



# **Standing Committee on Crown Corporations**

## **Hansard Verbatim Report**

**No. 3 – April 6, 2000**



**Legislative Assembly of Saskatchewan**

**Twenty-fourth Legislature**

**STANDING COMMITTEE ON CROWN CORPORATIONS  
2000**

Andrew Thomson, Chair  
Regina South

Ron Harper, Vice-Chair  
Regina Northeast

Graham Addley  
Saskatoon Sutherland

Greg Brkich  
Arm River

Wayne Elhard  
Cypress Hills

Ben Heppner  
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Lindy Kasperski  
Regina Sherwood

Don McMorris  
Indian Head-Milestone

Peter Prebble  
Saskatoon Greystone

Kevin Yates  
Regina Dewdney

The committee met at 9:35 a.m.

### Saskatchewan Government Insurance

**The Chair:** — I now call the meeting to order. We have in front of us an agenda today to start hearing briefings from the major Crown corporations. The idea behind this was that we would spend some time with officials to get a better feel of what some of the big Crowns consisted of, how they operate, without starting at the annual report review at this point.

So with the agenda in front of you, do I have a motion to adopt the agenda? Mr. Harper. Is there a seconder? Mr. Heppner. All those in favour? Agreed. Okay.

We've invited Sask Government Insurance — SGI — this morning to start us off and perhaps what I could do is do two sets of introductions first.

We have officials here from the Provincial Auditor's office. Mr. Heffernan, if you'd like to introduce your colleagues.

**Mr. Heffernan:** — Yes, my name is Mike Heffernan, executive director with the Provincial Auditor's office. I have with me Karim Pradhan from the Provincial Auditor and Jamie Wilson from KPMG. Thank you.

**The Chair:** — And Mr. Fogg, if you'd like to introduce your ...

**Mr. Fogg:** — Yes, Mr. Chairman. With me I have Alan Cockman who is the vice-president of the auto fund, and Betty Weigel who is the assistant to the president, who will be running this complex equipment for me.

**The Chair:** — Great. I think what we'll do is we'll just turn it over to you and let you make your presentation. And if members have questions afterwards, we can deal with those.

**Mr. Fogg:** — Okay, Mr. Chairman. And really, if anybody has a question at any part of my presentation, they can interrupt. It won't be a problem. And I realize that for some of the members who are familiar with SGI, this is old news, but I thought for the new members I'd take them through from the beginning.

Technology problems. Well maybe I'll start without the technology. SGI was created in 1944 with the Tommy Douglas government. And the reason SGI was created basically was because many of the insurers had left the province during the '30s, during the Depression, and farmers — especially farmers — had difficulty getting insurance from the private sector, so this Crown corporation was created. And subsequently in 1946 The Automobile Accident Insurance Act was passed, bringing in the first universal compulsory automobile program in the country.

SGI consists of three operations. SGI CANADA provides competitive quality general insurance products in Saskatchewan. It operates very much like any other private sector insurer. It receives no subsidies from the government. It is strictly a competitive insurance company.

SGI CANADA Insurance Services Ltd. — SCISL for short — is a subsidiary company of SGI. It operates very much like SGI CANADA outside of Saskatchewan. It writes business in Manitoba and Ontario. It is a joint stock company. It pays taxes like any other insurance company.

And finally we have the Saskatchewan Auto Fund which in most people's minds is what SGI really is, and it is the universal compulsory auto insurance program administered by SGI on behalf of the government.

SGI operations, SGI employs approximately 1,600 people.

And the number one objective of these 1,600 people is to improve our level of customer service, particularly in our claims service. And we've done a number of things improving customer service. We now have service targets on all the walls at the claim centres; we have extended hours — the claims centres are open longer; we have provided customer service training for all our staff; and in some of our major claims centres we have people whose full-time job is to greet people — not quite like Wal-Mart — but to greet people and explain to them the claims process. So we're seeing our satisfaction levels increase over time.

SGI CANADA works with a ... or SGI works with 350 independent brokers. We sell our all of our products through the independent broker system, both Saskatchewan and Manitoba, and Ontario. Using independent brokers differs from direct writers like the Royal Bank, for example, who may use telemarketers, or even the Co-operators who would use captive agents.

We have 470 independent licence issuers throughout Saskatchewan. The majority of those are the 350 independent brokers. But we have an extraordinarily large number of motor licence issuer outlets in this province. I think we have 54 per cent of all of the outlets where one can get a driver's licence are located in the province of Saskatchewan. And we also have 43 brokers in Manitoba and Ontario.

We operate 20 claims centres in 13 communities. We have five salvage operations and one SCISL branch in Winnipeg, Manitoba.

SGI CANADA is a trade name of the commercial Crown corporation, which writes P and C (property and casualty) insurance in Saskatchewan. As I say, it is strictly a competitive insurance company with the intention of making a profit and providing an adequate rate of return on its equity. It, like any P and C company, offers home, tenant, farm, commercial bonding.

It operates, as I say, like any other company, and maybe at this point I could just make a few comments on insurance in general and some of the basic beliefs or tenets that insurance companies hold.

The first rule of insurance basically is that the premiums of the many pay the losses of the few. Meaning that, in effect, people can afford perhaps to pay the insurance premium or 6 or \$700 but they cannot afford a disastrous fire that may wipe out their

home. And you'll find in insurance that very few people actually have losses; most people do not. And that is why that you'll hear people be concerned from time to time when their premium goes up and they in fact did not have a loss. But that is just simply the nature of the business.

And the second basic principle of insurance is one of indemnity and that is, one tries as much as possible to put an individual who has a claim back in the same position they were before they had the claim. They should be no better off, nor worse off. And over time this has become a problem because what has happened is insurance companies have moved to, especially in home insurance, to providing replacement cost.

And I'll just give you an example of some of the problems we run into, and one would be in a hailstorm. If you have two homes of equal value side by side; one individual has a new roof, one individual has an old roof, hail hits both roofs, the person with the new roof will see some granular come off the roof and be in a pile beside the house. They will point to this granular and we would say well that's, I'm sorry, but that's under your deductible. You will get nothing for your new roof.

The person with the older roof, his roof is damaged; now it's raining inside his house and we will provide him with a brand new roof. And you can see that some people see the unfairness in this. One person benefited under their insurance and one did not. And that is really commonplace throughout the industry.

SGI is not a monopoly, as I say. It competes with about 100 other insurers in the province. We've written in this 1999, we wrote \$169 million in premiums which is about the same as we wrote in the previous year. There's not a lot of growth in premiums written. We hold the market share of 43 per cent in this province which is an extraordinarily high percentage for any insurance company to hold. I understand that in other provinces no individual insurance company would have more than 10 per cent market share.

And while this is good for SGI . . .

**Mr. Brkich:** — Is that 43 per cent, is that your car insurance or . . .

**Mr. Fogg:** — No, that's just the competitive side. The other side of it would be 100 per cent.

**Mr. Brkich:** — Yes, okay.

**Mr. Fogg:** — So, it's an extraordinarily high concentration of risk and that is dangerous for us as well, because you can see what would happen if a tornado came down the main street of Regina or Saskatoon. It would be devastating for SGI CANADA. And to protect ourselves against that we buy re-insurance which is really insurance for insurance companies. And so in any one storm, SGI CANADA would pay the first seven and a half million dollars and the re-insurers would pay up to the next hundred and thirty-odd million dollars.

**Mr. Heppner:** — I have a question on that. Would your premiums on your re-insurance be higher because you maintain such a large market share?

**Mr. Fogg:** — Technically yes, but practically it's very competitive in the re-insurance markets these days and the rates are actually declining. But there are some insurance companies that would not want to deal with SGI CANADA simply because of the concentration of risk.

Most of our re-insurance is placed in Europe. They really haven't got a good idea of Saskatchewan. They can't quite visualize it because they're looking at big European cities. But the ones that have come out here and looked around, they haven't had such a problem with it.

Maybe just at this point I'll talk a little bit about the basis of competitive insurance and underwriting as such. Underwriting involves the risk selection. The first thing an underwriter does is decide whether he or she wants to accept that risk or not take it, and if they do want to take it, what is the appropriate premium?

And talk a bit . . . I'll give you just one example and that of hotels. You look at a hotel for example, and you would see if it's fire resistant. Does it have a sprinkler system? Would it have a restaurant. If it has a restaurant, the premiums would be higher because of the possibility of people getting food poisoned. They would look to see if it had a swimming pool. And the worst of all cases if it had a waterslide because waterslides are very hazardous, and many insurance companies — especially in the US (United States) — it will not take any hotel with a waterslide. Which is why if you ever go to the US on holidays you will never see a waterslide in a hotel. But in Canada we still accept them although we charge them an appropriate premium.

The other situation. In hotels you're looking at them risk by risk; in homes you do not. You put them into categories, and they're put into categories on a somewhat arbitrary basis. They used to be categorized by fire protection. The people that have better fire protection pay lower premiums and it seems to be pretty obvious. But as time went by when fire was not the major cause of loss — in fact theft is now the major cause of loss — insurance companies had to devise new ways of categorizing risks.

At SGI and most other companies, we have four areas which we charge different premiums: and one is Regina-Saskatoon, they get the same premiums. P.A. (Prince Albert), North Battleford get the same premiums.

Then there's smaller towns with fire protection — the Humboldts, Yorktons, the rurals. They have a different category. And finally there's unprotected risks in rural Saskatchewan.

In that case, somebody with a \$100,000 home in Regina will pay a fairly . . . a considerably higher premium than a person with a \$100,000 home in Moose Jaw, simply because the chances of break-in are much higher in the city of Regina. And that is sometimes difficult for us to explain.

You also look at the risk and see if they have any particular features that may cause you to surcharge or discount. For example, solid fuel heat. If you're burning solid fuel heat in the home, you will pay a considerably higher premium than if you do not, because the chance of a fire occurring is much greater. If

you have a monitored alarm system, you will pay a much . . . a lower premium than you would if you didn't have a monitored alarm system.

