



# **Standing Committee on Crown Corporations**

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**STANDING COMMITTEE ON CROWN CORPORATIONS  
2001**

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Hon. Andrew Thomson  
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The committee met at 10:40.

**The Chair:** — We'll call to order . . . (inaudible) . . . indulgence on the matter of time. Before we get underway I would like to bring to the attention of the committee a letter that was transmitted to myself from the Chair of the Public Accounts Committee, dated December 3. Viktor is going to circulate it to you. What I would request of you is that you read it over today and then we will consider it tomorrow morning.

What it pertains to is the selection of the Audit Committee for the province of Saskatchewan. Okay . . .

Last spring amendments were made to The Provincial Auditor Act which provided for the appointment of an Audit Committee for the province of Saskatchewan by the Speaker of the Legislative Assembly. Section 24 of the Act provides that the Standing Committee on Public Accounts must consult with the Standing Committee on Crown Corporations prior to forwarding its recommendations to the Speaker.

I am writing to you as Chair of the Standing Committee on Crown Corporations to advise you of the candidates selected by the Standing Committee on Public Accounts to be nominated to serve on the Audit Committee.

Now in this case of course the information that has been provided to us is put forward in confidence. And given the sometimes overlap between the Public Accounts Committee and the Crown Corporations Committee, I'm sure that some of you are aware that there has been a considerable amount of deliberation been put into assessing these names.

Anyway if you could between now and tomorrow morning take the time to look it over and we will resume discussion of it tomorrow.

Anyway moving on to the agenda, point 1 being adoption of the agenda, do I have a mover?

**Mr. Yates:** — Mr. Chair, before I move the agenda, I'd just like to point out that tomorrow afternoon, as per an agreement we made at the Public Accounts meeting, I'll be moving a motion referring the three questions asked by Mr. Wall on behalf of the opposition to the year-end audit process in ISC (Information Services Corporation of Saskatchewan), and making such a motion tomorrow to do so.

As well, we did commit to an open discussion of the issues of ISC, both tomorrow and into our January 8, 9 meeting.

**The Chair:** — The committee is in agreement on that point?

**Mr. Yates:** — All right, and I move adoption of the agenda.

**The Chair:** — Okay. Those in favour? Those opposed? The agenda is adopted.

Moving us right along to Crown Investments Corporation, chapter 11 of the 2001 Spring Report of the Provincial Auditor. Mr. Wendel, if you would introduce your officials and just

make a brief presentation as to the chapter.

**Mr. Wendel:** — Thank you, Mr. Chair. With us today we have Jamie Wilson, who is the appointed auditor with KPMG for CIC (Crown Investments Corporation of Saskatchewan); Ed Montgomery, who leads our work at CIC and the Department of Finance, he'll be making a presentation to you; and Andrew Martens, who will be coordinating our activities at this meeting — this being a new process for us at this meeting. So he'll be working with you closely.

And I'll just turn it over to Ed then.

**Mr. Montgomery:** — Good morning, Mr. Chair, and members of the committee. I plan to give you an overview of chapter 11 on Crown Investments Corporation of Saskatchewan. This chapter is on pages 200 to 210 of our 2001 Spring Report. And if anyone needs a copy of this report, we have brought some extra copies with us. So if anybody needs one, Andrew Martens will provide you with a copy.

Chapter 11 contains four recommendations. I plan to deal first with recommendations 1 and 4 and then finish up with recommendations 2 and 3.

First, some background. Our chapter on CIC covers several entities. The entities covered are CIC, CIC Pulp, CIC Foods, Genex Swine Group Inc., Saskatchewan Valley Potato Corporation, and the capital pension plan. Each of these entities also has an appointed auditor and they're set out on page 202.

In our opinion and in the opinion of the applicable appointed auditor for the year ended December 31, 2000, each of these entities had reliable financial statements. Also each had adequate rules and procedures to safeguard and control their assets. Also except for one item, which I'll discuss next, they comply with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

The one exception was that CIC's subsidiary, Saskatchewan Valley Potato Corporation, acquired real property without obtaining order in council approval.

CIC's legislation requires CIC to obtain an order in council when it acquires real property with a purchase price in excess of \$200,000. Order in council approval is important because it makes a transaction public and increases the transparency of government.

In June of 2000, CIC obtained order in council approval for a purchase of about 17 million of assets from Sask Water. However in December, later that year, CIC's subsidiary, Saskatchewan Valley Potato, purchased a further 5 million of assets from Sask Water without obtaining an order in council. If CIC had obtained these assets directly from Sask Water, CIC's legislation would have required CIC to obtain an order in council.

In our opinion, a subsidiary of a parent Crown corporation does not have greater power than the parent. If a parent company could simply incorporate a subsidiary company to do something

that the parent itself was not permitted to do, it would defeat the purpose of the Legislative Assembly imposing any limitations on the parent. Therefore in our opinion, CIC should have obtained an order in council for the purchase of 5 million of assets in December 2000.

Therefore we recommend that the government should clarify the law to require CIC and its Crown corporations to obtain order in council approval before purchasing or selling real property through a subsidiary.

The next recommendation I want to talk about is our fourth recommendation and it's set out on page 207.

In our fall 1998 report we recommended that the government should strengthen laws governing the purchase and sale of shares by requiring Crown corporations to obtain an order in council before selling securities of any corporation. The Public Accounts Committee agreed with our recommendation in January 1999.

In February 2000 the government responded to the Public Accounts Committee's report by stating that CIC had addressed purchases through a policy which requires all subsidiaries to obtain order in council approval before purchasing shares; and for the sale of assets that CIC's policy on the disclosure of significant transactions to the Crown Corporations Committee would provide a forum for discussion and analysis of sale transactions.

In our opinion, the policies noted in the government's response are reasonable. However, we believe these policies are important for public accountability and that they should be put into law.

Therefore we recommend that the government change current laws to require subsidiaries of Crown corporations to obtain an order in council before purchasing shares and require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.

I will now talk about our second and third recommendations that are set out on page 206.

Our second recommendation relates to public disclosure of those persons who receive money from Crown corporations and their subsidiaries. The Public Accounts Committee has established general standards of public disclosure for those who received money from government agencies. And the Assembly wants this information tabled in the Assembly.

We think the Public Accounts Committee has three reasons for requiring public disclosure of those persons who received money from government agencies. First, MLAs want to monitor who gives money to political parties and who gets money from government agencies. Second, MLAs want to ensure government agencies spend money objectively. And third, MLAs want to build public confidence by ensuring the use of public money is transparent.

However, currently Crown corporations and their subsidiaries do not publicly disclose this information. These corporations

account for about 40 per cent of the government's spending. If MLAs do not receive information on who received this money, their objectives for requiring public disclosure of persons who received money from government agencies cannot be met. If their objectives are not being met, it defeats the purpose of incurring the cost to produce this information for the other 60 per cent of the government's spending.

Therefore, we make two recommendations for this matter. First, we recommend that CIC and its subsidiaries should publish a list of persons — for example, employees, suppliers — who have received money from them, and the amounts the persons received, following the Assembly's current disclosure requirements, or seek direction from the Crown Corporations Committee on alternative disclosure requirements that will achieve legislators' objectives for requiring this information.

Second, in order to assist this committee to deal with this recommendation, we recommend that the committee should follow the process set out in exhibit 2 on page 210 for deciding what information government agencies should disclose and to whom.

If you would like to turn to exhibit 2 on page 210, I will go through the process we suggest.

The first step when Crown corporations and their subsidiaries have not publicly disclosed payee lists is to consider whether the information can be disclosed to the public under existing laws. If the answer is yes, then the committee should next consider whether the corporation has reasons for not disclosing payee information. If the corporation has reasons for not disclosing payee information, the committee should weigh the reasons for not disclosing payee information against the MLAs' reasons for wanting disclosure of this information.

As I mentioned earlier, we think MLAs want this information for three reasons: to monitor who gives money to political parties and who gets money from government agencies; to build public confidence by ensuring the use of public money is transparent; and to ensure government agencies spend money objectively.

Finally, if the committee decides the MLAs' reasons for wanting public disclosure of this information are more important than the corporation's reasons for non-disclosure, then the committee should recommend public disclosure.

Alternatively if the committee decides that the corporation's reasons will not adversely affect the MLAs' reasons for wanting this information disclosed, then the committee should exempt the corporation from reporting this information publicly or place limits on the information that should be made public.

That ends my overview of chapter 11 and we'd be pleased to answer any questions you might have.

**The Chair:** — As per the procedure in PAC (Public Accounts Committee), the procedure we'll follow this morning is . . . The auditor's side has put forward their overview. We'll now turn the floor over to Frank Hart and the officials from CIC. And if you could introduce those officials as well, Mr. Hart, and then we'll open it up for questions and comments from the members

of the Crown Corporations Committee. Anyway, Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chairman. I'll start on my far right. John Amundson is the comptroller for CIC. Next to him, Sheldon Schwartz, the chief financial officer for CIC. On my immediate right, Mike Shaw, senior vice-president of Crown corporations for CIC. On my immediate left, Zach Douglas, vice-president of investments for CIC. Next to Zach, Doug Kosloski, our general counsel. And sitting in the back, Ted Boyle, our communications director, and Blair Wagar from the minister's office. That's our officials.

**The Chair:** — Mr. Hart, if you will proceed with your presentation.

**Mr. Hart:** — We don't have a formal presentation. We'd be happy to take questions as they arise. We have obviously our views on these matters that we've discussed with the Provincial Auditor and we'd be happy to share them with the committee.

**The Chair:** — Certainly, in which case I will begin a speakers list starting with Mr. Wall.

**Mr. Wall:** — Thank you, Mr. Chairman. I guess a question for the Provincial Auditor and staff: what response, if any, have you received from the provincial government with respect to these recommendations?

**Mr. Wendel:** — We do not have an official response from CIC on these questions.

**Mr. Wall:** — Then a subsequent question then to Mr. Hart perhaps and his staff. Can the Provincial Auditor . . . should the Provincial Auditor be looking forward to some sort of formal response, either from CIC itself or from your minister or from the . . . through the minister from the provincial cabinet?

**Mr. Hart:** — Well some of the matters I think are really for the government to decide, not for CIC, so we couldn't be the official responder in some cases, in our view.

My understanding is we've had discussions with the Provincial Auditor's office about these issues. As Mr. Wendel says, perhaps nothing formally at this stage, but there have been ongoing dialogue between our staff and the Provincial Auditor's staff on these matters.

