to the sale of Bi-Provincial.

Altogether, and including regular dividends and special dividends, CIC has provided over three-quarters of a billion dollars back to the General Revenue Fund from 1995 through 1998. And that's it.

Okay, in addition I'll just summarize or finish up, Mr. Chairman. In addition to the overheads that we have shown you there, we have a couple of handouts which provide more detail. The first one is this chart. It says government structure. It basically shows the roles and responsibilities of the Crown boards, CIC board, and cabinet, for a variety of activities including board appointments, setting performance measures, setting strategic plans, etc. So that's for your information as well.

I think you've got a coloured version of this fairly busy chart but it's . . . I think it's entitled the performance measurement system. It's a fairly succinct examination of how all of the pieces fit together. You can see that it's headed by a strategic plan, the setting of performance objectives and allocation, a balanced score card approach to setting specific objectives, specific measures, specific targets, leading to specific actions by Crown corporations and all of it is based on measurement, reporting, and accountability.

We think of this in addition as being a communications device which clearly, for each Crown, clearly shows what is viewed by both the Crown board and the CIC board as being the important objectives of the Crown corporation.

And we also see it operating as a continuous improvement device because the goals and objectives that are set are not only ones that are achievable just in front of us but they're also ones that look ahead two or three years and are considered to be stretch targets.

So that's a document that we hope will give you a one-page view of the entire accountability performance management system. That's the end of the formal presentation, Mr. Chairman.

**The Chair:** — Thank you very much, Mr. Shaw. Are there any questions that members have of the officials? The only item I guess I would note is that the 1998 annual report is not under review at this point, and so the questions I would suggest should be perhaps more general or more process oriented. That would be, would probably be best.

**Mr. Heppner:** — On your balanced scorecard, I'd like a bit of an expanded description of what is meant by representative workforce.

**Mr. Shaw:** — What that means is the broad objective for both executive government and the Crown corporations is a workforce that is representative of the general population. Some view it as the general working population, but it's a little more difficult to measure. But we are, we are following . . .

**The Chair:** — Mike, Mike, could I just interrupt for a second? Could you . . .

**Mr. Shaw:** — I'm sorry. Put this back here.

**The Chair:** — Sorry. It's just this is . . . Of course we want to have you on . . . preserved forever with your answer here.

**Mr. Brkich:** — On record.

**Mr. Shaw:** — The general, the general policy that we are following is the one set by the Human Rights Commission with respect to representative workforces.

**Mr. Elhard:** — I have two or three questions; I'm not sure I have the liberty to ask them all but . . . Earlier in your presentation you talked about the CIC as being financially self-sufficient. How do you achieve that? Do you take a percentage of profits from the organizations or companies you manage as a management fee? Is that how you arrive at that self-sufficiency?

**Mr. Schwartz:** — No.

**Mr. Shaw:** — I think I'm going to ask Mr. Schwartz to reply to that.

**Mr. Schwartz:** — Basically most of our income comes from dividends from our Crown subsidiaries; about 90 per cent from two of them in recent times — SaskPower and SaskTel. We don't charge a management fee per se. We collect revenue as representing the shareholder. So cash that they don't need for their own purposes — either for reinvestment, sustaining operations, or to reduce debt — by definition they can pay to us. And the dividend policy facilitates them achieving their own capital structures, and by so doing not impairing their ability to conduct their own operations.

And through assets, sales, and dividends, we've been able to reduce our debt and we're not a burden on the General Revenue Fund. We're a contributor to the financial . . . overall financial revenues of the government. And by that we mean we don't need grants or subsidies from the General Revenue Fund to carry on our own business or to fund our investment programs.

**Mr. Elhard:** — Can you tell me what the Saskatchewan growth fund is? I'd like to be part of that for investment portfolio purposes.

**Mr. Shaw:** — That is the entity that the government has established to manage on behalf of investors the immigrant investor program that was established by the federal government. And those are the immigrant investor funds that

have flowed into Saskatchewan and placed in this fund.