So that is sort of how the insurance company works.

As far as the industry is concerned, right now it's very competitive. There is not a lot of new business coming up in Canada. It's the same insurance companies chasing the same business, and the only way people are growing is by taking somebody else's business away from them.

The personal line products — the home, agro, auto — there is not a lot of underwriting profit in these products and use. By underwriting profit, I mean if you take the premiums you collect, less the expenses, claims, and administration, whatever's left over is an underwriting profit. The insurance industry has not had an underwriting profit since 1978. SGI CANADA has had underwriting profits six out of the last 10 years.

The real money is made on investment income. So if you can break even at the underwriting line, you'll make your money on the investment income. And commercial insurance is even more competitive — more companies . . . (inaudible) . . . fewer risks.

SGI CANADA has been successful over the years for a number of reasons. We target a rate of return 5 per cent higher than the pre-tax rate of return for the industry. And the reason we do that is we should be able to underwrite better than the industry. And it's not true of just SGI CANADA but is true of any regional insurers. We know our risks better. Our underwriters drive back and forth to work and pass the risks we underwrite. Whereas, if you're a national company out of Ontario, you might not have ever had an underwriter come to Saskatchewan.

We have a very loyal, supportive group of independent brokers. We've been here for many years and the belief is we'll be here for many years to come. And everybody knows SGI. They have an opinion about it — good or bad — but at least they're aware of it.

As I say, we sell our products solely through the independent brokers across the province. And we have a large number of independent brokers, especially in rural Saskatchewan, that national companies probably would not keep.

The reason we . . . It costs money to support a broker. We can keep them because we have claim centres throughout the province. We have underwriters in other areas than Saskatchewan so it's efficient for us to keep some of these small brokers. But for national, big companies, they wouldn't keep them.

However, we still . . . Most of these brokers will write business for other companies and we have to compete for their loyalty. So we, like other insurance companies, provide the brokers with commissions and profit commissions — not dissimilar from any other company. We provide very good training programs for our brokers. We train their staff; we train the broker. We want them to understand our products better than our competitors so that when they have a choice to sell a product, they will sell ours.

We provide loss prevention services, brochures. We provide share-cost advertising. And although SGI CANADA does not do much advertising on its own, it does have a program to work with our brokers where we will, if they have a certain ad that will promote the broker and SGI CANADA, we will pay for half of that ad based on some sort of criteria.

We have an annual brokers' convention. And probably most important of all, any SGI CANADA broker is eligible to be a motor licence issuer. And especially in rural Saskatchewan, it makes that broker viable in that community.

I want to move on to SCISL now and the reasons for expansion. And I'll just maybe give you an example of SGI's storm claims and what concentration of risk means. And you'll see from this chart how the storm claims move from a low of about half a million dollars to up to \$18 million. And if I had 1983 on this chart you would see that the storm claims in that year were in excess of \$50 million.

This is the problem with the concentration of risk. You get fluctuating financial results. They're up and down depending very much on what happens during the storm season. In 1995 there was the Pilot Butte storm; in 1999 was the Emerald Park storm. In 1995, because that loss exceeded seven and a half million dollars we would have collected a portion of that \$18 million from our reinsurers.

The 1983 storm with 50 million was devastating for us. It was mainly sewer backup losses. The reinsurers were very concerned that we were not taking adequate steps. And in those instances, we did move from replacement costs to actual cash value in Regina and Saskatoon on sewer backup.

SCISL is a share capital company established to write business outside of Saskatchewan. It is a subsidiary of SGI CANADA. SGI CANADA owns the vast majority, CIC (Crown Investments Corporation of Saskatchewan) Industrial Interest owns a small part, as does the auto fund.

It is formed . . . and the reason we expand, we expand for three reasons. One is to spread a risk; one is to earn a profit, of course; and the third reason is to create jobs in the province of Saskatchewan.

This company, SCISL, is licenced in both Manitoba and Ontario. We started there in 1993, and we started in Ontario in 1995. We write the same lines of business except for extension auto. And we write no auto, actually, in Ontario.

Our direct premiums written are up to \$6.6 million. And virtually all of that is in Manitoba. In Ontario we're only really writing accommodation business for Manitoba brokers. We might have one or two brokers there.

Border brokers in Manitoba and Ontario and there are ten brokers in Saskatchewan who also write business in Manitoba. We're now about the 11th largest insurer in the province of Manitoba.

We're looking to get a licence in the province of British Columbia. And where we'd really like to write is in the province of Alberta. But there's legislation in that province

prohibiting us from writing business there.

In 1997 we invested in a crop-hail company. And this was somewhat of a unique situation. There were three . . . well there were four small crop-hail companies in the province, some of them in Moose Jaw and Saskatoon. They didn't have enough capital to meet the requirements — the superintendent of insurance requirements in Manitoba or Alberta — and they would have to stop writing business there. And even the superintendent in Saskatchewan was concerned about their low level of capitalization.

So they came to us and asked us if we would assist, so we formed a partnership with these three companies. We put in a third of the money and the three companies put in the other sixty-six and two-thirds. And it is now the . . . I think last year was the second largest crop hail writer in Canada. It has been successful, if you've noted, over the last three years, because there simply has not been any hail. So we haven't made a very good return on our equity.

And the purpose here was not only to make a profit, but if we hadn't have done this, these companies may have closed up and jobs would have been lost in the province.

**Mr. McMorris:** — Is that Ray, McQueen, and . . .

**Mr. Fogg:** — Ray, McQueen, and two public buyers.

Now maybe I'll just move on to the auto fund, which is what most people talk about when they're talking about SGI. I'll just show you the rate stabilization reserve and what has happened over the years.

In 1991 we had a \$38 million surplus in our rate stabilization reserve. It was at that point, or maybe a couple of years earlier, we began to have very, very severe financial problems with the tort-based injury system. And you can see what happened. It dropped, '91, '92, '93, down to '94, where our deficit at that time was 108.9 million.

At that point we introduced PIPP (personal injury protection plan). But however at the same time we froze the rates for four years. And you can see what happens when you freeze rates. It just stayed consistent or even dropped a little more.

In 1997 we brought in the three-year rate change program and you can see we're gradually coming out of the deficit. In 1997 that was the largest deficit we've ever had in the auto fund.

The auto fund has among the lowest average auto rates in Canada. I'd like to say we have the lowest, but I understand Charlottetown now has lower rates than we do. But other than Charlottetown, we would have the lowest insurance rates in Canada on average.

We have a lower administrative expense ratio than private insurers. And that's to be expected. We don't have to have a big selling force. We don't have to underwrite the business. So we do have a lower administrative expense ratio than the private sector, and in fact we have a lower administration cost than either MPI (Manitoba Public Insurance) or ICBC (Insurance Corporation of British Columbia) with similar programs.

We deliver our product through — I guess you want to call it the insurance product but it's really licence plates — through 470 licence issuers, and we have six of our own offices.

This 470 issuers is somewhat of a problem. It's expensive to keep these issuers. With technology the way it is now we're required, basically required, to put in on-line computer systems with all issuers and some of them do a very small volume. But you'll probably know, or you've heard that this is a real sensitive issue — to cancel an issuer, even the smallest issuer in a small town. So we've had a few drop off I think, Alan, over the years, but not very many.

**Mr. Cockman:** — I think we're down to 466 actually.

**Mr. Fogg:** — It's a lot of issuers for this province. The auto fund is a compulsory, as you know, universal auto insurance program. It makes about \$400 million a year. It provides basic coverage. And I mean basic coverage.

It provides collision and vehicle damage with a \$700 deductible. It provides injury protection, the PIPP program, and \$200,000 in third-party liability.

The Saskatchewan Auto Fund is administered by SGI on behalf of the government. The auto fund is a non-profit organization. There is no intent to make a profit here. The government takes no money out nor puts money in the Saskatchewan Auto Fund. It is really a trust fund for motorists.

If claims increase, we have to increase premiums, and so every time claims go up we have to turn to the motorists to get more premiums.

We register about 670,000 drivers and 825,000 vehicles in the province.

The auto fund is more than a simple insurance company. We have licensing and registration. We distribute all the drivers' licences, registration for vehicles. We have vehicle standards and inspections. We look after the large trucking fleets, safety of the large trucking fleets, and we have a number of traffic safety programs.

The auto fund also provides driver examinations. We assess surcharges for drivers with poor driving records and multiple moving traffic violations for example, or at-fault claims. And we also deliver the medical review program for individuals who have medical conditions that would make them unsafe to drive. We review to make sure that they're safe before they go on the road.

We administer the driving without impairment program. We deliver the registration programs for private and commercial vehicles and we are responsible for issuing administration policy.

Now, I'll move on to the auto fund underwriting. This is not underwriting in the true sense of the word because underwriting implies that you can select or reject risks, and in the case of the auto fund, we cannot. It is a compulsory program, meaning you have to insure with the auto fund but it is also universal, meaning we have to insure you whether we choose to or not.

How the auto fund does this — it's more rate setting perhaps than underwriting — is first you look at each class of vehicle and try and make sure the rate is appropriate for that class, that it is paying its fair share. And the class of vehicles might be private passenger vehicles, ambulances, taxis, large trucks, snow . . . well it's not snowmobiles no more; it's not a good example . . . (inaudible) . . . And farmers, farmers is another one.

I might just mention farmers at this point because this is always a sort of interesting point about insurance rates for farmers and what actual vehicles farmers can register in the farm class. Farmers pay a lower insurance rate than ordinary private passenger vehicles, and it's not simply because SGI is trying to provide some subsidy for farmers — that is not the case. They deserve the lower rate. They have fewer claims, and it only makes sense that farmers would have fewer claims since they have more vehicles that are not being driven, maybe sitting idle, and are driving in areas of Saskatchewan where traffic is lighter. And it's not just true in Saskatchewan; everywhere in Canada that I'm aware of, farmers pay lower insurance premiums.