**Mr. Wall:** — Mr. Hart, could you outline please for the committee where the corporation, where you disagree perhaps with the recommendations that are being made, either the rationale for them or the actual recommendations themselves, and then provide the committee a reason why you do differ and why you disagree.

**Mr. Hart:** — Sure. I'd be happy to do that. Maybe what I'll do is, for the sake of clarity, I'll take them in the same order that Mr. Montgomery outlined them in his presentation, if that's okay, starting with the first one.

And inasmuch as the item is really a legal matter, I'm going to ask my general counsel to speak to it.

I think one point that I'd just make before Doug does speak,

however, is to point out that in our view what the Provincial Auditor is really saying is that they should change the law as opposed to clarify the law. But I'll ask Doug Kosloski to elaborate.

**Mr. Kosloski:** — Yes, we had discussions with the Provincial Auditor early in the spring, and they not only canvassed my views, as general counsel for CIC, but the views of Sask Water's general counsel. It was our opinion that the law was clear on this particular transaction, when it went from a wholly-owned subsidiary to a wholly-owned subsidiary. And I don't think we're differing so much as the issue is a request that the government change the law. And certainly if that's the desire, we will review it and make sure that there's nothing missing here or anything that needs to be caught is caught, and so forth.

So we certainly are willing to review the matter.

**Mr. Wall:** — Okay. You were going to go through them in the order they were presented?

**Mr. Hart:** — Yes, okay. Is that satisfactory then?

**Mr. Wall:** — I think so. What I heard there is that . . . I mean, there's no . . . If the legislative changes are made, you certainly have no problem, I guess, from the viewpoint of the corporation, of the holding corporation, of CIC, and your ability to function, do what it is you think you need to do, you wouldn't have any specific problem if the government of the day made the changes — whether it's a change or a clarification, either way.

**Mr. Kosloski:** — I think what's critical here is that we'd have to examine it and make sure that every corporate structure that we have, and not only for CIC but for all the Crown corporations . . . and we have to look at whether it applies solely to wholly-owned subsidiaries or does it apply to subsidiaries that we own 85 per cent of or 90 per cent of, and how do you structure that in legislation. So we have to look at all the scenarios to make sure that we're not catching things that we don't need to catch; and we are catching things that we do need to catch. So I think an examination of the issues needs to be conducted.

**Mr. Wall:** — And I don't want to get into a debate here and I'm not sure that we would anyway; but I think though that that may not be the decision, that may not be up to CIC officials to decide what level, for example, of ownership in a sub is . . . sort of warrants some sort of public debate or disclosure. And I would characterize the order in council process, even though it only involves the government side, clearly, I would characterize that as part of that public process.

This is a Crown holding corporation and its subs are Crowns. And so I'm not sure that it's up to the, even the, you know, it's up to the auditor or the corporation to decide what size of a sub, what part ownership of a sub, requires this process. I think that's what this sort of a group should be doing and what the legislature should be doing with it. Like I said, I don't . . . I understand where you're coming from.

**Mr. Kosloski:** — And I guess my point is, is that we just need

to examine and make sure all the scenarios are examined fully so that we can draft proper legislation or recommend to the government that legislation be drafted properly.

**Mr. Hart:** — If I could just add a supplementary comment. I think that because there are a number of instances where the ownership levels by CIC or CIC Industrial Interests Inc. vary from, you know, in the 80 per cent range to in the very small, 15 or less, per cent range and there are a whole range of different companies involved in these businesses, we just need to clarify what set of circumstances and those kinds of things. It's actually more complex than it appears on the surface, and so we'd have to have those discussions with the Provincial Auditor and others as a way of trying to determine what's appropriate here.

Okay. We'll then move on to item 4 then. And on this one, perhaps I could . . . just give me a sec to refresh my . . . This is with regard to changing the laws for the purchase of shares — that was your fourth item.

Essentially we are following the Provincial Auditor's suggestion by way of policy right now. Again, it's not enshrined in law. And this is I guess the issue. Maybe, Doug, if you want to respond to that one as well.

**Mr. Kosloski:** — We drafted a policy which was, I believe, tabled with this committee in 1998; and to our knowledge, all Crown corporations are fully in compliance with that policy. And so it's, again, one of whether it should be enshrined in legislation or our policy is effective enough. So again, it's one of those . . . I think that's the issue here.

**Mr. Hart:** — Okay, then. Moving on to recommendation 2 in Mr. Montgomery's report. This one I'm going to ask Sheldon Schwartz, our chief financial officer, to respond to. There's already a, quite a list of information that is provided to this committee at the request of this committee. I think the Provincial Auditor contemplates going further than that; perhaps has outlined a process for that.

The only other comment I'd make before asking Mr. Schwartz to respond is, we have some issues around commercial confidentiality, which I think are alluded to in the Provincial Auditor's process, as to what is in and what is out. And we have already done some work in terms of our annual report disclosure standards. But with those introductory comments, I'd ask Sheldon to give us a bit more detailed response on that.

**Mr. Schwartz:** — Sure. As Frank mentioned, at the review of CIC's 1997 annual report, the Crown Corporations Committee requested they be provided a number of pieces of information, such as senior management, executive salary and out-of-province travel expense; board of director honorariums and out-of-province travel expense; consultants hired that were paid over \$10,000 in total; ministerial and ministerial staff out-of-province travel expenses. And that's what we've been asked to provide and we have been providing that ever since.

In terms of the disclosure and accountability standards, self-praise being no recommendation, we've had external organizations review our annual report disclosure in the terms of our governance and accountability system. The latter, which

was amended to . . . and a review of the findings of the Crown review, was awarded, I think it was a gold medal by the Institute of Public Administration of Canada.

In terms of our disclosure policies, current disclosure in our annual reports in 1999, the annual report was reviewed by the Conference Board and CIC's report was considered a good example of leading practices of corporate disclosure in Canada.

In respect to the third comment that Frank had made in relation to commercial confidentiality, that is the key concern for us in that we think we are inherently different — nature of the organization as reflected by our organization, legislation, and mandate — than the government sector in that we are operating in a commercial environment and there is a need to protect the value of the assets and the ability of corporations to carry out their plans and strategies by holding certain information in confidence that would be of great use and of value to competitors, and which would not be provided to the Crown corporations by competitors.

So in terms of what the leading practices are in Canada now in terms of the governance model and in terms of confidentiality, we are in compliance with everything that Crown Corporations has asked. We, of course, review and comply with any other requests that the Crown Corporations Committee would want to ask of us. And we think that this system we have now is a good balance between accountability and the need to protect the value of the taxpayers' investment by shielding it from unfair disclosure that competitors are not required to provide.

**The Chair:** — Any further questions, Mr. Wall, at this time?

**Mr. Wall:** — I think there was number . . . That was basically 2 and 3 then.

**Mr. Hart:** — We haven't answered 3 yet. That was just 2. We may have, I think, foreshadowed some of the answer we would have for 3, but unless someone has a supplementary question on 2 I'll move on to 3.

**Mr. Wall:** — Well maybe I'll just very quickly if I can, Mr. Chair. I appreciate the response. If the spirit of what the Provincial Auditor is recommending was indeed . . . would become the policy of government and therefore of CIC, what specific difficulties do you foresee, if any, that those would impose on your corporation?

**Mr. Schwartz:** — I think it would be, in terms of us, the divulgence of strategic information to either other parties that may be interested in knowing what our costs are or what kinds of nature of expenditures we are undertaking in contemplation of a change or an alteration or a continuation of current business practices. And those would of course be of concern to us in terms of being able to continue to be able to operate effectively in a commercial environment and safeguard the value of the assets from forces that would not be . . . pertain to the competitors, or future competitors.

**Mr. Wall:** — Mr. Chairman, I wonder if the auditor's staff or the auditor would like to make a comment on that response. Because, you know, the model that has been proposed here in chapter 11 does, in our view anyway, seem — and maybe we're

missing something, and that's maybe he could comment on — but does provide for some safeguard because, as it's a function of the Legislative Assembly and this committee, clearly the government has the majority in this committee, and if there is a sensitive need, then CIC can certainly convince the government of that need for sensitivity and confidentiality and that majority can be brought to bear at this level. Unless we're missing something. But I wonder if you'd comment on that.

**Mr. Wendel:** — Mr. Chair, this recommendation comes from the Public Accounts Committee, and several years ago the Public Accounts Committee stated that Crown corporations should disclose the same information as government departments unless their mandate says they shouldn't.

So this has been coming forward for several years and it's been referred by the Public Accounts Committee back to the Crown Corporations Committee and has never been really dealt with. So this being the first opportunity, because of the changes to The Provincial Auditor Act, it's coming before you.

And the information that's disclosed now in all other public agencies is listed in our report. That's the information the Public Accounts Committee believes at the moment is the information it needs to hold the government fully accountable. Now we understand that there are differences for Crown corporations, so it needs to come forward here. We need to have that debate and decide whether the reasons that are being brought forward by the corporation and by the government supersede these — and make your decision.

As Mr. Schwartz was saying, he's . . . they are disclosing certain information. I think you need to consider that, and is that sufficient for you to discharge your objectives, and decide. I don't think it's for us to decide that. I think that's for you to decide. So I think that's your decision.

Now just to clarify my opening remarks when I was asked if we had a response from the CIC. We do have a good relationship with CIC and its officials, a co-operative one. We work openly with them so we're aware of their reasons but I think what I was saying it wasn't an official response. I think sometimes we get a letter from a president or the minister of a corporation saying, here's our response. And I don't recall. We might have and weren't sure if we had that. So just to put that in context. Thank you.

**Mr. Wall:** — So I guess then the question again. If you understand that the body that controls your shareholder, basically the Government of Saskatchewan . . . that majority and that influence is reflected on this committee. What I don't understand the concern on confidentiality then frankly because it'll be incumbent on you clearly to convince government members, whoever they might be, of the soundness of your argument that something's, you know, sensitive and something's not. You know, what's the problem with that basically?

**Mr. Schwartz:** — Well we will give and have given the Crown Corporations Committee everything it has ever asked for and we will continue to do that in the future. If the Crown Corporations changes its requirements of us, of course we will comply.

**Mr. Hart:** — Maybe I can perhaps augment the answer. I think just in summary, Mr. Wendel is right, bringing this issue before this committee which heretofore has been with another committee. So it's new business in a sense for this committee. That's point number one.