In fact, I believe there are six funds now, SGGF (Saskatchewan Government Growth Fund) I through VI. And there is a very small group of individuals called the Saskatchewan Government Growth Fund Management Corporation, a small group of people whose job it is to manage the placement of those funds.

**Mr. Elhard:** — If I have the liberty to ask my third question.

In our earlier conversation prior to the meeting, I explained to you some of the concerns of the constituents I represent about the cost of Crown corporation services. And generally I think the concept of Crown corporations is best summed up in the phrase, the best possible service for the most people for the least money.

Now if I jotted this down correctly, you talked about your mandate as being to provide reasonably and competitively priced products that is equitably distributed. And that's a little different. I want to know when we moved from the original understanding of Crown corporations and their mandates to this particular one.

**Mr. Shaw:** — This description of the mandate of Crown corporations has been provided to us by the government through the mechanism of the Crown review that I described earlier. It took place through 1996 and 1997. That review, I believe, was quite extensive. I wasn't on CIC staff at that time but I of course have access to most of the documentation. And we're following the results of that.

It involved an extensive public consultation process, as well as examination of individual Crown corporation operations as they were in 1996. The examination was done by highly qualified consultants and investment bankers who were hired by Crown Investments Corporation to examine the affairs of the Crown corporations, to provide an assessment of how they were operating and their success in operations compared to other private sector companies operating in like businesses in different provinces.

They were found generally to be in — I'll use a layman's term — fine shape.

Now they all had some challenges in their future that have played out, as you know in the telecommunications business. But the government, as a result of all of that work — the situation analysis, public consultation — the government established kind of a direction for the Crown corporations for the future.

And this phrase, ensuring that one of the objectives of the Crown corporations is to ensure access to reasonably and competitively priced products on an equitable basis, comes from that decision by the government in 1997 with respect to directions of Crown corporations.

So I can't speak to your statement about an alternative wording that . . . I don't know if that was government policy prior to 1997. I do know that this is the direction that has been given to the Crown corporations sector since 1997.

**Mr. Elhard:** — I think it makes good business sense, this particular definition. I wouldn't quibble with that. I think it varies from what the common understanding is, of the purpose of Crown corporations. And, you know, as I said to you earlier, it doesn't matter how competitive our prices are; when you can't afford them at all, knowing that they're the lowest or reasonably priced competitively, is not really germane to the discussion.

I've got four questions.

**The Chair:** — I'll take it that last one was a comment. I don't notice them leaping to respond. Are there other questions or comments?

**Mr. Brkich:** — I just want to try and understand a little more about the organization of your Crown sector. Investments, say like when money comes in from your Crowns, your dividends, and then who makes the decision to pass it on to general revenue? Is it your board, or do you contact ministers, talk to them, or is it just your board to pass on to general revenue?

Or if you're going to invest, let's say if you make side investments, is it just your board that makes that decision, if you want to invest in some company on the side that you think might make you some money? Is that directive just with the board or . . .

**Mr. Shaw:** — Sheldon will respond to that one.

**Mr. Schwartz:** — The annual dividend is the terminus part of the budget process. It's ultimately a cabinet decision. In terms of the investments, monies allocated toward investments are a CIC board decision. And they're ratified though cabinet by an order in council.

**Mr. Heppner:** — Most of your investments are bringing back a return, which is always good. When an arm becomes . . . (inaudible) . . . comes negative, STC (Saskatchewan Transportation Company), who finally calls the shots on that one?

Do you say . . . is your group, well okay, financially this is just so bad we've got to get out of this thing or at the end of the day does politics overrides that?

**Mr. Shaw:** — Well I can't speak to the politics. I can speak to the direction that we've received from cabinet with respect to Saskatchewan Transportation Company, and that was that we and the company was to do its very best to maintain the service that was being provided, but to do that, if possible, at least at a break-even point. And I think you'll know that in the last three or four . . . two or three years, the management of STC (Saskatchewan Transportation Company) and the employees of STC have done an outstanding job in terms of reducing the losses.