At one point it was very clear what a farm vehicle was — it was usually a half-ton truck, a, you know, a three-quarter ton truck or whatever. But as time went by when vans were introduced, a full-size cargo van was in many cases a farm vehicle especially for market gardeners; they were hauling goods around in these vans.

Then they came out with a minivan, and they started trying to define vans and then SUVs (sport utility vehicles). And some of these vehicles are . . . We do get complaints when people spot a Lincoln Navigator, I guess it is, with an F plate on it. What we're doing there is two things. For the most part, SUVs will be treated much as any other farm car; we're gradually moving the rates up for SUVs so they're treated like a farmer driving an ordinary Lincoln. It may not be a good example but . . . (inaudible interjection) . . . That's right.

And I think the other thing we're going to try and do is get rid of that F designation. It just infuriates people to see that. There's no good reason to be sticking this on vehicles any more, so we're going to try and get rid of that.

**A Member:** — At least it's smaller now, anyways.

**Mr. Fogg:** — At least it's smaller. There was a reason for it many years ago, but it's sort of . . . it's not necessary any more. So we might use it still for commercial vehicles, but I think we can consider getting rid of F plates for light vehicles.

And then within each category you assess a premium based on the make and model of the vehicle. And they pay different insurance rates because of the damagibility of that car in an accident. Some cars are more expensive to fix than others; they have to pay higher insurance rates. And some cars are more likely to be stolen than others — the manufacturer has perhaps not provided adequate protection — and they're going to pay higher insurance rates.

And this information comes from a system that every insurer across Canada basically uses called the CLEAR system, which is the Canadian loss experience automobile rating system.

And just to move on, the auto fund also has vehicle standards and inspections. It determines safety standards for vehicles. It carries out various inspection stations and programs especially for school buses, commercial vehicles. Every vehicle that is total loss has to be inspected before it's put back on the road, and vehicles that were not previously registered in Saskatchewan have to be inspected.

We also run a traffic safety program. We analyse causes of accidents; what, how we can make the roads safer; and propose existing safety programs; and we maintain a data bank of accident reports. And we put out a book called *The Traffic Accident Information System* that will tell you when an accident's occurred, where in Saskatchewan, what time of day, and that type of thing.

I'd like to just talk a bit about auto claims while I'm here. We have about 90 to 100,000 automobile damage claims annually in the auto fund. Our surveys tell us that we have about an 89 per cent satisfaction rate at this time, so there's maybe 10 or 11 per cent that are not satisfied. But that translates into 10,000 claims that people are not happy with and so we get a lot of calls, and you would likely as MLAs will get many calls on this.

And there's a number of reasons and a number of problems that people have with the auto fund or with any insurance system and I . . . The first one is usually . . . Our biggest problem is when a vehicle is total loss and the individual whose vehicle it was feels we are not paying her or she the fair amount of money; that their car is worth more than that. And it is especially true with older vehicles. An older vehicle probably has very little value but to the owner it's very important; it got them back and forth to work and it carried out all their needs. And when they find out we're only going to give them 2 or \$3,000 they're upset.

Ultimately the solution is, in these instances, is arbitration and that . . . in which case we would appoint an arbitrator, the insured would appoint an arbitrator, the two arbitrators would appoint a referee, and they would then decide on the value of that car and we would pay it.

Because sometimes this takes a period of time, what we try to do is say: look, we think your car is worth \$2,000, you think it's worth 4; we'll give you the 2 right now because we don't want to leave you out-of-pocket because it might take you some time to get to the 4 and you may never get it.

The second biggest one is who was at fault. You know, sometimes you hear the term no-fault used all the time. But that is not true; we still do find people at fault in accidents. SGI makes some judgment based on the rules of the road, based on police reports, based on witnesses; and from time to time, people will disagree on whom we found at fault. And in those particular cases, they have access to the Small Claims Court and whatever the Small Claims Court rules, we will then go along with that.

And the third most common complaint is why should I pay a deductible when my car was stolen, was hit and run. I'm victimized by the thief, and now I'm victimized by SGI because I've got to pay a \$700 deductible. And once again this is not a

no-fault system, this is a tort-based system. In order to recover your 700 deductible, you have to find someone at fault to sue. If you can't find anybody, that's unfortunate, but you're responsible for your own deductible.

I'll make a few comments on PIPP but because the hearings are going on shortly, I won't spend too much time on it. It was brought in in 1995. It was brought in for three reasons. There was inadequate no-fault benefits. The system was in our opinion basically unfair. Two-thirds of the claims dollars . . . or two-thirds of the individuals in an accident had someone to sue, they got 90 per cent of the claims dollars; the other one-third who could find no one to sue got the other 10 per cent in spite of the fact that they both paid the same amount of premium into the auto fund. What it did is, in essence, removed the ability to sue for pain and suffering.

The five-year legislative review is now underway. You can see from the chart what happened with the old tort-based system. And calculations would tell you is that if we hadn't introduced PIPP at the time, we would have had to be charging motorists on average about \$233 for each vehicle they registered.

We also have a salvage operation. We have five salvage centres located in Regina, Saskatoon, Moose Jaw, North Battleford, and Yorkton. Some of these vehicles are sold as full vehicles; some of them are dismantled and the used parts are put back into the repair system which goes to keep claims costs down as well as being environmentally friendly; and it sells parts and old vehicles in the general marketplace.

SGI has a very good on-line computer system. It took us about five years to rebuild our systems, and now they are now state-of-the-art systems. All of our issuers are — I guess not all; there are three or four that aren't but they soon will be — all will be on-line on computer system by point-of-sale issuing for licence plates. It allowed us to bring in a monthly payment plan and short-term registrations.

The general insurance system for SGI CANADA is now a state-of-the-art system. It allows us to interface with brokers. We can upload and download information. We are, I think, further ahead than most insurance companies of our size. And we're in the process of developing the Internet, Extranet, Intranet systems; particularly the Intra and Extranet systems, and less so on the Internet systems.

Mr. Chairman, that's my presentation. If you have any questions or anybody has questions we'll try to answer them.

**The Chair:** — Thank you very much.

**Mr. Prebble:** — Thank you for the presentation. I've got a couple of questions, and they relate to the auto fund. How much of the payout that we're now making in terms of compensating people for either injury or damage to their vehicles or loss of their vehicles, as the case may be, how much of it is now being spent on compensating people for personal injury?

**Mr. Fogg:** — It's about . . . I've got the figures here and I'll just look them up. My recollection is it's about 55 damage, 45 injury.

**Mr. Prebble:** — So the injury has gone up significantly over the last few years.

**Mr. Fogg:** — The injury . . . traditionally in the insurance industry for years, it was 60/40 — 60 damage, 40 injury. At one point in our time we had reversed it. We were at 60 injury, 40 damage. Now we're back to probably about 55/45.

**Mr. Prebble:** — Okay. I would be grateful actually to get the exact figures.

**Mr. Fogg:** — Exact figures?

**Mr. Prebble:** — No rush on that but when you . . . at your convenience if you could provide those, that would be great.

**Mr. Fogg:** — Yes.

**Mr. Prebble:** — The other question I have is with respect to car theft, and again you might just want to provide these at your convenience. But I have a question relating to — I guess this relates not only to the auto fund but also to general insurance — but with respect to car theft and damage to vehicles by, what I would say, property damage. In other words vehicles aren't on the road but they're broken into or damaged in some way.

Could you give us figures for . . . you were saying this is — and I agree with you — it's obviously much more of a problem in Saskatoon and Regina than it is in other communities. But I'd be interested in seeing a breakdown in Saskatoon and Regina and if you're able to provide it in other communities as well.

**Mr. Fogg:** — I actually have that for you, Mr. Chairman.

**Mr. Prebble:** — Oh, well wonderful.

**Mr. Fogg:** — I bring some of these because they're commonly asked questions. In . . . I'll give you '98 and '99 and I've got all the years. But in 1998, there were 3,936 vehicles stolen. It cost the province \$9.6 million. In 1999, it was 3,742 vehicles for 9.8 million. In 1998, of those 3,936 vehicles that were stolen, 2,035 were stolen in Regina and 947 in Saskatoon. In 1999, it was 1,961 stolen in Regina and 973 in Saskatoon. And the rest were across the province.

There's also vandalism and other information. It actually . . . The worst year was in 1996 where we had 5,108 vehicles stolen for \$10 million . . . I'm sorry, I'm saying thousand dollars — it's 9.8 million.

**Mr. Prebble:** — And with respect to my final question — because I know others will have questions — but with respect to break and enter and theft: how much is being paid out in Saskatoon and Regina in those areas?

**Mr. Fogg:** — I might have that as well.

**Mr. Prebble:** — And if you don't have it handy, please just feel free to provide it at your convenience because I understand you may not have those figures at your fingertips.

**Mr. Fogg:** — I thought . . . I could give you some information, Mr. Chairman. This is on personal lines; it'd be habitational



products mainly. In 1999, we had 2,225 break-ins for \$6.7 million, which is very similar to what it was in the previous year.

It is gone down but partly it's gone down because of the increase to the deductible from 100 to \$500. But the incidents aren't going down significantly.

**Mr. Prebble:** — That's province-wide, the figure that you provided? Is that province . . .

**Mr. Fogg:** — That's for personal lines. There's also . . . yes, that's right. There's also commercial lines and others, but for habitational . . .

**Mr. Prebble:** — And if you'd be good enough to just, at your convenience, provide those for Saskatoon and Regina, I'd be interested in seeing . . .

**Mr. Fogg:** — Yes, I'll provide that.

**Mr. Prebble:** — Sure, thank you. Thank you very much.

**Mr. Heppner:** — Yes. SGI's low premiums, I think, is one of the things that's always put out as being really in favour of SGI. The 6 percent tax that's just been put on as far as repair is concerned, what effect is that going to have on premiums? And also is that then going to also carry through and have an effect on the number of write-offs that take place because the repairs are higher which then basically cuts into the work that auto body shops are going to have?