Point number two is as Sheldon has indicated. Obviously we have to . . . we have an obligation to respond to this committee which we have done and will continue to do. The rest of our answer simply I think foreshadows some of the challenges we see working through the process that the Provincial Auditor has laid out. And as you've pointed out, Mr. Wall, there are . . . we're trying to obviously first of all disclose at a high commercial standard now which we believe we're doing based on external reviews — IPAC (Institute of Public Administration of Canada), the Conference Board, etc.

We have been providing some information, all the information as far as we're aware that the committee's been looking for. And we just sort of flag that there is the unique aspect of our business which is we have some information that is commercially confidential, and depending on what level of information we would be required to disclose we could be putting ourselves at a disadvantage over our competitors who are not required to disclose the same amount of information. But subject to those kinds of things, I think the Provincial Auditor has outlined a process and we'll continue to work with the Provincial Auditor on it.

**The Chair:** — Anything else, Mr. Wall?

**Mr. Wall:** — Not at this time, Mr. Chairman.

**The Chair:** — Okay. On my speakers list I have Ms. Hamilton and then Mr. Yates. So, Ms. Hamilton, if you will . . .

**Ms. Hamilton:** — I think it's been stated a few times but I guess with the Provincial Auditor I'd ask the question.

It seems clear that CIC is in a competitive marketplace in the corporate world, and would you agree with the comments that CIC has made and that we've heard from others, that they are disclosing according to federal guidelines or the corporation's guidelines for disclosure, an amount of information that's required by federal bodies and others that would be looking at the corporate world and saying that yes, those informations would be sensitive to competitive nature?

**Mr. Wendel:** — Yes, Mr. Chair. I think in past reports, say in our most recent 2001 Spring Report, we've commended CIC for its public disclosure for its annual report and the policy that it's bringing forward to make sure all Crown corporations report based on the balanced scorecard. And we certainly commend them for that.

But that doesn't deal with the issue on the payee list; that's separate and apart. So yes, we agree that they do a very good job of that.

**Ms. Hamilton:** — So then you would be looking at, in the same discussion we had another day at Public Accounts, that with CIC's presentation it's up to this committee then to determine whether one sheet fits all, so to speak, and that it would be our

decision then to say that the reasons that CIC has put forward this committee should make a decision on whether or not that's required from them because of the competitive nature of the operation?

**Mr. Wendel:** — I think that would be a fair statement. That's our recommendation, that they come forward and discuss their reasons for not wanting to give you the information — not necessarily not wanting to — for not providing it and you then have to weigh those reasons against the reasons that you have and find alternative disclosure that might satisfy you or exempt them from this particular disclosure.

You have some alternative disclosure now. Okay? Maybe that's what you have plus some additional matters after you discuss it. That's for this committee to decide.

**Ms. Hamilton:** — Thank you.

**The Chair:** — Any further questions, Ms. Hamilton? No. Mr. Yates, seeing no one on the opposition side.

**Mr. Yates:** — Thank you, Mr. Chair. I have a quick question of process from you before I proceed. I would take it that we will be dealing with each of the four recommendations individually?

**The Chair:** — Yes, indeed.

**Mr. Yates:** — Okay, thank you, Mr. Chair. I would like to make this motion dealing with recommendation no. 1, Mr. Chair. I would move:

That the Crown Corporations Committee ask CIC to review its procedures and when it next comes before Crown Corporations Committee, to bring us a paper looking at both the pros and cons from a business, commercial point of view of changing the current process in legislation.

**The Chair:** — We'll just pause a moment while the Clerk gets clarification from the mover.

Okay, just to recap Mr. Yates' move:

That regarding recommendation 1, chapter 2, Spring 2001  
...

**Mr. Kaczowski:** — It's actually chapter 11.

**The Chair:** — Chapter 11. Thank you, Viktor.

... Spring 2001 auditor's report that the Crown Corporations Committee ask CIC (the Crown Investments Corporation) to review its procedures and when it next comes before the committee to report on the pros and cons of changing the legislation in the context of a commercial environment.

Mr. Yates, would you like to speak to your motion?

**Mr. Yates:** — Yes, Mr. Chair. I think there are a number of things that need to be taken into consideration when we look at whether a change in legislation is appropriate. And before I would like to be able to make a decision myself, whether it's

appropriate, I'd like to see before me some of the pros and cons in the context of what does it do with the ability of those subsidiaries to act in a timely manner in the best financial interest of the corporation. What are the concerns, perhaps, of divulging information on one transaction which may, in fact, lead somebody to take financial advantage of a potential other transaction, if you're selling off a small portion of, or perhaps one building and multiple properties, and so on and so forth. And I understand those implications, as well as the ability of the corporation to act in a manner which allows it to maximize the potential for the citizens of the province.

And those are things that I don't think are . . . you know, we'll take some determined look at, and I think until we have all the facts in front of us and be able to look at some of these issues in a tangible way that we couldn't make a well-informed decision. So hence my motion that next time when they come before us they bring us some review of that so we can have a more detailed discussion about what are the commercial and financial implications of moving down that road. And perhaps with some examples — tangible examples.

**The Chair:** — Okay, Mr. Wall.

**Mr. Wall:** — Thank you, Mr. Chairman. While the officials are here now, I'm sure they'd want to . . . they're able to wade into that particular question that the member's posed. I also would be interested to know what commercial peril would come to CIC were recommendation no. 1 adopted by the provincial government, and with your permission, Mr. Chairman, I wonder if they wouldn't comment on that.

**Mr. Kosloski:** — I think we'd have to examine that. You know, one of the . . . there's a number of ways we could skin this cat. You know, there's the ability in the legislation presently to fix the transaction size and the amount of the transaction. And right now it's about . . . it's at a very low level. So you could amend that and that could take in timeliness and reasonableness. So there's different ways we can approach this and I think we'd have to look at it just to see what transaction size is out there, what transactions it would catch.

And again, just harkening back to my earlier comments, if we're asked to review it, we'll review it and make sure all the scenarios are panned out to make sure that . . .

**Mr. Wall:** — Thank you. Mr. Chairman, I guess I would offer this to Mr. Yates and others to consider. If we were to simply approve or recommend, I guess, endorse this recommendation to the provincial government — to your colleagues on the government side — and certainly, they could choose to implement it immediately on a whole-scale basis so it would catch all of these . . . you know, it would catch all of these situations that the corporation has some concerns about. Or they might come back with a report to our committee that says, look here, based on the following . . . for the following reasons, we think we need to make this slight change to that recommendation that you've sent on to us. And then we can consider it at the committee and have that discussion.

But I think it's important, at this point, that we would want to support the spirit of this recommendation.



I mean, I think if there was as much commercial danger that could result to the corporation from this particular recommendation being implemented, officials who are obviously experienced in the corporation would be able to offer some, I think, some concrete information or some concrete sort of examples of that. This just seems to make eminent common sense.

Of course the difference here, this is a Crown corporation holding company. It's dealing with the assets of all of the citizens of the province of Saskatchewan and I think when any of its subsidiaries — and we've seen more and more of it of late — makes a transaction, be it with another subsidiary or otherwise, it should certainly have to disclose in the same way that its parent does. I think that just makes a lot of sense.

And I'm not sure why the government members wouldn't want to endorse that principle and recommend it to the government.

**The Chair:** — Continuing debates?

**Mr. Yates:** — Thank you, Mr. Chair. I want to just point out a couple of things that I think are of significant concern. I think it would be somewhat swift, or maybe inappropriate, for myself and other members without understanding the implications of it to in fact make a motion here that says we should change legislation.

I want to point out that at this point the legislation allows this to occur and it was put in place for a particular reason at the time it was put in place. And I'm not clear, and I would want to examine several things both from a point of view of a legislator and as a point of view of a citizen, what I would want being disclosed, and when, in regards to financial transactions which may be subsidiaries wholly owned by government or may be subsidiaries where there are partnerships, and what do the impacts on the third party have on their financial transactions and their ability to operate.

Until I understand all those things, I'm not prepared to recommend amending legislation that takes us down a path that we're not at this point clear on what the implications are both to the subsidiaries of CIC, but perhaps the third party partners in business with CIC, or others as to impact on their financial viability, their commercial processes that they must follow. I think we clearly need to understand that before we decide to amend the legislation.

And one further point. These issues are, upon completion, reported in significant transactions if they're above that limit today. So it's not that we're not told about them. It's just we're not . . . it's reported to us after — to this committee. And the appropriate people know ahead of time, the CIC board, and those people know ahead of time. Now whether or not it . . .

**The Chair:** — Okay. That's all, Mr. Yates? Mr. Wall?

**Mr. Wall:** — Well it's alarming, frankly, Mr. Chairman, the comments from Mr. Yates. He says that we'll all find out afterwards, including, apparently, the cabinet of the province of Saskatchewan will find out afterwards when its transaction has taken place.

And secondly, he says that the appropriate people will know ahead of time and lists the CIC board, a very limited membership in the cabinet, and I guess the CIC officials. And I do not . . . Let's read the recommendation that is being made here and wonder, then, why we need to further discuss it or have it reviewed and then reported back to us.

We recommend the government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval . . .

All that means is approval of the cabinet, of course, as you know. Due process, before purchasing or selling real property through a subsidiary, before expending taxpayers' money or disposing of taxpayers' assets, all Crown corporations and subs should simply have to go to the cabinet for approval. That's what it says.

I say, I mean let's maybe put . . . well I guess we can deal with this particular motion from Mr. Yates and others may want to debate it. I think we'll want to put forward a significantly different motion that speaks to the spirit of this thing that allows cabinet to make a decision before any official of any Crown corporation in any particular government makes a decision like this one to have taxpayers . . .

**The Chair:** — Actually, a point of clarification from one of the officials is requested.

**Mr. Kosloski:** — I just would like to add that in this particular transaction CIC did obtain order in council approval from the direct Sask Water-to-CIC transaction. We did obtain order in council approval, as the legislation requires, to guarantee the mortgages that underline these two storage facilities, the Tollefson Riverhurst storage facilities. The transfer between the subsidiaries that . . . these Tollefson Riverhurst subsidiaries directly to the Sask Valley Potato Corporation, again, the ownership was government-owned and it remained government-owned.