They would very much like to be able to produce profits, but I think at this point in time that may be out of reach with respect to the kinds of fares that can be charged. There's always a balance between service and costs, and the balance we've achieved . . . it looks like there's about a \$4 million requirement each year; \$2 million in terms of operating, I believe Sheldon,



and \$2 million in terms of capital which I think is the 1998 allocation.

But the direction . . . there is the direction given by cabinet to do the very best to maintain service that was in place but to do that at smaller losses. And they've done a very good job in the past couple of years at implementing that direction.

**The Chair:** — Are there other questions? I do have a question for you concerning tax status. The Crown corporations, at this point, do not pay federal tax. Is this correct?

**Mr. Shaw:** — Yes, that's correct.

**The Chair:** — What is the threshold at which they would, or what conditions would have to happen in order for them to pay federal tax, would they be subject to federal corporate tax?

**Mr. Schwartz:** — I think that the federal government's definition of threshold would be less than 90 per cent provincial Crown ownership.

**The Chair:** — So if 10 per cent of the corporation's — or more — 11 per cent was sold, they would become subject to federal corporate tax?

**Mr. Schwartz:** — That's right.

**The Chair:** — Okay, that's an interesting, an interesting issue in itself. The question . . . there was some debate in the local daily newspaper this past week about privatization of the Crowns. Do we know what the amount of money we would have to send to Ottawa in tax would be if the Crowns, say, even 11 per cent of them were sold?

**Mr. Schwartz:** — We don't have an exact number for that, sir, but 11 per cent triggers full taxability on the entire entity, so there's no difference in taxability terms between being 89 per cent provincially owned and zero per cent provincially owned. You can infer a maximum value for that by applying the federal marginal tax rate to the net income of the Crowns, but they may well organize their activities differently were they subject to taxation.

**The Chair:** — Okay. In terms of dividend policy that's been established by CIC and I guess by cabinet, can you tell me is that relatively uniform from year to year or is there a fluctuation? Is it based on revenue?

**Mr. Schwartz:** — The basic source of fluctuation would be their earnings. So if their earnings go up, their dividends would go up; if their earnings go down, their dividends essentially would go down.

**The Chair:** — And the sale of assets is generally applied directly to debt, the profits from those?

**Mr. Schwartz:** — The sale of assets in terms of CIC's sales of Cameco and the Bi-Provincial most recently were shared with the General Revenue Fund in the form of special dividends. In other circumstances they're used to reduce debt or are redeployed in other investments within the Crown corporations.

**The Chair:** — Okay. Do members have other questions?

**Mr. McMorris:** — Just to make sure that I've got that straight is then — when the sale of the two that you mentioned — that didn't go to provincial debt, that went straight . . . or to CIC debt, that went straight to . . .

**Mr. Schwartz:** — It went to both. It went to reduce CIC's debt and the special dividend was paid to the General Revenue Fund.

**Mr. McMorris:** — Do you know what proportion?

**Mr. Schwartz:** — Yes. In the Cameco sale — I can't do that one — Cameco sale, it was 50/50 on about a \$723 million gain. So \$366 million went over to the General Revenue Fund; the rest was retained within CIC.

On Bi-Provincial, I think it was about a 60/40 split with about 60 per cent going over to the General Revenue Fund. It was a hundred million special dividend and a total of \$90 million in equity repayments . . . sorry, 85 million in equity repayments. The balance was retained within CIC for debt reduction.

**The Chair:** — And each of these cases then, this was pertaining to assets in which CIC did not have a majority stake. Is this correct?

**Mr. Schwartz:** — Cameco is certainly the case, and NewGrade, we were 50/50 owner . . . sorry, BPU (Bi-Provincial upgrader), I got my upgraders mixed up. That's 50/50 too, though.