**Mr. Fogg:** — That's an interesting question. Yes, there'll be . . . there's a tax on repairs and it'll have some cost, and I don't have it with me but we're working it out. And whether it will affect more vehicles being written off, I'm not sure because there'll be a tax on used vehicles as well. So when a person now has a total loss vehicle, we're . . . assuming they're responsible for the tax, we will have to pay them that additional 5 per cent.

So I'm not sure that it'll cause more vehicles to be written off or not, because it would be more expensive for us to replace the vehicle.

**Mr. Heppner:** — So we can expect to see premiums go up to cover the 6 per cent cost on the repair portion of it?

**Mr. Fogg:** — Well normally premiums go up . . . Unless the incidents of claims come down dramatically for some reason that I'm not aware of, that doesn't usually happen. Premiums go up, first because it's more expensive to repair vehicles. Forgetting the tax for a moment, the newer vehicles — while being much safer vehicles to drive in — are very expensive to repair. It's the airbags and the type of paint they use and the crush zones. But the tax will have some effect as well.

**The Chair:** — So just to make sure I understand what the answer to that question was. Is the answer yes, they're going to go up because the tax has gone up; or (b) not likely; or (c) no?

**Mr. Fogg:** — As I strived to say, Mr. Chairman, the rates will probably go up. That is just one of the factors. The major factor that would cause rates to increase is the cars are more expensive

to repair, aside from the tax. But the tax will be one of the components of any rate change.

**The Chair:** — Okay, but it's not the determining factor for a rate change?

**Mr. Fogg:** — Well no, we're not racing out to put up rates because of this. But I say, generally speaking, rates have gone up approximating inflation because it's more expensive to repair vehicles.

**Mr. McMorris:** — Just to take that one step further, then this inflates that cost by another 6 per cent of repairing vehicles.

**Mr. Fogg:** — Not that much because about half of the cost to repair vehicles are labour. The other half are parts which already had a tax on them. So it won't affect all of the labour bills. The labour bills will not go up 6 per cent — or the cost of labour will, but the cost of the repair bill will not go up 6 per cent. Sorry.

**The Chair:** — Perfectly muddified. Mr. Harper?

**Mr. Harper:** — Thank you. Mr. Fogg, my question is in regards to the number of brokers that you have across Saskatchewan. Has that number stayed relatively constant over the last 10 years?

**Mr. Fogg:** — It has decreased over the last 10 years. What has happened . . .

**Mr. Harper:** — How dramatically has that decreased?

**Mr. Fogg:** — My guess would be that it's gone from about 400 brokers 10 years ago. In rural Saskatchewan, what is happening is brokers are leaving and other brokers are buying out their books of business and sort of merging them.

**Mr. Harper:** — Now the next question is in regards to someone who perhaps is not an existing broker but would like to become a broker and would be in a position to purchase a brokerage. I would assume that it would be rather difficult to get financing from the traditional sources of financing to buy out an insurance brokerage because there's very little real security. There's basically a book of business, a book of goodwill.

**Mr. Fogg:** — That's absolutely right.

**Mr. Harper:** — Does SGI then get involved to some degree in the financing of purchases?

**Mr. Fogg:** — Traditional lending institutions do not recognize the goodwill value of a brokerage, which is basically the customer list. And SGI does recognize it and we can actually . . . if something went wrong, we could realize on that book of business. We could sell it.

So we do provide loans under certain circumstances to brokers to purchase other brokerages, or individuals to purchase brokerages. Yes, we do.

**Mr. Harper:** — And how many of these particular transactions has SGI been involved in in the last, say, five years?

**Mr. Fogg:** — As I recall, Mr. Harper, we began this program two or three years ago and I would suspect we're somewhere about a dozen loans we've made.

**Mr. Harper:** — And your success rate has been fairly good with those dozen. You haven't had to . . .

**Mr. Fogg:** — We had a problem with one but ultimately we realized on it, so . . .

**Mr. Harper:** — Okay. Good, thank you.

**Mr. Fogg:** — We'll say that we haven't lost anything on it.

**Mr. Brkich:** — For in the city here, just from the other questions you were asked, it seems like there's more, obviously more break-ins, more car thefts in Regina and Saskatoon — quite a bit I would say, maybe — what? — 60 per cent more than . . . between the two cities?

**Mr. Fogg:** — I've got the figures.

**Mr. Brkich:** — Is there a different rate . . . Are you looking at different . . . maybe insurance rates being a little higher in Regina and Saskatoon in the coming years if . . . especially if that keeps climbing?

**Mr. Fogg:** — I'll speak about the auto fund where, as I say, the auto fund theft claims, although they're much greater in Regina and Saskatoon, it is a relatively small part of the total vehicle damage claims. It is not a particularly significant factor. The damage claims . . . I've got the figures here . . . As I said the theft claims . . .

**Mr. Brkich:** — Well when you get time if you can send the information you sent to . . .

**Mr. Fogg:** — Yes. Total damage claims are about \$230 million last year. And theft claims are, like I say, a very small portion of that. Mostly, it is just simply collision claims.

**Mr. Cockman:** — Can I just add to that, that if you compare the urban-rural, of course in the rural areas we have the wildlife claims and the wildlife claims in fact, in total, are greater number than the theft claims. So they tend to balance themselves out as far as the sort of the rates are concerned between an urban and rural split.

**Mr. Brkich:** — Have you taken . . . has your wildlife claims dropped quite a bit since you've added the deductible? At one time there was no deductible for wildlife claim if I believe right.

**Mr. Fogg:** — No, there has always been a deductible for wildlife claims. Where there is not a deductible for wildlife claims is if you have an SGI Canada Auto Pak, then there is no deductible.

**Mr. Brkich:** — Okay, because I thought at one time a few years ago there was none.

**Mr. Fogg:** — I don't recall that. We hear that once in a while but I don't believe that was the case.

**Mr. Brkich:** — On your arbitration, when you appoint an arbitrator, is it pretty well the same claim adjuster? Or is it somebody independent or somebody that works for you, or is it usually the claim adjuster?

**Mr. Fogg:** — We at one time just appointed outside third parties but now we have an individual whose full-time job is to do this for us. It was just cost-effective and he's more aware of the values of vehicles. He doesn't do them all because there's just too many outside of Saskatchewan . . . outside of Regina, but he does the majority.

**Mr. Brkich:** — Okay, but you employ him?

**Mr. Fogg:** — We employ him.

**Mr. Brkich:** — Okay, and the ones he can get to, then who do you appoint for that?

**Mr. Fogg:** — We would appoint . . . we would have a list of . . . usually from a car dealership or somebody who's familiar with automobile pricing.

**Mr. Brkich:** — Okay, it's not somebody that works for you?

**Mr. Fogg:** — Not always.

**Mr. Brkich:** — But it is sometimes?

**Mr. Fogg:** — But over the last . . . I think two or three years ago we did hire a person just simply to do that work. Prior to that we always used independents. It's not the adjuster though, not that I can ever recall.

**Mr. Brkich:** — Has the Ombudsman never made a recommendation? I can't remember that . . .

**Mr. Fogg:** — The Ombudsman feels that we shouldn't have our own employee performing this function, that we should be required to use an outside third party. And we are disagreeing with the Ombudsman but we look at the various pieces of legislation and ultimately come to some agreement.

**Mr. Brkich:** — Another, I guess while I still have the mike — what do you determine when they take somebody's licence away; is it with complaints or is it just that the doctor forward something? What's the routine on that?

**Mr. Fogg:** — For medical reasons?

**Mr. Brkich:** — Yes.

**Mr. Fogg:** — We do it for a . . . we do it — and Alan knows better than I — but sometimes we will get complaints. Sometimes these are elderly drivers and you'll get the family member saying that my father or mother shouldn't be driving any more. The doctors, I believe, or medical practitioners are now required to advise us if drivers . . . in their opinion, this driver would be unsafe on the road.

We're very reluctant to take away people's driver licences especially in rural Saskatchewan where there's no alternative means of transport. And so we . . . there'll be occasions where

we permit them a sort of provisional licence . They're allowed to drive in that community where they're well-known, but they can't go on the highway.

**Mr. Brkich:** — Or daytime hours, something like that?

**Mr. Fogg:** — That's right.

**Mr. Brkich:** — Okay, is there appeal process though for that person? Let's say that one doctor makes a recommendation and you just go on the one doctor's? Let's say you do take that licence — is there also appeal process for that person to appeal that?

**Mr. Fogg:** — There is the Highway Traffic Board, which reports to the Minister of Highways, which is a quasi-judicial board that would conduct a hearing to see whether they would uphold SGI or return the licence or whatever other alternatives they may wish to make.

**Mr. Cockman:** — Some provinces operate on the basis if you have a specific condition, then this is a specific action taken against you. In Saskatchewan, we take a look at them on an individual basis, so when the doctor reports to us it doesn't generate a specific type of action. We would take a look at it on an individual basis and decide what we can do. And Larry is right — we tend to restrict rather than suspend.

**Mr. Elhard:** — You've touched on several of the areas that I was going to ask about, and I would like to pursue, to some extent, some of those areas a little more this morning. We talked about the independent broker system and how you have 470 or just a few less than that, and I was wondering if . . . Are you actively pursuing any new brokerages at the current time and if so, what criteria you might use?

**Mr. Fogg:** — We are at 360 brokers at this time. They're independent business people that have a contract with SGI CANADA, I guess, and with other insurance companies for the most part. And no, we are not pursuing them. We have not made a . . . Except in one particular case, we are not appointing any more brokers. Because if we appoint a broker in a community, it'll simply take away business from the other brokers in that community who very well may have paid a price. They bought that book of business and it's just unfair, it would be unfair for us to just give a cold appointment to a broker to compete with them.

Having said that there are . . . the one program we do have is a . . . the appointment of brokers on First Nations, and that is the only occasion where we will make a . . . what we call a cold appointment and that would be on a First Nation.

**Mr. Elhard:** — I noticed that you had mixed emotions maybe about the 43 per cent of the business that you hold. It has its good and bad sides. How do you account for the achievement of that figure? What in your estimation has . . .