So there was nothing . . . And we followed the legislation with respect to the — in our view — with respect to complying whether we needed an order in council approval at that time. So it was, in our view, nothing . . . we weren't attempting to hide anything. It was just that we were following what the legislation set out for us. And I'll leave my statements there.

**Mr. Van Mulligen:** — I look at the recommendation and the issue at hand, and I wonder what really is the problem here. If there were a pattern of the CIC, the Crowns, going around the requirement to obtain OC (order in council) approval then I would say that, yes we need to look at the law. But in this case, we seem to have a legal interpretation that, in this case, as Mr. Kosloski indicated, we have transfers, you know, from one government agency to another all within CIC and therefore doesn't really need to fall under the law.

If, you know, this one instance raises all kinds of issues of accountability for the opposition and that the law should be changed or clarified, then I think at some point we need to look at that. But in the meantime, given that this is the only reported instance of a problem with the law as it stands or the requirement to have OC approval, then I wouldn't mind further

study and to see how we might improve the situation to deal with the issues that you raise.

I'm not opposed to, personally, to tightening up the laws. I'm a creature of the 1980s, if you will, where we saw a government — because there was no law and there were simply established practices or policies — drive huge trucks through the loopholes that were there in the law and created all kinds of horrendous accountability problems for the province of Saskatchewan and some of which we're still grappling with.

So I believe that where it's necessary you should tighten up the law. But I'm not really clear where the huge problem is in this respect and that we ought not to, as the motion suggests, subject it to some further analysis and have it come back to us.

**Mr. Prebble:** — I guess I want to, Mr. Chair, through you ask Mr. Wall, what — I, like Mr. Van Mulligen, don't have a problem looking at tightening up the law — but I just do not see what is alarming about this particular circumstance. Nothing was done in this transfer that cabinet didn't know about and nothing was kept secret, so what's the alarming situation? I don't see an alarming situation.

What I do see, however, is the need perhaps to look at even further clarification in the pros and cons of tightening things up a little more. But there is nothing here right now that's alarming. There's no big secret here and there's absolutely nothing that cabinet didn't know about. I think that's very clear with respect to this situation.

Mr. Wall, if you're suggesting it isn't clear, please to tell us. Tell us what's alarming about the actual circumstance that's arisen here, because I see nothing alarming about it at all. I think it's very clear that cabinet knew and I think it is also very clear that nothing was kept secret.

Now if you're suggesting something was kept secret or if you're suggesting that cabinet didn't know, please to tell us.

**The Chair:** — All through the Chair, of course.

**Mr. Wall:** — Well, Mr. Chairman, I think clearly there is something, perhaps alarming's not the right word, but something isn't correct from the Provincial Auditor's standpoint. And as long as he lays out this concern, I think it ought to be dealt with. And I don't think review, frankly of it further by CIC, which I'm sure has occurred — in their correspondence he said they had had a good relationship — is going to change anything.

The fact remains, and I would also point out this, I guess, Mr. Chairman, that CIC officials pointed out that often they get into businesses with other joint venture partners, other joint venture . . . and that actually was a mitigating factor, they thought, I think is what they said. I don't want to put words in their mouth, in terms of having some concern about this complying on a whole-scale basis with this.

Well I would offer that if that's the case, if there's a subsidiary of a Crown corporation that has some sort of private sector partner, and they too can arguably work through this smaller loophole, then there's a concern. For example here, the only

defence of this seems to be that it's government to government, it's one agency versus the other.

Clearly these rules are there for a purpose with respect to government agencies and non-government agencies, and I think that the auditor is right in pointing out that there's an inconsistency here. And why not simply have it consistent? I mean, that's the point he's making.

And so, no one has said there was a cover-up here. I haven't said that. None of the members of the opposition have said it. I think we need to be consistent.

The other difference I would point out of course in this instance is that the order in councils become public, as you will know, and then the opposition and the media and interest groups and whatnot have access to the information.

And that doesn't happen in the event that there isn't one on a significant transaction, unless you're relying on the government's goodwill to let people know. And I'm not speaking about this government per se. You don't have to be defensive about that. I'm talking about any government now or in the future.

I'm not sure you want to leave the decision to disclose to the cabinet when you could have a process in place, as the auditor's recommending.

**The Chair:** — Okay. Any further discussion before we move to votes on the motion moved by Mr. Yates?

Seeing none, we'll move to votes on the motion and should we read it out or what do you figure? We'll read it; Dr. Viktor's writing it again.

Mr. Yates has moved that:

Regarding recommendation 1, chapter 11, Spring 2001, of the auditor's report that the Crown Corporations Committee ask CIC to review its procedures and when it next comes before the committee report on the pros and cons of changing the legislation in the context of a commercial environment.

The motion is so put. Those in favour of the motion? Those opposed? The motion is carried.

We now revert to discussion of the recommendations generally, if . . . excluding of course, recommendation no. 1.

**Mr. Wall:** — I'm sorry, you've said excluding recommendation no. 1, Mr. Chair. I actually have a motion regarding recommendation no. 1.

**The Chair:** — Okay.

**Mr. Wall:** — That the . . . here, I've got it, sort of:

That the Standing Committee on Crown Corporations correspond with the minister responsible for CIC endorsing recommendation no. 1 in chapter 11 of the Provincial Auditor's Spring 2001 Report and recommending . . . and

recommends that the government . . . the government's compliance with that recommendation.

**The Chair:** — Just one moment while I consider this with the Clerk as to it's being in order.

Okay. Upon consultation with the Clerk of the committee, I find this motion to be out of order as moved by Mr. Wall, given that it calls for endorsements and then, you know, further action on it — whereas the motion that has just been moved, as moved by Mr. Yates, calls for review and then further consideration.

So clearly the motion that has passed as moved by Mr. Yates is in some conflict with the motion as moved by Mr. Wall. So I'm ruling the motion as moved by Mr. Wall to be out of order and I'm calling for a resumption of discussion of the recommendations as a whole.

**Mr. Yates:** — Yes, Mr. Chair. I'd like to move a motion on recommendation number 4 dealing with them in the order that the Provincial Auditor dealt with them. I move that we congratulate CIC . . .

**The Chair:** — Before we get too much farther into this, perhaps what we could do is just move recommendation by recommendation.

Recommendation no. 1 has been deferred until further review. We've now got recommendations no. 2, 3, and 4 to deal with. Are you agreeable to a process that we deal with them, seeing no further debate . . .

**Mr. Yates:** — In numerical order?

**The Chair:** — . . . in numerical order.

**Mr. Yates:** — Yes, Mr. Chair.

**The Chair:** — Okay, in which case we move to recommendation no. 2. Mr. Hart, a point of information.

**Mr. Hart:** — I'll try to provide a suggestion here. In reviewing the Provincial Auditor's process for this item, I note that the examples are taken largely from the executive government as opposed to Crown corporations — the precedents and the examples. And given that they are two somewhat different types of entities, it might be useful that we had further discussions with the Provincial Auditor about the process before we decided what to do with this second item. Because I think the processes that we would use in Crown corporations are at variance with the kinds of examples he's used in his process. I don't have a problem with the basic logic of his process, but we might . . . I think the debate might be better informed if we had further discussions with the Provincial Auditor on this item.

**The Chair:** — Well your comment is appreciated, but it would call for a motion of deferral which of course would have to come from a committee member.

But before Mr. Hart spoke, there's Mr. Yates, and Mr. Wall, I believe, wants to speak as well.

**Mr. Yates:** — Thank you, Mr. Chair. I would like to move in regards to recommendation no. 2, chapter 11, 2001 Spring auditor's report:

That CIC continue to provide the information requested by the Crown Corporations Committee when requested.

And if I could speak to it, Mr. Chair. We've had indication that the Crown corporation . . . or the CIC has been willing to provide information when requested by this committee, and simply that they continue to do so if requested by this committee.

And if we want specific information, we can debate that information here and they continue . . . They've acknowledged that they provided it when we have requested it and that it's appropriate that we as legislators review that, but it may not be appropriate that it all be in the annual reports.

So that that information is available to us to meet those three needs that are required in the mandate so that they continue to provide the information when we want it.

**The Chair:** — Okay, Mr. Wall. Did you want to speak to the motion?

**Mr. Wall:** — I wanted to ask — I guess it does relate directly to the motion, Mr. Chairperson — I wonder if the auditor would comment on Mr. Hart's interest in pursuing . . . I know it's specifically referenced in recommendation 3, but it's certainly germane to recommendation 2.

So I wonder if the auditor would comment on whether or not he also sees some room for some further discussion on the model that you had proposed in exhibit 2.

**Mr. Wendel:** — Yes, Mr. Chair. We'd be . . . if CIC wants to discuss further alternate disclosure requirements or a different model, we'd be certainly prepared to talk to them and bring something back to the committee. That's entirely up to the committee.

**Mr. Prebble:** — I would like to see more discussion between CIC and the Provincial Auditor on this. And then maybe a return here that would . . . I don't have any problem with the motion by Mr. Yates as an interim measure. But I would like to . . . And again there's no evidence that I'm aware of at least — if there is someone can perhaps tell me — but no evidence that any time this committee has asked for information, it hasn't been provided.

But the question becomes, if there is a . . . you know, if the auditor feels that there's an important reason for moving forward with this, I'd like to see more conversation taking place between the auditor and CIC. And maybe they can come back if possible with a joint recommendation to us.

In fact, I'd like to just say that on all these matters it would be very helpful for committee members if the officials could try to spend as much time as they could seeing how close they can get to an agreement before they come before the committee. That would be helpful for us because that would make . . . I think that would make our job a lot simpler.

In effect we're getting conflicting advice between valued officials at this point in time and it's always helpful if the level of agreement could come as close as possible before you bring it here.

So I would like to see more discussion take place. And that's just a general request, Mr. Chair. I'm not putting that in the form of a motion but I wonder if we could have some understanding on that effect.

**The Chair:** — Further speakers on the motion?

**Mr. Yates:** — Thank you, Mr. Chair. I too share the desire to develop a process that meets both the Provincial Auditor's needs and CIC's needs. And I think recommendation no. 3 deals with that and I think that's the type of motion we should make.

But in the interim we need to have a process by which, if we want information, this committee is able to obtain it. And I think that that's what this motion is about. For the next few months, until which time we can have some discussion between the parties, there needs to be the ability for this committee to get information.