**The Chair:** — And in all these cases these corporations were already subject to federal tax.

**Mr. Schwartz:** — Yes.

**Mr. Amundson:** — Bi-Provincial upgrader was a joint venture, so the share of income that was proportionate to us did not have tax attached to it. However the 50 per cent proportion to Husky Oil did have federal tax attached to it.

**The Chair:** — I see. Okay. Are there any other questions?

Seeing none, I'd like to thank Mr. Shaw and the officials. Very informative.

**Mr. Shaw:** — Thank you.

**The Chair:** — At this point then we've concluded our agenda for today. There is one other set of issues that perhaps the committee would like to deal with now, or we can think about and arrange at another time. And that is how we want to arrange our work schedule over the next few months.

The CIC officials tell me that they will, as they've told you, likely have their annual report for 1999 ready to be tabled in the Assembly by mid-April. Looking at the number of Crown corporations that have December 31 fiscal year-ends, I would anticipate that they would be in a similar position to be able to table their annual reports.

What I would . . . I guess what I seek your advice on is, are we

in agreement that we should consider simultaneous review of the '99 and '98 annual reports in order to save time so we don't have to call officials to deal with '98 and then come back and deal with '99, with at least those corporations who have a December 31 fiscal year-end and are likely in a position to table their reports come this spring sitting, early in the spring sitting.

I guess we don't need to decide that today but it is an issue I would toss out for further consideration.

The other items that we do have on our agenda for this spring is the utility rate review process which we anticipate will be referred to us by the Assembly sometime in April.

And additionally, I've spoken to Minister MacKinnon's office and Zach Douglas at Opportunities Corporation, and they've expressed an interest in hosting the Crown Corporations Committee in Saskatoon at Innovation Place to take a look at some of the work that they do so we can perhaps do a tour of Innovation Place and have a chance to start to perhaps review their annual report for 1998.

Do members have a particular feeling on that? Or is that of something that would be of interest — taking a look at Innovation Place and the operations of SOCO (Saskatchewan Opportunities Corporation) first hand?

**Mr. Addley:** — When are you proposing to do that?

**The Chair:** — Oh forget that. We don't have the authority to travel outside of Regina.

This sounds more complicated than I was first led to believe it might be so let's hold on that.

On the question of the annual reports, do you want to think about how we would approach this, or do you have views you'd like to put forward now?

**Mr. Addley:** — I think that if we can do a simultaneous review, it will actually be a better review, so that you can frame what happened in '98 versus '99. Should something come up that complicates matters, doesn't make sense at the time, I think we should be able to make that assessment at that time.

But at this point I think it makes sense to do a simultaneous review.

**The Chair:** — Are there other views?

**Mr. Addley:** — But if something like the Innovation Place tour jumps out and says that we're not able to do that, I may . . . I reserve the right to change my mind.

**The Chair:** — Is this a matter that perhaps we would want to simply think about and we can discuss privately? Okay.

Are there any other issues for today's meeting?

**Mr. Kasperski:** — I would just like to put out on the subject of the '98 and '99 reviews, simultaneous reviews, the operation of the committee during the last term, we tended to do the joint reviews. That in no way, in my experience anyway, took away

from the type of questions that were proposed and I think these are explained very well in the scope of questioning part, orientation part that the Clerk read out to us as well.

The simultaneous review didn't really interfere. It made things a little expeditious. A lot of the questions, you know, certainly that opposition members wanted, usually tended to deal with current issues anyway.

So I mean in the leeway that was given, most things I think were accomplished. And I just would, you know, point out I think in checking *Hansard* and those kind of things, that it did work fairly well. So I'd just like to point that out.

**The Chair:** — Seeing no other discussions or any other hands up, a motion to adjourn would be in order. So moved. All those in favour? Agreed. Carried.

The committee adjourned at 3:40 p.m.