**Mr. Fogg:** — There's lots of good reasons, but insurance products in this province and in many provinces are really sold by the broker. The individual goes into the broker and takes the broker's best advice. And in our case, the broker, for the most part, must be recommending SGI CANADA as a product.

And I think also, we've done surveys. Most other insurance companies, nobody's every heard of them with the possible exception of the Co-operators; nobody knows about Wawanesa or the Royal so that . . . And we service the brokers very well. And you know, you're going to hear complaints from time to time about claims service, but ultimately at the end of the day, our service is really pretty good. And so our customers just mainly just stick with us.

**Mr. Elhard:** — I was wondering if the commission levels you pay your brokers might be higher than the industry standard?

**Mr. Fogg:** — No, it's not. It's exactly the same.

**Mr. Elhard:** — And if their business with SGI happened to fall off, would their ability to handle auto licensing be in jeopardy?

**Mr. Fogg:** — Well the policy right now is that any SGI CANADA broker can be a motor licence issuer. Virtually all of them accept that opportunity. Some of them not, some of them not want to bother with it.

There are occasions and there are some communities where there was . . . we had permitted brokers to merge into . . . Where technically if you looked at the community, we should have more than one broker, but there are reasons where we would have let them merge. But it would be on the condition that we do not see our volume drop off significantly, because if we did then that would be an occasion where we'd have to look at that situation and say, no, that community is too big for one broker, there's no competition. We may have to appoint a second broker.

That's never occurred to my knowledge, but I'm not saying it couldn't happen.

**Mr. Elhard:** — I'd like to move to the issue of farm plates just quickly. I'm personally in a bind right now because I run a van with my name and constituency on the side of it, but I'm running it with an F plate. I probably shouldn't admit that to you right now because that may change quickly. But my broker assures me that I am perfectly legal because my residence is a farm most of the time. But I've had the questions raised by constituents and I had to go search that policy out to find out if I was legal or not.

But taking that farm plate issue more to where my constituents are concerned, many farmers run highway tractor-trailer units now, grain trailers in particular. But because of the farm economy and because of the need for them to just generate more cash to subsidize, to maintain their farm, they've gone and bought flat decks so they could haul hay. They've gone and bought cattle liner trailers, that type of thing, so they could haul cattle. They've done a variety of things just to make that whole process viable for them. And it's not intended to be a business; it's intended to be a way of subsidizing their farm.

And yet we've run into a huge number of complaints and difficulties in our area in particular from farmers who are no longer allowed to run those trucks with farm plates.

So what is your criteria to differentiate between what is a legitimate farm activity and what isn't. I guess that's the

question.

**Mr. Fogg:** — I'll make a couple of comments and then Alan can answer. There's a definition of a farm and a farmer. And it's the same definition the Department of Finance used when they were talking about farm fuel rebates.

And as I said, in any insurance system, you're put into categories. Sometimes they're not always fair, but they're there.

Where we run into problems with large trucks, if a farmer is hauling his or her own goods in the truck, that's fine. They're not competing with private sector truckers. If they start hauling goods for others, and they are using . . . If they are getting lower registration fees than somebody who is in the business of trucking, then we tend to get complaints. And you may want to add to that, Alan.

**Mr. Cockman:** — Well we started getting complaints from the commercial truckers who then say that now you're in competition and you're providing a subsidy.

I think the other point is that when you buy these larger units, I mean they cost a lot of money and therefore to make them effective you've got to put them on the road and use them more. As you use them more, your risks increase, particularly if you're doing commercial hauling of some sort, and therefore you should be paying. I think an adequate insurance premium. And also of course you're putting more damage onto the roads as well, and therefore your registration costs are also applicable.

There is a considerable difference between a large truck rate for farm use and for commercial, so it is a significant difference. And if it's only being done occasionally, then there are permit systems that allow it to be done for various trips and hauls. And we do allow the switching between classes if it's going to be for an extended period of time. So that you only pay those higher premiums for the time when that vehicle is used, in the majority of cases, as a commercial vehicle.

**Mr. Elhard:** — Well, if we have an individual who is running a licensed trailer as a farm vehicle, but wants to haul his neighbour's cattle, if he does it for money, he can get a permit on a one-time-only basis. But if he doesn't do it for money, if he does it for trade, what's the situation there?

**Mr. Cockman:** — I think those are ones I can't answer. I'll get you a definition of exactly that, when it's done without compensation. We do know of several occurrences where people will purchase the cattle, so they are then their own property, and sell them again at the end of that particular trip. I'm not suggesting that's the way to do it, but I know that people have used that so it's still within the property of the farmer.

**Mr. Elhard:** — I guess . . . I mean I understand the legitimacy of the arguments you're making. I'm just pointing out, I think, the convoluted nature of transactions and maybe the borderline illegality that some people operate under because of the complications of those situations. And the situation is necessarily exacerbated by the serious economic crisis being faced by the rural sector right now. So thank you, gentlemen.

**Mr. Yates:** — I have two or three questions for you. You talked about the different rates for SGI CANADA home policies in Regina, Saskatoon, and Yorkton, and various communities based on different factors. Are those factors exclusively break-ins or do you take into consideration higher fire rates, type of fire department? You know some fire departments may be single-truck units in an RM (rural municipality) or in a very small community that would have difficulty dealing with a house fire, a fully engulfed house.

**Mr. Fogg:** — Yes, we do. We only have four sets of rates for our home policy. As I say there's Regina-Saskatoon is one; North Battleford-P.A. is two; other areas with fire protection would be three; and then there's unprotected risks. And the unprotected risks where there is no fire department within a reasonable distance, they would pay a higher rate, for example, than a home in Moose Jaw. Because the chances of a total loss are very great that it could burn right to the ground before the fire department gets there. Whereas a total loss in Regina — although it happens — would be unusual.

**Mr. Yates:** — Let's use Emerald Park as an example. They don't have their own fire station there; some very, very expensive homes out there. I don't believe they have an agreement with Regina; they may with some small municipality or what not. What would their fire insurance be or what would their rates be in compared to Regina? We're talking about five miles out.

**Mr. Fogg:** — I believe — and I'll have to check this — they are just considered as part of Regina and they'd be the same rates as Regina.

**Mr. Yates:** — Even though they don't have Regina fire coverage?

**Mr. Fogg:** — Even though they might not have Regina fire coverage. But the argument I think would be, you don't want to have too many rate categories because it's just too confusing for the brokers. The likelihood is that the degree of theft is less in Emerald Park than it may be in Regina. So you take all of those factors into consideration.

**Mr. Yates:** — Okay. My second question is along the . . . when PIPP came in in 1994-95, you stated that if it hadn't been put in place, that the rate would be about \$233 extra per vehicle today in order to insure it. Now that being the case, what if that \$233 was on each vehicle, would we be in comparison to, say, other provinces in vehicle rates?

**Mr. Fogg:** — Well we'd certainly be higher than that. The PIPP provinces — Manitoba and Saskatchewan and Quebec, but particularly Manitoba and Saskatchewan — have the lowest rates.

**Mr. Cockman:** — Quebec City and the Maritimes would be possibly lower.

**Mr. Fogg:** — You know, it's interesting, and I haven't got it here, but there's charts showing you the various systems — the tort system in Alberta compared to the PIPP systems in Manitoba, Saskatchewan, and Quebec, and compared to some sort of threshold add-on system in Ontario. And you can just see what's happened to insurance costs. They've just gone straight up in Alberta. They've jumped around in Ontario and

they're kind of flat in Quebec.

**Mr. Yates:** — I'm trying to get some sense of . . . Individual systems may work differently in different jurisdictions and so on and so forth based on number of accidents, driving factors, a whole lot of different issues other than just, you know, straight accidents involved.

**Mr. Fogg:** — As far as insurance rates you're talking about?

**Mr. Yates:** — Exactly.

**Mr. Fogg:** — I agree with you. To a degree you're comparing apples and oranges when you talk about insurance rates. Probably the fairer comparison, if you want to talk about efficiency, is the administrative costs per vehicle to administer the program. And how much . . . Of the premium you're taking in from the motorist, how much are you returning to them in claims costs? And that is probably the fairer measure.

**Mr. Yates:** — Well that was my next question. What's your percentage of costs for administration of these? And the questions I'm asking, down the road could we get some detailed information on them — the percentage of costs for administration of the vehicles, some comparisons that you have looked at in . . .

**Mr. Fogg:** — Absolutely. When we . . . the next time we're back and we have the financial statements, we'll have all that data with us, and our comparisons to private sector and to other public sector insurance companies.

**Mr. Cockman:** — You have to remember — excuse me, interrupting — with our administrative costs though, that private insurers don't run driver licensing, vehicle registrations, and many of the other programs. So those are included with our figures, and we are still administratively lower.

**Mr. Yates:** — Okay. You can't factor those out though?

**Mr. Fogg:** — You could. We'd be lower anyway. But as I say, we'll be lower for a number of reasons. It's not that we're all particularly brilliant at SGI; it's that we don't . . . you know, with a compulsory program we don't need a sales push, you don't need to underwrite. There's a lot of costs you don't need to incur.

**Mr. Heppner:** — A question on the five-year review of basically PIPP that was supposed to take place and is taking place. Two questions. One is, I think in general people had some definite concerns with the tort system and some of the extravagant settlements that took place.

Now you're also aware that there's a number of concerns of sort of coverage and help that's provided now. But the one question is, are there possible positions of compromise between those two, or is it sort of one or the other?

And the other question relating to the review, that it seems to sort of fallen off the wheels. Does that provide an area of concern for you that the review may not be as adequate, complete, or correct as it apparently was going to be in its original form?

**Mr. Fogg:** — Mr. Chairman, I could talk about the first question first, about whether there's a compromise.

The difficulty with tort on pain and suffering, forgetting the cost for a moment, is it inhibits rehabilitation. And somewhere during the hearings this should be brought up. But it would tend to inhibit rehabilitation. If there's going to be a pool of money down the road for pain and suffering, perhaps there's not a big incentive to get better or else you won't get the money at the end of the day.