**The Chair:** — Any further discussion?

**Mr. Prebble:** — Well I guess to the Provincial Auditor, I would be grateful if when you make your recommendations you could take account of the commercial environment in which the Crowns have to operate. That, I think, would be very helpful for us because we all have to do that around this table. And that, I think, would be very useful and therefore that's why I want to see the dialogue take place, both to make sure that your concerns about accountability are addressed and also that the concerns that the Crowns have about the commercial context in which they have to operate are addressed, and see if those two things can be melded together through the course of your discussions so that we're not placed in the position of having to kind of . . . I mean, ultimately we've got to make a decision on two competing considerations. The closer you can get us the better, and I'm sensing that there hasn't been enough opportunity for discussion yet.

If you have any comment, please share it with us.

**Mr. Wendel:** — I have. I would certainly be prepared to talk to CIC and go through the types of payments they make and discuss which ones are of a commercial nature that are a concern to them and which ones aren't. Those that aren't, I'd expect then we could come to some resolution. Those that are, we can bring those forward and you can make your decision on those few that might be left. I'd certainly be prepared to do that.

**The Chair:** — Given that undertaking, Mr. Yates, you're looking to speak? No.

Okay. Consulting with the Clerk, we would appreciate some clarification in the Chair as to the concurrence or non-concurrence in the opinion of the mover to make that explicit in the motion as it currently stands. Are you moving non-concurrence?

**Mr. Yates:** — I don't have to move concurrence or non-concurrence in recommendation. I can move an alternate motion to deal with the recommendation. That's what this is. And it's simply a motion that CIC continue to provide information requested by this committee to the committee when it is requested.

It does not have to be concurrence or non-concurrence because not finding on those recommendations that's what is going to be dealt with, hopefully, in further discussions between the parties.

**The Chair:** — Okay. Well I guess we come to some problem in the nomenclature because perhaps the expression we're looking for is the committee would rather make an independent recommendation that neither concurs or is non-concurrent with the recommendation. So we've got a motion in front of us. We'll just read that one more time.

As moved by Mr. Yates:

Regarding recommendation no. 2, chapter 11, Spring 2001 Provincial Auditor's report that CIC continue to provide the information requested by the Crown Corporations Committee when requested.

Those in favour of the motion? Those opposed? The motion is carried.

Moving right along.

**Mr. Wall:** — Mr. Chairman, I wonder if you could confirm that a motion then in favour and endorsing the recommendation no. 2 and having us then, when that motion is passed, transmit that report to the minister responsible, would be in order.

**The Chair:** — By virtue of the fact that the minister has some staff here I would assume that to be a matter of informal occurrence, but if you want formal I'm willing to . . .

**Mr. Wall:** — Well you see what I'm saying, is that on the last issue when we moved a motion that was, you know, materially understandable and materially different from the motion that hadn't received the support of the committee, it was out of order. This however is an independent motion that really . . . it's worded so that it regards recommendation no. 2, but it's not either — it's neither an agreement, an affirmation, nor a rejection of the recommendation. And I'd be interested in putting that question to the committee in a motion, if that was in order.

**Mr. Yates:** — Mr. Chair, I believe that would change the intent of my motion in that you don't have to either support or reject the concept. But I put forward a motion that deals with recommendation no. 2, and it gives direction on how to deal with recommendation no. 2.

So a further recommendation, dealing with the recommendation no. 2 in a different manner, would in fact be contrary to my motion that's already passed.

**The Chair:** — Okay. As regards this situation, it's not a matter of negation as was the case with the previous motion. The proceedings of this committee are reported to the legislature,

and as such are communicated not only to the minister but to the entirety of the Legislative Assembly.

So in terms of the communication aspect, that's . . . that is implicit in the operations of this committee as it presently stands.

As for whether or not the motion as moved by Mr. Yates negates recommendation no. 2, it isn't entirely possible to have an independent . . . Okay, that's okay. Anyway, I don't recall Mr. Thomson having to deal with so many motions, but . . . I guess you're just welcoming me to town.

**Mr. Yates:** — I'd like to point out that my motion deals with the second part of recommendation no. 2, was an alternate to what's proposed. So you cannot have an alternate to what's proposed and then put the motion proposal in what's proposed.

**The Chair:** — Okay. I don't know why we wouldn't want to just have . . . I mean, we can end this all by having a vote on the recommendations that the auditor has taken some time to prepare, and the government has its . . . going to have a well-founded, I'm sure, and logical reason for the position it takes, and hopefully we'll have the same, and we could have the vote.

So I'm not sure what the problem is here but I mean, if we're going to get into that, I don't . . . Because the word alternate appears in the second part of the auditor's recommendation, it's difficult to understand the argument that Mr. Yates is making that this somehow is a stand-alone, sort of alternate and all-encompassing motion on recommendation no. 2. I mean, I just . . . I don't think that's the case. And clearly the motion that was passed by the committee is simply a continuation of the status quo in terms of reporting, and this recommendation, its affirmation or rejection by the committee, by the Provincial Auditor, is something completely different.

**Mr. Prebble:** — Mr. Chair, I don't know if the current . . . I take it the current motion is in order. Is that what you're ruling? Because I guess what I'd like to see is whether we could reach some agreement on this that would bring it back to the committee fairly soon, and see some further discussions between CIC and the Provincial Auditor that take account . . .

I guess what I'm asking the Provincial Auditor to do is look at the question of whether all strategic expenditures, detailed information on strategic . . . whether the release of detailed information on strategic expenditures might in any way disadvantage the Crowns from a commercial point of view.

I mean, this is one of the things that we have to consider. And I guess what I . . . you know, before I make a final decision on this, I'd like to make it on the basis of some further discussion between CIC and the Provincial Auditor on that matter.

I don't want to delay this indefinitely. I think it's an important question. We should make a decision on it. It may be, in my own mind it may be that we do want the release of some of this additional information. I don't feel like I'm in a position to make that decision right now, because I'm not convinced that the release of all the things that the Provincial Auditor is asking to be released is necessarily to the competitive advantage of the

Crown.

Having said that, I'm willing to look at this much more closely. I just want to have . . . I don't want to . . . I want to see if we can avoid coming to this and having to referee two competing points of view between CIC and the Provincial Auditor.

Let's see if they can get closer together through further discussion. That's what I'd like. I'd like to have the opportunity to make a motion to that effect once we deal with your motion, Mr. Wall.

**The Chair:** — Actually, prior to that we've got Ms. Hamilton speaking, then Mr. Wall.

**Ms. Hamilton:** — I'm stringing into item no. 3 to some extent because I think the two are tied together. I think I heard Mr. Hart say — and I believe is saying — that much of the exhibit 2 when we're going to be deciding information, really hasn't had the benefit of the discussion between CIC and the Provincial Auditor, with Mr. Prebble's deliberation in mind.

So for both, we're saying through the motion that we passed that there has been no problem. And I think the opposition . . . I haven't heard them say that there's been any problem with getting information that the committee's requested.

But we're dealing with a recommendation from the Provincial Auditor, I believe, that really needs to have further examination on a competitive nature that the Crowns operate in. And unless we give that direction, our Provincial Auditor's looking at how public agencies would operate for the most extent.

So I think that we've dealt with item no. 2 in the motion that was passed. I think the discussion that we're having and that Mr. Wall is also discussing is to say, then let's get to the discussion occurring between officials that maybe gives us the model with some exhibit that we use when we're talking Crowns, competitive nature, and those things being considered in a sense of the corporate world.

But also it discharges our responsibility. Or we say in this sense we don't feel we have a responsibility to put the Crowns in . . . or impede the Crowns in the competition that needs to occur.

So yes, I'm saying that for item no. 2, I believe that's discharged by the motion that is before us. But I think item no. 3 and a combination of that with the direction on alternative disclosure requirements, if that can be brought to us with those considerations, I would like to see that further information provided to the committee.

Thank you.

**The Chair:** — Okay.

**Mr. Wall:** — Well I guess just based on Ms. Hamilton and Mr. Prebble's remarks, I would encourage them to support the motion that we would . . . I guess we haven't put one forward because we haven't found out if it would be in order or not, but that we would simply endorse the second recommendation in chapter 11.

Let's just carefully hit the highlights; they're pretty basic. Publish a list of persons who received money from them, and the amounts of them; CIC and the amounts and the persons received, following the Assembly's current disclosure requirements.

Following the Assembly's current disclosure requirements or seek the direction — and note that it's an "or" there — seek the direction from us, from this committee, on which you have a majority of the members, on alternate disclosure requirements that will achieve the legislators' objectives for requiring this information.

I don't understand why we would even, why we would have done no. 2, which is basically just saying, well we'll continue operating as we have, when all of the members that have spoken on the government's side to this point have said, look we want to . . . we want to have more discussion about this. We want CIC and the auditor to talk about it. We think we can have a role to play, we being the committee. That's been the message from the government members.

That is precisely what recommendation no. 2 says. At least that has been the . . . well that has been the response from two of the government members. They've said they'd like the auditor and the CIC to get together, and I would assume come back to this committee. That's what I'm assuming what I heard there. That is to me the spirit of this second part of the recommendation: that CIC and its subsidiaries would do the first thing — publish the list — or seek direction from Crown Corporations on alternate disclosure requirements. In other words that they could come before us on a, I guess, on a case by case process.

But it certainly doesn't preclude, it doesn't preclude what both Ms. Hamilton and Mr. Prebble and Mr. Hart have spoken to, and that's this discussion between the two on how that process would take place. At the end of the day it'll come to this committee.

**Mr. Yates:** — Thank you, Mr. Chair. I think what we have is more of a disagreement in process than outcome.

I see doing exactly what you're talking about in recommendation no. 3. The Provincial Auditor and CIC had that discussion. They come back with a recommendation of a process that deals with the commerciality of, and the circumstance of, the Crown corporations. But in the interim, the second motion dealing with recommendation no. 2 tells us how we get information in the period prior to that discussion and those recommendations coming back to us.

I don't think we have a difference in where we want to end up on this; I think we just have a difference in how we see the recommendations. But the discussion that Ms. Hamilton and Mr. Prebble and Mr. Wall are all talking about needs to occur.

In the interim until those discussions occur, was what was dealt with in my motion on the second recommendation, which may . . . those discussions may take a month or two and in the interim we may have many questions that we want to ask. So how do we do that in the interim?

**The Chair:** — Okay. I think we've had ample discussion. Now

the question is whether or not the motion as moved by Mr. Yates regarding recommendation no. 2 negated recommendation no. 2 . . . (inaudible interjection) . . . One moment.

Okay. It is the opinion of the Chair that as regards recommendation no. 2, it has in effect been dealt with by the vote and discussion that was taken on . . . (inaudible interjection) . . . Mr. Wall? And as such we will move on to debate on no. 3.

So recommendation no. 2 has been dealt with. We move on to recommendation no. 3.

**Mr. Wall:** — So we're on recommendation no. 3 here and I think we need to have some discussion. So before any motion is put forward, and in terms of goodwill, we won't rush forward with it. I won't rush forward with some sort of a motion that members would have to either amend, vote, or defeat rather than maybe to continue with this discussion that we were having earlier and that Mr. Prebble and that Ms. Hamilton picked up on.

I think though we need some assurance, some timelines I think for this sort of thing, for us to have some comfort that it's actually going to happen — the "it" being the getting together of CIC and the auditor to go over exhibit 2 and flesh it out a bit in terms of concerns that CIC might have with it. If we could get some timelines from either party, I guess both parties, I think we'd have a lot more comfort, rather than just sort of putting it off and hoping that happens that they get together and that this process is dealt with.

**The Chair:** — At this point we call for some comment from either the auditor or Mr. Hart or his officials as to timelines and opportunities.

**Mr. Hart:** — The complexity for us is that as a holding company we don't . . . we are not involved in the direct operations of the subsidiaries so we would have to go back and talk to each of the individual subsidiaries and have them assess the issues. So I think we'd need to, with the committee's indulgence, have some time to consult with our subsidiaries on this issue, understand better how much time they would need, and then I think we'd be in a position after that to identify sort of how much time it was going to take in consultation with the Provincial Auditor.

Sorry I'm not giving you a precise time which I know you're looking for, and I can appreciate that the committee wants the matter dealt with as quickly as possible, but those are the process complexities from our end that we have to go through.

**The Chair:** — Will that suffice for Mr. Wall?

**Mr. Wall:** — Mr. Chairman, certainly we could, you know, ballpark it even, I think, would be fair to say. I mean give yourself ample time to do that which you've just said you'd have to do and then add a month and give us that timeline then perhaps.

**Mr. Hart:** — Let me just confer with my officials on this. We would like until May and if we could indulge your suggestion to

have one month additional to that, June I think would be a safe time to report back. Is that satisfactory?

**A Member:** — Sure.

**Mr. Hart:** — I don't know if that works for the Provincial Auditor or not but . . .

**The Chair:** — Over to you, Provincial Auditor.

**Mr. Wendel:** — We will be making a spring report in probably June 2002, regarding all December 31 year-ends of which your corporation . . . (inaudible) . . . December 31 year-end, so we will of course be reporting progress and any recommendations that your committee has made.

So we look forward to working with the CIC and reporting progress.

**Mr. Prebble:** — And that these discussions — if I could just make a request . . . (inaudible interjection) . . . Thanks. Sorry, Mr. Chair, out of order. I'd like to make sure that it's understood among us that we're looking at all this in the context of enterprises that have to be commercially competitive. And therefore that in some cases there may be a different standard with respect to disclosure than there would be for an operation that isn't commercially competitive. And I'd like to see the dialogue taking place in that context. I don't know whether we have agreement on that or not.

That being said, obviously, we want to try to have as much disclosure as we can achieve without interfering with the strategic objectives of the Crowns. So that's the context in which I'd like to see this examined.

**The Chair:** — So before we move to a vote on recommendation no. 3, is the committee satisfied with the assurances that have been made with regards to further discussion?

Okay. That being achieved, we will move to a vote on recommendation no. 3. Those in favour of recommendation no. 3 . . . (inaudible interjection) . . . Oh, pardon me. There we go.

**Mr. Van Mulligen:** — If we refer this matter to the Crown Investments Corporation and the Provincial Auditor, and ask them to report back to this committee by, say, June of 2002. Thank you.

**Mr. Wall:** — I hear you might be . . . am I to take it that you might be sort of clarifying or adding to the motion that was made by Mr. Van Mulligen? I would just . . .

**The Chair:** — Well we're just looking to see if it suffices for our understanding of the discussion that's preceded this point.

**Mr. Wall:** — Okay.

**The Chair:** — Nothing Machiavellian intended, Mr. Wall. Anyway, Mr. Van Mulligen, if you could move your motion . . . if you could state your motion once more, please.

**Mr. Van Mulligen:** —

That recommendation no. 3 will be referred to the Crown Investments Corporation and the Provincial Auditor with the request that they report back to the committee in June of 2002.

**The Chair:** — Motion not requiring a seconder. Those in favour of the motion?

**Members:** — Agreed.

**The Chair:** — Unanimous. Those opposed? Okay. The motion is carried.

Moving along, recommendation no. 4. Any further points of discussion?

**Mr. Wall:** — Actually I would like to move a motion, Mr. Chairman, regarding recommendation no. 4, if I may. And . . . sorry, maybe the Clerk would like some time to finish with number . . . (inaudible interjection) . . . Yes, sure. Absolutely.

**The Chair:** — Fastest Clerk in the West.

**Mr. Wall:** — Thank you, Mr. Chairman. Just a motion:

That the Standing Committee on Crown Corporations offer its formal support for recommendation no. 4 in chapter 11 (I'm not reading this so it may change slightly when I'm asked to repeat it; in chapter 11) of his Spring 2001 Report, and that support be communicated to the minister responsible for CIC along with a recommendation for the government to act accordingly.

Do you want me to write something out?

**A Member:** — Are you saying that you're concurring?

**Mr. Wall:** — Concurring, right. Concurring with recommendation no. 4, sure, instead of endorsing — a motion of concurrence, sure.

You don't need the transmittal information in there then?

**The Chair:** — Okay. So we've got a motion of concurrence with regards to recommendation on the floor. All those . . . Any debate on the motion of concurrence?

**Mr. Prebble:** — Mr. Chair, I don't see the need for this recommendation since this is already being done. If you look at the CIC corporations policy manual, this is exactly what's happening. So this policy is already in effect and the recommendation is unnecessary in my view.

**Mr. Wall:** — Well it is already being done. We've heard today that, as far as I know, all the Crowns are in compliance with that 90-day requirement. That's a good thing. And it's good that the Crowns are doing that currently.

This government may not, you know, may not be around forever. We're not just here to talk about what's happening right now, of course; we're here to do the right thing on into the future.

And the same argument that Mr. Prebble makes could apply to a lot of things but we still take action, we safeguard, we provide guidelines, we ensure that this sort of accountability and integrity in the system is there.

And since it is . . . In fact I would use the same argument. Since it's occurring right now and it's posing no problem apparently for the Crowns to live by those guidelines that they've been living by, why wouldn't we formalize that? I think there'd be a level of comfort for Saskatchewan people if they knew that what was just a suggestion and a guideline is now the law of the province in terms of these transactions.

It just makes common sense that you'd enact legislation. I think that's why it's been highlighted by the auditor, that it's being done right now and it's important enough that it continue to be done that it should be in law so that any future Crown's transactions are legally required to be reported as they currently are.

**Mr. Van Mulligen:** — Very briefly, I think the policies and practices we have now with respect to obtaining approvals and for reporting are a tremendous, tremendous improvement over the practices that were in existence in the 1980s. I approve of the changes that we have made. I agree also that ultimately it's desirable that we translate these policies into law so that no future government can again reinstitute the kind of bad practices that we found in the 1980s. So I agree with the motion.

**The Chair:** — Seeing no further debate, those in favour of the motion of concurrence? Those opposed? The motion is carried.

I will entertain a . . . actually, we'll just recess. And thank you very much to the officials. And I would also point out that this is the first time, as per the changes in the legislation, that we've had the pleasure of Mr. Wendel here in this capacity. So you're all very historic, I'm sure.

Anyway, thank you very much.

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

**The Chair:** — We'll get underway. Just as a point of information, Viktor, our faithful Clerk, has handed us an outline of the committee's procedure for dealing with recommendations of the Provincial Auditor, which I'm sure is familiar procedure to those of you who have served on PAC, but perhaps a little different to those of us who are more based out of the Crown Corporations Committee. So please have a look at that.

That said, we will start our proceedings around chapter 12 of the auditor's 2001 Spring Report. As per usual we'll invite comments from the auditor's office and then a response from SaskTel. And then we'll open it to discussion from the floor and at the end of that vote on the recommendations.

So if you'll take it away, Mr. Provincial Auditor.

**Mr. Wendel:** — Well thank you, Mr. Chair. I have two different people here this afternoon than this morning. I have Judy Ferguson, who leads our work at SaskTel, and Judy will be making the presentation to you on the chapter. And Brian

Drayton from PricewaterhouseCoopers, who's the appointed auditor for SaskTel. With that, I'll turn it over to Judy.

**Ms. Ferguson:** — Thank you, Fred. Good afternoon, Chair, members, and government officials.

I've the privilege this afternoon of presenting to you chapter 12 of our Spring Report. This chapter contains one recommendation for your committee's consideration. Before I get into the audit conclusions and findings, I want to take a moment just to look . . . look at and help you understand the organizations within that SaskTel group, which of the organizations this chapter addresses in terms from an audit point of view, and also just to make sure that you understand our audit objectives also.

If you go to — if you happen to have it with you — if you go to page 209 of our report, and that's actually chapter 11, CIC. Yes, there's extra reports there if you don't have one handy.

On that page you'll find there's a listing of the organizations within the SaskTel group of companies, and at December 31, 2000 you'll find that there was over 30 different organizations.

SaskTel Holding Corporation is the parent company. It owns and controls the companies listed. And if you go . . . if you have occasion you'll find that in note 2 of the 2000 financial statements, you'll also find a list, a similar listing, and in that one it breaks out the organizations between operating organizations and non-operating organizations.

When you look at that listing combined with this one, you'll see that there's 13 operating organizations and in the notes to the financial statements it actually lists the percentage held by SaskTel at December 31, 2000, and a listing of 23 organizations that did not have active operations at the end of December, at the end of last December.

The work that is in chapter 12 focuses on SaskTel Holding Corporation and the operating entities. So it's SaskTel, SaskTel International — a consolidated set of statements for that because there's three subsidiaries. You'll see that there's various holding companies in that list: SecurTek, which again is a consolidated organization; DirectWest Publishing Partnership; and then SaskTel International Inc. holds a number of the various investments there.