And there's a . . . I'm not an expert in this but people then concentrate on the pain and they have to usually keep lists of how painful things were for them and why they couldn't do whatever they used to be doing. And they don't get on with their lives. So the biggest problem we have with it is it inhibits rehabilitation. I guess that is our number one concern.

Now if you say, could somebody who was catastrophically injured — let's take somebody who's got severe brain damage or was perhaps a quadriplegic — and there is no further rehabilitation, could they sue for pain and suffering because it wouldn't inhibit their rehabilitation? And the answer is probably yes. So I suppose there is some way that that could be proposed.

And the second question on the review, I think it's unfortunate that some of the people who have had experience with the system, gone through the system, injured persons, and have either positive or negative experiences with the program, are not making their views known to the commission. Because I think it would be beneficial to the commission to hear those views. And I'm not entirely certain that some won't do that, but I guess we'll see.

**Mr. McMorris:** — I guess it was probably back about August '97 when the new driving initiatives came into effect with probationary licences and tougher fines for impaired driving. I forget — I used to know them off by heart but I don't any more.

What are the . . . and I've just heard recently that the probationary licence program is going to be looked at and perhaps moving more towards a graduated. Is that correct or . . . and maybe this is maybe more for Clay, but how have those programs . . . have they had . . . what kind of an effect have they had?

**Mr. Cockman:** — The probationary program, as you rightly said, has been in now for three years, and the results have been that we have seen reductions in new driver accidents, injuries, and fatalities lower than we anticipated. In those three years, again as you rightly indicate, many other provinces and states have moved to a graduated licensing program and they are seeing results that are considerably better than what we have achieved — sometimes in the order of 30 per cent reductions.

The main reason for that is that the graduated licensing program removes the new driver from the roads often between the hours of 10 and 5 in the morning or midnight and 5. That takes a lot of those accidents when particularly the youngsters are on the roads and obviously they may have had a drink or other factors are involved. And you remove those, you can get a good reduction. It also obviously helps you in terms of building up

experience.

Now there are questions for the effectiveness in how well you can do it within a rural environment, and I think those are the items that are being considered. Ourselves and Manitoba are the two provinces that at this moment do not have a graduated licensing program, but it's something that's being looked at.

**Mr. McMorris:** — The other one is the drinking and driving initiative with the first offence, I believe, being a year . . . (inaudible) . . . sort of reduction in the amount of alcohol involvement.

**Mr. Cockman:** — We are seeing reductions in the percentage of accidents where alcohol is involved but it's still unacceptably high. With our program we are also seeing, though, particularly good results in the number of people who don't reoffend. That has improved.

Where we are having an issue at the moment is with the new federal Criminal Code. Early reinstatement programs, which we had, which was a sort of a stick-and-carrot approach, we can no longer take a look at. Therefore there is no early reinstatement and we think that may have a negative impact on our programs.

So once again we are considering options such as something called an ignition interlock, which would allow people, provided they've taken treatment, provided that they are shown to be alcohol free, can then have early reinstatement and use it for their business and other needs.

**Mr. Kasperski:** — Thank you, Mr. Chair. Mr. Fogg, there's been some changes in the last year and a half in snowmobile registrations in the corporation. I just know that the last two or three years haven't been the greatest snowmobiling seasons. Can I get a couple of comments from you on how these have been working, or from your perspective how these changes, what effect they've had, or is it still a little soon to judge this?

**Mr. Fogg:** — Yes, Mr. Chairman. Snowmobiles, up until recently, were considered to be like any other motor vehicle. And it goes back in history of what their intent was but they're now being treated as any other sort of recreational vehicle like an all-terrain vehicle, with the exception that there was some demand that we continue to register these vehicles and that we provide them with the \$200,000 in liability insurance, which we continued to do, and the other insurance they could buy from SGI CANADA or the private sector.

And I just don't know what percentage of that business is still with SGI CANADA. Some of it is. Other programs have sprung up. I suspect it was a very good year for snowmobile insurers because there doesn't seem to be any major losses. But I don't think there has been any major concerns with it.

If there is a concern, it is with the snowmobile association themselves because they wanted a way to raise money to keep the snowmobile trails groomed. They wanted trail fees, licences brought in, and they would administer it and only people who had licences would go on the trails. I think with the snow they had this year, they didn't collect as much money as they had hoped and I think they have some concerns now.

**Mr. Kasperski:** — Thank you.

**Mr. Brkich:** — I had a whole slew of complaints from some grade 8 students. They've been encouraged to write to MLAs (Member of the Legislative Assembly) different things. Ninety per cent of the questions were, why don't they have a probationary licence at 14 like they do in Alberta? I was just wondering if you're looking at that program, or if you know anything about it.

I just got the letters a day ago so I really haven't even looked into it much. But 90 per cent of the letters were on the theme of, why can't we have a licence at 14?

**The Chair:** — Now that's really going after the youth vote.

**Mr. Cockman:** — In fact, we have just as many demands to move the licence up. I note that some jurisdictions in the States are now taking a look and wondering whether they should move it way beyond 16. I haven't heard them doing it, but we get both sides of the argument.

**Mr. Brkich:** — I was just wondering, I don't even know; I haven't even looked into it. I was just . . . what is Alberta's program so that when I write them back, I can talk to them and about your theory on it.

**Mr. Cockman:** — Well, I'm not that aware of Alberta's program of 14-year-olds. But we can certainly find it out for you.

**Mr. Brkich:** — Yes, I'm curious because they said that at 14, you can get a learner's licence there. Now I don't know if it's true or not. The letters just came . . .

**A Member:** — I did, when I was 14 in Alberta. With lots of restrictions though.

**Mr. Brkich:** — Is there? Okay. They probably just heard that you can at 14; they didn't know the restrictions and that, so that's something I can write to them . . .

**Mr. Fogg:** — We'll find out their . . .

**Mr. Prebble:** — Well thank you. Thanks, Mr. Chairman. Actually my question was going to be almost along the opposite lines, and that is with respect to whether SGI has looked at what the record has been in parts of the world that have a higher age for getting started in driving than we do.

I know some of the U.S. states have moved to 17 years. Have you looked at what the result has been there with respect to reduced injury and death among people once they start driving?

Obviously people who aren't on the road are going to have dramatically less injury and death, but have you looked at the results of jurisdictions in the world that have moved the age up?

**Mr. Cockman:** — We have seen preliminary results from some. The problem is that they're inconclusive because you've got to compare a whole series of programs that they have rather than just one. But there seems to be a fairly standard rule that says, it takes two to three years to gain experience. And it

doesn't seem to be a huge difference whether you start at 16, 18, or 21; you still need that experience to learn to drive.

I suppose where it gets dangerous is where you're learning to drink at the same time as you're learning to drive. And that a number of people, particularly in Saskatchewan, can regard a driving licence as much as a drinking licence. And those are some of the issues I think that we have to get out and more concerned about.

**Mr. Prebble:** — Could you bring information on other jurisdictions when you're back here next?

I was recently at a presentation from a number of very senior staff at Royal University Hospital who were making the case — this is in Saskatoon — who were making the case for the licence age being increased, and were pointing to the success of jurisdictions, you know, across other parts of North America who've increased the age.

I'd be interested in SGI's assessment of that. It obviously has . . . there's obviously a lot of drawbacks to increasing the age as well. And maybe you may be in touch with Royal University Hospital staff. I can get you names . . .

**Mr. Cockman:** — Certainly.

**Mr. Prebble:** — . . . with respect to examining that.

**Mr. Cockman:** — Certainly. We can do it. As I said, we will do it most certainly. But most of those jurisdictions have provided a number of programs all at once rather than just doing that one item.

**Mr. Prebble:** — Yes.

**Mr. Cockman:** — So it's difficult to isolate, but we'll do our best.

**Mr. Prebble:** — Thank you for that. Also on the graduating licences, if you could maybe get us some detailed information on what the record — the success records — have been in other jurisdictions with respect to reduced injury and death among teens, that would be great.

**Mr. Cockman:** — After graduated, it's all dealing with new drivers; it doesn't say specific age. But if it's like Saskatchewan, 83 per cent of them will be youngsters.

**Mr. Prebble:** — Right. Thank you very much. Thank you, Mr. Chairman.

**The Chair:** — Thank you. And with that, I'd like to thank the officials. Mr. Fogg, and your officials, thank you very much. Very informative. Very interesting presentation.

And with that, what I'm going to suggest is that we recess for . . . Is 10 minutes fine? We'll come back at . . . I've got it at 5 to 11 right now, so 5 after 11, and we'll meet with the STC (Saskatchewan Transportation Company) officials.

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

### Saskatchewan Transportation Company

**The Chair:** — I will call the meeting back to order. And we have with us now officials from the Saskatchewan Transportation Company. What I will ask is if the president, Jim Hadfield, would introduce his other officials.

**Mr. Hadfield:** — Certainly. Thank you. On my left is Shawn Grice, senior director of finance and administration; and on my right is John Millar, our director of communications and strategic planning.

**The Chair:** — If you'd like to just proceed with your presentation.

**Mr. Hadfield:** — Thank you. Mr. Chairman, committee members, officials, we would like to thank you for this opportunity to discuss operations at the Saskatchewan Transportation Company. As I understand it this meeting is essentially to get committee members acquainted with our company, and that the financial performance of 1998 and 1999 will be possibly reviewed at a later date.

That being said, I will be willing to answer any and all questions I can about our financial performance, keeping in my mind that I am not free to disclose the 1999 actuals until the annual report is tabled with the legislature later this month.

If you will turn to your first exhibit that we have distributed . . . they are distributed, John?

**Mr. Millar:** — They are distributed.

**Mr. Hadfield:** — Okay. You will find the company's mandate, mission, vision, and values. This mandate was given to us in the fall of 1997 by Executive Council, and the mission, vision, and values spring from that mandate. I am very happy to report that we have operated and continue to operate within the terms of that mandate.