For the group of SaskTel corporations, we work with PricewaterhouseCoopers on all of them.

When we carry out our audits, we have three objectives — not one, but three. Our audits provide you with assurance that the financial statements are reliable, that the organizations have adequate processes to safeguard and control public money, and that the organizations comply with the laws as they relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing activities.

For the year ended December 31, 2000, we audited eight companies within the SaskTel group. These companies include: SaskTel Holding Corporation, which is the parent; six of its wholly-owned subsidiaries, which is SaskTel, SaskTel International, DirectWest Publishing Partnership, SecurTek



Monitoring Solutions Inc., Clickabid, IQ&A Partnership. We also . . . it also includes the audit of Hospitality Network of Canada of which, at that, time SaskTel owned 96.4 per cent, and its pension plan which is called SaskTel pension plan. It's a defined-benefit-based pension plan.

So what did we find? As described on page 215 of our report, we found that each of these sets of financial statements for the year ending December 31, 2000 were reliable. We found that each complied with the law. We also found that each of these organizations had adequate rules and procedures to safeguard and control their assets, with one exception.

And that exception dealt with the access to one of SaskTel's computer systems. As explained on pages 216 and 217 of the report, SaskTel uses computerized financial information systems to record and report on its financial activities. The holding corporation, SaskTel International, and Clickabid also used these systems.

SaskTel had security policies and procedures in place to limit access to its various financial systems and data. However, we found that SaskTel's security strategy for one of its key financial systems was not sufficiently comprehensive to meet the complexities of that particular system.

We also found that duties within the financial system's technical support team were not appropriately segregated and more users than what would normally be expected had access to areas beyond their responsibilities. And that occurred after a system upgrade. These weaknesses allowed the possibility of access to sensitive financial information and the potential that this data could be subjected to unauthorized changes or disclosure.

Based on our finding, we made one recommendation. We recommend that SaskTel develop and implement a comprehensive security strategy for its financial system.

As noted on page 217 of our chapter, management told us that they'd made appropriate changes in February 2001 to reduce access to the financial system to an appropriate number of users and to segregate duties appropriately.

It also planned to complete its review and update its security strategy and procedures related to this system by the end of June of 2001. You may wish to ask management to update this committee on the current status and the results of its work.

As you may know, for a number of years our office has been encouraging the government, various government organizations to provide better public information on their performance. We recognize that legislators and the public need good information to understand how well organizations are doing.

In this chapter we provide you with an update of our review of SaskTel Holding Corporation's December 2000 annual report. Based on our review, we found that SaskTel continues to improve the information that it provides in its report, as expected by CIC's performance reporting and disclosure policy.

For example, the 2000 annual report includes the corporation's three strategic objectives and key activities undertaken with

respect to them. It also provides a good financial analysis of its financial operations on an overall basis and on a segmented basis.

The segmented information is particularly important for SaskTel given its diversity of operations, but more work needs to be continued to be done. We look forward to future improvements in its reporting. And if you go to page 219, in exhibit 1 we set out some various principles for performance reporting, and we look forward to SaskTel using those principles in its future annual reports.

So in summary, this chapter includes one recommendation which you can find on page 217 in your report. And that concludes my presentation and we'd be pleased to respond to any questions that you may have.

**The Chair:** — Well at this point we'll provide an opportunity for Mr. Ching or any of the officials from SaskTel to provide additional commentary, and please take it away. And if you could also introduce your officials to the assembled committee members. Thank you.

**Mr. Ching:** — I have with me here today on my immediate right, Mr. Dan Baldwin, who is the senior vice-president of business development and corporate planning. And to his right, Mr. Randy Stephanson who is a chief financial officer. On my immediate left is Barry Ziegler who is the SaskTel International vice-president, investments. Behind us here is Mr. Mike Unick, who is manager of finance. And on our left is Darcee MacFarlane, who is the director of corporate affairs.

And if you don't mind, I'll turn it over to Mr. Stephanson to respond to the issues raised by the Provincial Auditor.

**Mr. Stephanson:** — With respect specifically to the recommendation the Provincial Auditor makes, first I would say that we totally agreed with the recommendation at the time that it was made, including with our external auditors at the time.

We did endeavour and have completed that strategy document as described by June 30. The document itself included: general security administration policies; approach and procedures regarding SAP (systems applications product) security design; security testing process; coordination with external security systems; roles and responsibilities as a security organization surrounding the system with particular regard to segregation of duties; security standards surrounding the program development; and procedures for emergency access to the system.

As I said, we completed that by June 30, took it to our audit committee of the board at the July meeting, and it met with their approval as well.

**The Chair:** — Any further commentary? Not at this time?

We'll open the floor to questions.

**Mr. Wall:** — Thank you, Mr. Chairman. I wonder if I could get the comment from the Provincial Auditor as to their . . . I mean, they referenced a little bit, I think in . . . on page 217 there is a reference to the fact that management has been . . . that the

corporation has been reacting to this recommendation already. And I wonder if you could just comment on the progress that's being made as outlined just now by SaskTel.

**Ms. Ferguson:** — Our audit actually is currently under progress and we'll be reporting the results of our audit in the upcoming year. So at this point in time we haven't completed our audit process. And so once we complete that we'll be able to provide this committee with an update.

**Mr. Wall:** — Well, I guess there's a . . . I mean, we . . . it may not be in specific regard to the recommendation. Since there is no recommendation on the performance reporting comments that were made, I'm hoping that we can have a bit of a discussion about that. But inasmuch as it doesn't relate directly to this recommendation, perhaps we . . . if the committee wants to deal with this recommendation, Mr. Chairman, as long as everyone's comfortable with having a discussion on the performance reporting thereafter even though there's no . . . you know, we won't be able to frame it around any specific recommendation.

**The Chair:** — Okay. Actually before we . . . I'll entertain a question in that regards in the meantime. But if you don't have any comments pertaining to the recommendation itself or to the presentations, we've got Mr. Brkich on the speaking list in addition to Mr. Yates. So we'll proceed with that.

**Mr. Brkich:** — Thank you, Mr. Chairman. Just two questions. What were the changes that were made and what were the approximate costs? Did you have that down for the security changes and strategy for the year 2001?

**Mr. Stephanson:** — I'm going to say they were very minimal. I think it was more . . . all these changes were around process and procedures to make sure that we're . . . have a proper segregation of duties, that we do not allow access to a significant number of people specifically that were on the SAP support team. And the costs were very, very minimal.

**Mr. Yates:** — I would move:

That we concur with the recommendation from the Provincial Auditor in chapter 12 of the 2001 auditor's report, the Spring 2001 auditor's report.

**The Chair:** — Okay. Noting progress. Those in favour of the motion? Those opposed? Motion is carried unanimously.

**Mr. Wall:** — Well I wonder if perhaps . . . the first question is for the Provincial Auditor and it relates to the comments that conclude this chapter and she touched on them as well on the performance reporting. And I guess specifically the question is, I mean obviously, this sort of . . . the direction that was found in the 2000 Spring Report, I'm sure, would apply to all facets of a Crown corporation's activities, for example, including those Crowns that have an international division and I'm sure at least internally set an expected rate of return on those sorts of international investments, if only on a case by case basis. But I just want to make sure that certainly that was part of it.

It's a broad recommendation for this sort of performance reporting across the piece in Crown corporations. That would

be fair. Okay, I guess then I would add . . . I think this is a very useful discussion to have. And I also note in here that the Provincial Auditor report seems to indicate that on a number of fronts there has been progress with respect to SaskTel and performance reporting. I wonder if the Crown corporation could, if the officials perhaps could highlight what sort of performance reporting, what sort of goals are being set, for example, to be measured against in the international division, especially as it relates to international investments that the Crown is making or considering making.

**Mr. Ching:** — Well, I don't . . . I'm not sure that I'm hitting the question dead on with my answer, but let me just tell you how we go through the process. First of all, our international unit does a variety of functions. One of those functions is they do consulting work, so we have people come to us and ask us to advise them on how their . . . perhaps their system should be designed or something of that nature.

We also have people come to us and contract us with to do due diligence work for them. General consulting area is one area that they do. We also have some software products that have been designed for usage within the company, which we sell to other telephone companies to use within their system for essentially the same purposes as we do.

And lastly, we do offshore investments from time to time through SaskTel International. We do an annual review of all of our subsidiaries. We look into all of their activities, and what their plans are for the upcoming year. When they bring forward an investment, it usually isn't as part of that annual review because it's odd indeed if an investment would hit right on that particular annual review. But we don't particularly set a series of requirements, although there is a body of guidelines which were first I think worked within SaskTel to pertain primarily to SaskTel International, and then I think CIC saw a broader usage for them; they were reworked within CIC, and we now function under that body of guidelines.

I think that body of guidelines, as I recall, was filed with this committee if not this year, certainly in the last couple, three years. And it sets out a series of things to attempt to achieve with an investment program. It sets I think a minimum target of 15 per cent internal rate of return. It suggests that we should have, or usually try to have, a local partner in the country in which we're operating. It sets a number of other guidelines, and I won't try to repeat those because I think you've got the document actually filed with the committee.

And that generally is the template against which we mark investments in the first instance. But there's a number of other things which we look to in deciding whether or not we want to do a particular investment. And the one, for instance recently, in Newcastle, Australia is a good example of this.

In addition to the other guidelines which CIC sets for us, we looked at ourselves as a company to see whether or not we were robust enough, in so far as our workforce was concerned, to be able to allocate the time of our people to the project, that a project of this nature was going to require.

And we try and make a judgment of whether or not we have any other projects of a capital nature, whether or not they are capital

sustaining projects within the telco itself, or any of the other diversification projects that we've got that appear to us to be a more attractive deployment of capital than the one in question.

But essentially that's the process that we follow.

**Mr. Wall:** — Mr. Chairman, just a follow-up question, and to me it sounds a little strange — at least the first part of the question does — so bear with me while I try to explain it. But in terms of international investments or really any of the more speculative investments, and here I'm talking about, for example, acquisition of shares in privately traded companies . . . And this does go to the point that's being raised by the Provincial Auditor here in terms of performance reporting.

You've mentioned that 15 per cent regarding international investments is sort of a general minimum. And I think, in fairness, you also mentioned that when SaskTel made their announcement on the Newcastle project.

I wonder, though, if there's a maximum. And not on all projects, of course, because that's where the question would seem a little strange, except of course if a Crown corporation, or any corporation or individual, is speculating in terms of the equity markets and buying shares. Because I think all of us as individual investors do have . . . we set that kind of a goal as well.

When we're all investing for ourselves personally, I think many of us set a minimum target that we hope to achieve in terms of return, but also a maximum. When we get to a certain point, you know, even if all of the analysis says it's going to go even higher, many of us have a strategy that says at this point we sell because we've made plenty, no sense of getting greedy and then getting stung by something unforeseen down the road.

So do you also have either internally — because I don't think it was in those guidelines, as you mentioned, that was filed with the committee; in fairness to SaskTel, it wasn't part of that process — but do you have that internally?

**Mr. Ching:** — Not in that particular sense. But when we go into an investment, there's a number of things that we look to.

First of all, from our vantage point we're not in the business of simply deploying capital. In other words, the idea of simply going in and buying some shares or even for that matter an interest in the nature of a partnership or some other interest of that nature simply to try and speculate that those shares or that interest will increase in value, that's not much interest to us. And to the best of my knowledge I don't think we've done that.

What we try to do is we try to take capital that may be available to us and marry it up with the skills and ability which have been developed within the corporation to try and leverage value. The key component to that is skills and ability which we've got embedded within the company.

Let me try and give you some examples. In the case of the Leicester investment, the one in England, we had a fair number of our people on the ground over there. We were very instrumental in designing and structuring the network which was built there. From our vantage point, the fact that we had I

think about 35 or 30 million dollars invested in that project was in many respects secondary to the capacities which our people took to that particular project to try and make it a good project and a project which was interesting to a potential buyer. And as you know, eventually we had that purchased out and I think our rate of return on that was something like 80 or 85 per cent.

The same is true with regard to our project in New Zealand. And the same will be true with regard to the project in Australia.

We wouldn't be much interested, for instance, in buying some portion of a company in Australia which was going to be built by somebody else, staffed by somebody else, structured by somebody else.

From our vantage point, the thing that we bring to the party is not dollars and cents; that may be part of the puzzle, but that's not the key component which we bring to the party. What we bring to the investment is the ability of our people to do good market analysis, to understand the opportunity, to do a good job of building a system, and to do a good job of putting in place the structures and mechanisms and people to be able to operate it in a profitable manner.

And that's why when we were, for instance, in a situation where our interest in the New Zealand operation was turned into shares in Astar United, we immediately said to ourselves, what . . . why would we want to hold these shares in Astar United? And essentially there was really no reason for us to continue holding those shares and so we started on a process of divesting ourselves of those shares, and that's really what our program is.

And in doing that we did exactly what you said. We set for ourselves a target. And if the shares reached that particular value we were immediately going to place them on to the marketplace. And that was a divestiture strategy. By and large we don't wind up in a situation where we have a block of shares where we have no human element input into the project, or other reason as to why we would want to remain in the project. That's kind of unusual for us to wind up in that situation but when we do, we make a conscious decision to sell. We set for ourselves a point at which we'll sell them and then we divest at that point.

**Mr. Wall:** — Thank you, Mr. Ching. Mr. Chairman, I guess one quick follow-up then, and it focuses on this target now that the Crown has said that they did set a goal for the value of these particular shares. And you raised the . . . it's exactly the company that we're talking about, the Astar shares, and then sold them when they hit the target, except the corporation only sold a third of them.

I'm assuming that the goal of the corporation didn't change. You said, and I certainly accept that, that you know, that original equity swap, you know, wound up. The situation ended up with you owning a large number of shares in a corporation that didn't really fit with the strategic plan for SaskTel International and the capital deployment strategy that you may have that you talked about. So I guess then if that's the target, and it hit the target on that particular transaction . . . And perhaps this is why the auditor has some concerns. Why is there still, you know, over two-thirds of those shares held by the . . .

**Mr. Ching:** — Well, let me just run back on what we did there. We flipped our 35 per cent interest in Saturn to become about a 4 per cent interest in Austar United. And you're right. We still had some people on the ground in Saturn so we were still adding value by virtue of our people. But the truth of the matter is we really didn't need to be involved in Austar United, the combined creature, once we had flipped our shares out of the subsidiary into the parent.

And what we did was that we sold off about a third of our shares at a price which netted back to us virtually all of our capital investment — not quite; we're a couple of million dollars short — and the remainder of our shares were targeted to divest at a given point. That point wasn't reached before the meltdown in the market occurred and, as a result, we still have those two-thirds of those shares.

But there was a conscious plan to deal with divestiture and simply that plan didn't come to fruition because of the . . . what took place in the market.

**Mr. Wall:** — We know what the goal was for the first sale, for that first phase of sale, certainly we know that from the history, from where you sold it at. How much did you expect it to go up? What was the next goal that you had set?

**Mr. Ching:** — I think that we sold in and around \$8.50 thereabout. I might be out by a dime or something of that nature — and I'm talking in Australian dollars which are slightly weaker than Canadian dollars. And our target was to sell the remainder of them at \$9. I think they got up to \$8 and 50 or 60 cents and then they started to slip down.

We didn't hold a large number of shares when you compare it with 100 per cent of the shares. But we actually owned about 15 per cent of the float because when the shares were flipped over into Austar United, our partner, which was UnitedGlobalCom, got about 77 per cent of the shares, some shares were sold to the public, and then we got a block of shares. That's how Austar United took shape.

And the shares that UnitedGlobalCom held — and they are still the controlling shareholder of Austar United — those shares were not on the marketplace. In other words, they held their 77 per cent of the company and didn't sell off any portion of it. And to the best of my knowledge they continue to still own 77 per cent of the company.

One of the nice things from our vantage point, holding approximately 3 per cent of the shares at the present time, is that we're sitting there with a relatively small holding. Given the structure of the company right now, we have the luxury of sitting and waiting for the corporation to do a bit of a turnaround.

The things that the company has got to do are the things which are within the capability of UnitedGlobalCom to do. And we think that they are in the process of doing them. The nice thing from our vantage point is that if we're suffering from a drop in price with our 3 per cent, they're suffering a huge, comparatively speaking, impact to them of their 77 per cent. And since they are the ones who've got their finger on the trigger, the ability to do the things that are necessary to bring

the company up in the marketplace, we feel pretty comfortable that they've got a lot more to lose than we have; that they will in fact do the things that are necessary to put that company in a position where the shares will continue to rise.

**Mr. Wall:** — So the hope, our hope is based on the fact that the principal shareholder doesn't want the company to go bankrupt.

**Mr. Ching:** — That's right.

**Mr. Wall:** — Thank you, Mr. Ching, for those answers. And I just . . . one final general comment then on this section of the chapter.

When you're setting the targets that you do have, the goals that you do have, the 15 per cent that was reported to this committee, and then your, you know, your internal goals for investments — whether they be international or otherwise; maybe they're just a diversification initiative that happens inside the province — where . . . When you're setting those goals, are they . . . do you seek outside help?

I guess specifically when you're speculating in shares, are you getting outside professional advice from brokerage houses and, you know, generally speaking . . . Or how is that goal, how are those goals being set?

**Mr. Ching:** — Well bear in mind, the 15 per cent is a minimum internal rate of return figure that CIC sets for us. I don't recall precisely but I know that the internal rate of return figure on the pro forma for Wellington, the Saturn investment, was somewhat higher than the 15 per cent. So we actually set the figure and we have to be comfortable with that figure as an internal matter, but it has to be above 15 per cent.

And in fact at the time that the transaction took place to roll Saturn into Austar United, at that particular moment in time, I think our uplift in value is probably closer to 70 or 80 per cent.

Now given the fact that the shares have slipped, why one could look at it and say no, you got back basically your capital, and they're right. So if the shares go up, we're going to do well on that investment; if the shares don't go up, if they stay the way they are now, if we were to sell them as they are now, we would get back our capital and probably a very modest return on it.

Setting those targets are things that are done at the time that the problem arises and they have to be within the guidelines which CIC sets for us. In the case, for instance, of the divestiture program, that was delegated by our executive to two of our executive members and they were the ones who dealt with the divestiture program.

**Mr. Wall:** — To the auditor, maybe if I can, Mr. Chairman. When you're in this area specifically and this — I'm raising a very specific area, I understand that — but to comment, what we're hearing is sort of a case by case scenario, obviously.

The Crown has laid out that it does indeed set out these targets, it sets them either . . . it seems to set them as it goes into any particular deal.

And are you . . . is it your hope when you make this last

reference — “We continue to recommend the Corporation improve its annual report to clearly report on the achievements . . .” and also that when you still talk about performance reporting, are you talking more generally? Or is that something in terms of the performance reporting definition that you’re using that’s acceptable given the nature that each one of these deals would be obviously unique and different depending on whether they’re international or domestic or . . .

**Ms. Ferguson:** — Thank you. If you go to page 219, I think it sets out where we’re coming from. And maybe if you deal with, maybe, additional attributes . . . Basically where we’re coming from is that the organization should have a plan. And one of the things that our office has tried to encourage organizations is to make their plans public, first off. And then what we’re expecting is them to report against their plan.

And that plan should include: what are their overall goals; what are their objectives — and set them out in a measurable manner that the public and legislators can understand so that they gain an understanding of not only what the organization is doing, but where the organization plans to go and where it’s headed. And then at the end of the day — which isn’t really an end of the day — but on, you know, on a periodic basis, report against the plan.

And what we’re suggesting is that the annual report is a good vehicle to do that in, to tell the public and the legislators, how far did you go? Like, were you successful? Were you not successful? What are your key risks? You know, what are the areas that you as an organization are concerned about that may influence your future direction? You know, that may . . . in essence that these are the areas that you have to manage carefully to ensure that you are successful.

So that’s the perspective that we’re taking. So it’s more of an overall perspective as opposed to an issue by issue perspective. Is that . . .

**The Chair:** — Thank you. I see no further questions or points of discussion.

I just thank the SaskTel officials on behalf of the committee members for coming here today, and the auditor’s office as well. Thanks very much.

And at this point, I would entertain a motion to adjourn until tomorrow morning as per the agenda.

**Mr. Yates:** — I move we adjourn until 9:30 a.m. tomorrow morning.

**The Chair:** — So moved. Those agreed?

**Members:** — Agreed.

**The Chair:** — Opposed? Thank you very much.

The committee adjourned at 14:12.