The second exhibit is a route map which shows the areas of Saskatchewan served by STC and our partners. As you can see this is quite an extensive network, serving close to 400 communities.

The third exhibit is a breakdown of our current fleet. We are currently into the second year of a five-year plan for fleet renewal, which has come about for two primary reasons. The first of course is obvious — safety. Some of our coaches were frankly too old for their highway worthiness, and we refused to put our clients on the road in unsafe vehicles.

The second reason is what we call right-sizing, which is trying to match equipment size to the demand on a given route.

The next exhibit is that of our current staff complement. This is the lowest our staffing level has been in more than 10 years. I am particularly proud of the fact that we can operate this company with such a small management team. We have no vice-presidents. After the president, our levels of management are senior director, director, and manager.

The fifth exhibit is a brief snapshot of our 1998 financial

performance in accordance with our annual report tabled in the legislature last spring. As with any Crown corporation, STC believes it must show itself of financial value to the province, and indeed be a value-added commodity.

The next exhibit which was done based on our 1998 performance shows that the \$3 million then invested as a subsidy to STC returned itself manyfold to the people of Saskatchewan. I should add here that since 1998 our operating subsidy has been closer to 2 million than to 3 million so the return on investment is even greater.

The last exhibit distributed is a list of our current board of directors. I am sure some of these board members are known to most of you in this room. I think these exhibits taken together paint an accurate overall picture of Saskatchewan Transportation Company today. The future of the company is of course a little harder to predict. We will continue to keep our costs in check, try to increase our revenue base, and search for better, more effective ways to serve our clients.

Our medium term aim is for the company to break even, and dare I say it in public, perhaps even make a profit. We are, however, faced with two threats or perhaps challenges to obtaining our goal. The first is that STC is caught in the . . . (inaudible) . . . changing, pardon me, demographics of our province. This is not restricted to Saskatchewan and is the same problem for bus companies throughout the North America.

First, we have become a more urbanized society, so there is less need for people to travel between communities.

Secondly, we are more affluent than we used to be, so most people own their own vehicles and have less reason to depend on public transportation.

Thirdly, our communities are connected by a much more extensive highway network than they once were.

This changing demographic does move our customer base more and more out of the mainstream of the province. However, we continue to show strength in those areas of the population who are the most consistent users, namely: seniors, students, and those travelling for medical reasons, and of course, the economically challenged.

The second threat to our company is one which is beyond our control, and that is the federal government's legislation to deregulate the intercity bus industry in Canada. Of our current 28 routes, STC operates three which are profitable, 10 which are marginal, and the remaining routes or so just do not have sufficient volume to make them a profitable enterprise.

If the market is deregulated, we would be subject to cherry-picking with competition likely to appear on the three profitable routes and at least some of the marginal routes, but not on the losers. If that were to happen, we would be in a situation of earning less revenues while costs would remain the same if service levels were to be unchanged.

Although the deregulation Bill was given first reading in the House of Commons last spring it died on the order paper.

Following that, Quebec and BC withdrew their support for deregulation leaving only Ontario and one or two of the Maritime provinces in support. The federal government has reintroduced the Bill but in committee. This means it might die, or it might be stalled for years to come, or it might resurface at any time. Right now we just don't know.

However, since we can't be certain, every planning step we take at STC is keeping with the real possibility we could find ourselves operating in a competitive marketplace in the very near future.

That completes my remarks, and I would be pleased to try and answer any or all of your questions.

**The Chair:** — Thank you, Mr. Hadfield. Are there questions? Mr. Heppner.

**Mr. Heppner:** — If you're in a negative position now and have been for, you know, some time, and deregulation occurs, you're going to be in major financial problems, I think, unless you've got a different solution out there. But I've got a different sort of a question that comes out of that — what's the value of STC right now, the company?

**Mr. Hadfield:** — The value to the people of this province?

**Mr. Heppner:** — No, the value — if someone's going to buy it.

**Mr. Grice:** — If you want to look on a book value kind of basis, we haven't had a valuation done of our company and we just wouldn't go to the consultants to have that done. But if you look at just the total equity, it's 14 million, for total equity. The total assets is 16 million; now that's less the current liabilities of 1.8 million, so that's the equity of 14 million.

**Mr. Heppner:** — You mention that part of this new fleet that you're going to is to sort of rationalize, make sure you don't have big buses on, you know, areas where there's less traffic. I've seen that in my community right down to one, two, and even no passengers on a bus from time to time. Do you see a substantial savings by that happening?

**Mr. Hadfield:** — Yes, we do. We additionally did a pilot project a year or two ago and we identified that in that particular area, it was the Eastend route, that we were saving approximately 30 to \$35,000 a year by going to a smaller coach and trailer. And the passenger response to that service was they were overwhelmed — positively — and it was a positive feedback by all concerned, even the drivers that operated the coach and the passengers. So we have implemented that strategy in other areas, and we see that we are saving anywhere between the same, 30 and \$35,000 in operating costs over the year by doing that.

**The Chair:** — Other questions? Can I perhaps ask that you give us a rough idea as to how much of your current revenue would come from, say, freight versus passenger? Or what the . . . Because you do really run two different lines of business as I understand it. You run a freight business and you run a passenger service.



**Mr. Hadfield:** — Correct.

**Mr. Grice:** — That's correct. The freight business is carried on the bellies of the buses. There was a time when STC had moved in to running a truck network on the side, hoping to increase the freight profits from the express side of the business to contribute to the passenger shortfall. That didn't work out for STC in the past, and now they're carrying the freight on the bellies of the buses.

So it's, it's all intertwined, and there are some trailers to the buses as well. But we have about 50/50 split with revenue. There's about 6.8 million from express to 6.6 based on the last couple of years. Passengers is right in the same., 6.5 million to 6.8 over the last couple of years.

**Mr. Elhard:** — In view of what you just said then, does your loss per passenger mile include the offsetting revenue from the freight?

**Mr. Grice:** — In the calculation are you referring to any particular number? I guess the way we break things down in the financial statements, we show a contribution from the passenger, and then we show a contribution from the freight operation. And in 1998 we had a \$2.4 million contribution from the freight business to offset the passenger operation.

**Mr. Elhard:** — So I guess I'm looking at this handout here. It doesn't have a page number but it's a 1998 financial performance, and it said you had a per mile subsidy of . . . I'm sorry, a cost per mile of 2.58 and had passenger . . . oh, I'm having trouble here . . . had passenger-generated revenue per mile of \$1.76. So when you, you talk about the passenger-generated revenue of \$1.76, does that include money from the freight operation as well?

**Mr. Grice:** — No.

**Mr. Elhard:** — So the per mile subsidy of 82 cents is not necessarily a governmental subsidy. It also could have been written down by the freight.

**Mr. Grice:** — That's correct. This . . . the word subsidy is, maybe it's misleading in this case. That's the deficit per mile to carry a passenger down the road, given our current cost structure.

**Mr. Elhard:** — What would that figure be when you added in the . . .

**Mr. Grice:** — The freight?

**Mr. Elhard:** — . . . in the freight benefit?

**Mr. Grice:** — Oh, I'd have to do the calculations because on a mile basis we run about 3.3 million miles, and we took about 2.4 million of freight contribution towards that. So I guess you'd . . . probably given that about 80 per cent of the 3.3 and you maybe would break even given those numbers, if you take the freight towards the actual passenger deficit per mile.

The way we tend to look at those numbers, is our mandate was that we were to take the freight contribution and apply it to

corporate overhead because we weren't supposed to run a large corporation just to service the passenger miles and pay for all those costs off the passengers' backs. We're supposed to use the freight profit to cover the corporate overhead — the staff that are there to deal with passenger . . . or parcel, the waybills, the invoicing, and all that kind of stuff.

So we typically take that money and apply it first to the corporate overhead, and then we have the fallout of what the actual loss was for passenger operations at the end and request a subsidy from CIC based on the cash shortfall from those operations.

So I'm sorry, I don't have the exact number for you there but I would say it would be roughly 80 cents a mile you'd have to add back to this.

**The Chair:** — So just to make sure that we're clear on that. You're saying that you would, of this 82-cent-a-mile deficit, that when you factor in freight that it really drops down to . . .

**Mr. Grice:** — If you were to take the freight profit and take it right to passengers, yes, you could probably say that the passengers broke even but the corporate overhead is where we lost the money. And then it's just a mix of how you show the numbers. If we take the freight profit to corporate overhead and say we lost the 1.9 million on passenger miles, it's really how you shake the dollars out.

But what we tend to do is because our mandate told us to take the freight profit to cover the contribution and if we can cover more than the freight . . . or the corporate overhead, then we use that to apply towards the passengers and reduce the subsidy required further yet.

That is why we're still in the freight business is because it's only ancillary to the cost of running the bus up and down the road as it is and it helps us reduce or subsidize the cost otherwise to the taxpayer riding the bus.

**Mr. Elhard:** — I guess it only makes sense. You're going up and down those roads anyway so you might as well be doing something to generate some revenue.

**Mr. Grice:** — Yes.

**Mr. Elhard:** — And Eastend, you said that route was the first one to try the small bus-and-trailer combination?

**Mr. Hadfield:** — That is correct.

**Mr. McMorris:** — Wayne, that might answer your farm plate . . .

**The Chair:** — On that, I would of course remind people that members are eligible for a free pass on STC. So if . . . That would solve your, definitely solve your farm plate problem and the fact that so many members angle-park in the nose-in parking spaces in the members' lot.

**Mr. Harper:** — Thank you, Mr. Chair. In your presentation you mention there's a significant number of your customers are seniors and students. Assuming that many of these seniors are

using the bus services for purposes of medical purposes and transportation perhaps to the cities to visit with relatives and so on, do you have any type of program that encourages multiple uses of the bus service and maybe even rewards it?

**Mr. Hadfield:** — Yes, we do. In the fall of last year we introduced a total rate restructuring program where we requested and received a rate increase. Having said all of that, we felt it was necessary to, if I can say, protect our core ridership, being our seniors and students and people challenged medically.

We introduced what we call the way to go program which is a frequent rider program. And for a nominal charge of \$20 per year they're entitled to a card which entitles, over and above any posted discounts which I'll get into in a minute, an additional 20 per cent discount for this core base.

And what that did for particularly our seniors was to bring them back down to close to what they were paying before. Now in order to recoup that \$20 they obviously have to ride the bus frequently, and on an average basis. And it depends on the length of the route, and so on and so forth, but we calculated between about four times to five times per year to recoup that \$20.

And in the area of the medically people, the medically . . . people who travel for medical purposes, in other words they have to have a doctor's certificate, they're coming from a community that doesn't provide a service that they require into a larger community perhaps that does. We were offering a pass previously for these people based on a monthly fee and they could ride an unlimited amount in that month. We've actually reduced the price of that pass by . . . I believe it was 10 per cent, 5 per cent, sorry.

And the students on the other hand, we eliminated their pass entirely and allowed them to partake in the frequent rider program. And we didn't receive any response, positive or negative, when we would actually discontinued the student pass.

I think it's a very good program and when monies are available for things of marketing and that sort of thing, when we get to a better financial position, we will offering incentive, increasing the incentives for the frequent way to go card holders.

**Mr. Harper:** — Great. Thank you very much.

**Mr. Brkich:** — Since I think that angle parking remark was made to me about that, but since the bus doesn't stop in Bladworth every day it'd be hard to ride, but I do believe you can flag it down. So if my counterparts from Saskatoon and P.A. are riding it, if you see me on the highway there, make sure that the bus driver will stop.

Talking about . . . you don't have a bus service, I believe, to Outlook any more, of the passenger, do you?

**Mr. Hadfield:** — No we don't.

**Mr. Brkich:** — There's just express. I know now there is an express carrier coming out of there. He got a contract. Do you

. . . when you run into lines where you have an express carrier and your freight is dropping, do you consider dropping them or do you still keep your freight going? Or have you noticed in that line if your freight has dropped?

**Mr. Hadfield:** — On that particular line? I couldn't answer that. I don't have the statistics in front of me but we continue to have interline agreements and relationships with a lot of freight carriers other than ourselves.

**Mr. McMorris:** — I guess a couple of questions. Just looking at the map and you were saying that there are two or three profitable runs and 10 or 11 — I'm not sure of the exact numbers — that are marginal, and then that would leave about 8, 9 that are losing money. Where about on the map would those be? Those would be the northern runs, correct?

**Mr. Hadfield:** — It's all over the province. It's a mixed bag. Really it is.

**Mr. McMorris:** — Is that right? It's not . . .

**Mr. Hadfield:** — It's not necessarily any particular geographic area. It's based on ridership. To identify those — I don't have those numbers in front of me, which ones are the losers. We do keep statistics, manual statistics on ridership and identify areas.

Right now we have a mandate to provide the service in the same frequency to the same communities for a three-year period, and so we don't have a lot of choice there. We have to continue to provide the service. So what we have done was identified areas with low ridership and put on the smaller coaches where required. And of course that . . . we can then see some gains on the expense side of the equation.

**Mr. McMorris:** — Yes, okay. I'd be very interested to find out, you know, where the . . . not that . . . But just in my own mind and spending a lot of time up North, I mean that bus is very, very important to them. And I was just wondering how they, you know, whether they are mediocre runs. I don't think they'd be profitable runs . . .

**Mr. Hadfield:** — The Saskatoon P.A. run is a good run, is one of the good ones. All right. We also have a run up to La Ronge, and then we have the run that goes to Creighton up the Hanson Lake Road, that way. I believe that they're not bad, not bad runs.

We will be . . . As I said, we're in the third year of our mandate to provide the same level of service to the same communities. We are going through a process right now, as we do every year as part of business practice, to identify the routes that perhaps where there could be recommended changes, maybe improvements or reductions, but we've just nicely started that process right now.

At the end of the day, the goal is to continue to provide service in some form to the communities that we provide service to now.

**Mr. McMorris:** — Okay, thanks.

**Mr. Yates:** — I've got a couple of questions. Have you ever in

the last number of years looked at the charter service as an avenue to offset the other operating costs?

**Mr. Hadfield:** — Yes. Actually when I came into, into the corporation I asked about that. And of course they used to be in the charter business and for whatever reason . . . I mean we've gone through different administrations over at STC over the last number of years and, and different directions. But at the end of the day the charter service was something that they no longer wished to participate in. The feeling was we should stick to our knitting, and our knitting is providing passenger service within the province and freight service, and reduce our costs.

What we have done since that time is actively seek charter business within the province of Saskatchewan — short-haul charters, and we have been doing some. But unfortunately — putting this delicately — we're not competitive because our costs are too high. So we do do some charters and we actively go after it, but our costs are a little bit too high.

For instance, and I'll be quite frank, we operate under a collective bargaining agreement and we pay our drivers more than the private carrier does — and that's the difference right there. And yes, we do get some charter business.

As far as going outside the province, we've got a lot to do here first to get this thing going and up and running. And if you go into the outside charter business, you're looking at more coaches, you're looking at setting up a whole department to handle that. I mean, we're running pretty slim over there right now and we just can't handle any more of that type of business.

And when we get back on our feet, when that day arrives, it's something we could look at, but right now we have to get the things that are important — that I believe are important — which is providing a service to the people of Saskatchewan, provide it competitively and safely, and providing a good freight service within the province, getting that straightened away. And then maybe we can look at other opportunities.

**Mr. Brkich:** — Fleet size, how many of them are full passenger buses and vans on that?

**Mr. Hadfield:** — We're operating presently, as of the end of last year, with — six 15s and three 21s? Six 15s and three 21s. Oh, yeah if you look on . . . (inaudible interjection) . . . three.

**Mr. Grice:** — No there's only three, sorry. There's only three 15s and there are some 34-passenger coaches as well.

**Mr. Hadfield:** — We put three more on this year.

**Mr. Grice:** — Yes, we did.

**Mr. Brkich:** — Are you putting . . . are you expanding the bigger fleet or are you solely shifting towards the vans this . . .

**Mr. Hadfield:** — Okay, we're not expanding — we're replacing the bigger fleet.

**Mr. Brkich:** — Replacing, okay.

**Mr. Hadfield:** — Some old — pardon the expression —

blisters out there that we've got to get off the road, I mean. And so it's a replacement of the larger fleet where required, and bringing in the smaller coaches also where we're required in placing them in the lower volume groups, with trailers.

**Mr. Brkich:** — Also, I'd like to point out, Mr. Chairman, I think we get free city bus passes too, if you're worried about the . . . (inaudible) . . . in front of the legislature.

**The Chair:** — Do members have any other questions they want to ask?

**Mr. Heppner:** — It's sort of tongue-in-cheek, but if this government closes many more hospitals in rural Saskatchewan, you might find your ridership increasing drastically. So it may be part of the plan out there.

**Mr. Hadfield:** — If you look at the demographics, and you look at what's happening to our population; I mean, I'm going to be . . . I'm part of this sort of bubble of baby boomers, and with the trend being to keep people living in rural Saskatchewan — which is a good trend — we're going to see, possibly see, an increase in ridership through the years because there'll be more of us out there that are staying in small-town Saskatchewan, I hope. And of course, we'll require transportation.

**The Chair:** — That was a very good answer.

**Mr. Hadfield:** — Was it? Oh good, thank you.

**The Chair:** — Excellent answer. Seeing no other hands up, with that I'll just thank you, Mr. Hadfield, and your officials. And is there any other business the committee needs to discuss?

I'm going to suggest that we meet again next Thursday. I understand that officials from SaskPower and SaskEnergy are available a week from today.

In terms of the amount of time, I was going to suggest a similar allocation. I anticipate there will be more questions on SaskPower than on SaskEnergy. But if members have any advice on that, perhaps you could provide me with that in the House this afternoon?

With that . . .

**Mr. Kasperski:** — Mr. Chair, just refresh my memory. Are we going to regular sitting times? Are we . . . is it still the call of the Chair right now or are we into a regular time yet or . . .

**The Chair:** — What I'm hoping that we would do is, that we will set aside Thursday mornings — which I understand is the traditional time for this committee to meet — set aside that as our regular meeting time.

The one question we have in terms of our work plan is really dependent on when the Minister of CIC provides the draft report on the Public Utilities Review Commission, which I understand will be referred over to us to look at. And so if that does come in, and the minister tells me he anticipates that we will have this by May, I would anticipate that much of May will be used up reviewing this and preparing the legislation.

So for April, we've covered off this Thursday; next Thursday if we look at SaskPower, SaskEnergy; the Thursday after that, the House will sit in the morning so there won't be a meeting because that's the Easter weekend coming up. And then we've got one meeting at the end of April.

And I'm not sure whether we want at this point to look at inviting SaskTel to come in. I understand SaskTel has met with the opposition caucus. I think government members are familiar with its operation so I'm not sure whether it's useful to have them come and appear before the committee on operational overview.

At this point I'd be suggesting we would probably not meet that last week of April. Wait and then start dealing with the PURC (Public Utilities Review Commission) report. And then as we move into June, July, August, September, we would look — or intersessionally depending on when the House adjourns — start looking at getting at the '98-99 fiscal statements, financial statements.

So that's kind of what we were thinking about. And we can certainly discuss that maybe at the next meeting as we . . . or perhaps even in the House as we try and hammer out a work plan. If members have a different view on that, certainly raise that — feel free to raise that or other advice.

The other thing I think we will be looking at is once we get past the PURC is trying to set out some kind of a schedule as to which corporations we want to call, and what kind of order we may want to put them in. So in that regard I'll look particularly to the opposition.

So with that if there's no other comments, is there a motion to adjourn? So moved. In agreement? And agreed. The meeting is adjourned.

The committee adjourned at 11:40 a.m.