



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Brad Wall
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The committee met at 09:33.

The Chair: — I would like to call the meeting to order. With us today is the Crown Investments Corporation and I wonder first of all if, Mr. Hart, you would like to introduce to us the officials who are here with us.

Mr. Hart: — Okay. Thank you, Mr. Chairman. My name is Frank Hart, the president of Crown Investments Corporation, and I'll start on my right. Senior vice-president, Mike Shaw, responsible for Crown corporations. Next to me is senior vice-president, Zach Douglas, responsible for investments. On my left, my immediate left, Sheldon Schwartz, chief financial officer; John Amundson, our corporate controller. And in the back, Ted Boyle, executive director of communications; Shelley Legin, our new vice-president of corporate development; and Doug Kosloski, the general counsel. And sitting at the computer over there is Ladette Fuchs, and she's the admin coordinator for the investments division. I think that's all of us.

The Chair: — It's customary to ask the chief official of the organization that's with us to make an opening statement. Now Mr. Hart has asked whether it's permissible for him to, as opposed to simply verbalizing, to illustrate his opening remarks. Is there any concern with that? That's agreed? Mr. Hart, take it away.

Mr. Hart: — Okay. Thank you very much, Mr. Chairman. What we had proposed, subject to the will of the committee, was last year when we were here we did quite an overview presentation at the outset on Crown corporations, corporate governance, our dividend policy, so forth. We had not planned to do that again inasmuch as we had done it last year.

If it's your wish we can give you some overview again of that, but one area we didn't talk a lot about last year and has been the subject of some interest to the members of the legislature, is our investment program. And we thought maybe we'd concentrate a little bit on that if that's of interest and skip the part of corporate governance since we've been over that with you before. If that meets with the wish of the committee, we'd proceed. Okay.

So then I'm going to turn it over to Zach Douglas to lead us through that presentation.

Mr. Douglas: — Thanks very much, Frank. What we have today is just a brief presentation that gives you some sense of the overall approach we're using with our investment activity at CIC (Crown Investments Corporation) and in particular through CIC III (Crown Investments Corporation of Saskatchewan Industrial Interests Inc.), The Business Corporations Act subsidiary that handles most of the investing activity of CIC.

So the outline today includes a review of the current policies we use around investments, an overview of the portfolio itself, a little summary of recent activity, and then a brief listing of some of the opportunities that we see and that we're considering right now.

With respect to current policy, you see there our statement of investment strategy which is of course published in a number of different areas. But we thought we'd put it up there to refresh

people's memories on the topic, and this shows you that our approach is a strategic approach of investing in specific sectors of the economy where wealth and employment growth potential are significant, and where we have been able to identify that there are significant strengths in Saskatchewan that we can build upon to become globally competitive.

What you don't see in there is a general business financing mandate. We are not a source of capital to all business projects that might be undertaken in the province. We try very much to be strategic and limit our level of investment so as to achieve the maximum impact at the minimum exposure.

We operate under a number of investment guidelines that allow us to frame and analyze the opportunities that we look at. First and foremost, the investment must be commercially viable with an acceptable rate of return. That may seem obvious but it's there for a very deliberate purpose, which is to make sure that we're considering the commercial viability of the investment in advance of any potential economic development benefits that may flow from the investment.

And then secondly, it must result in the job creation and increased economic activity. It needs to involve the development of a new enterprise in Saskatchewan or expansion of an existing enterprise currently located in the province.

And the portfolio will be growth oriented and new investment may be entered into with a long-term view. Growth oriented implies equity investment with a longer term horizon as opposed to short-term debt instruments, subordinated debt, and that sort of thing. And a key feature of this is that any ownership position that we might take in an investee business will be proportionate with the level of equity investment we put in. And it also must be a strategic fit, as I said, with our existing investment portfolio in terms of the industry sector, size, and so on.

And another very, very important point for us is that there needs to be a significant commitment on the part of the private sector partners that we're working with on any investment.

The sectors that we've been focusing on are agriculture and related. And you see some examples there of the different subsectors, you might call them, within that area — food, frozen food processing. For example, Centennial meats in Saskatoon. Meats — pork, beef, and poultry processing — that might be . . . An example of that might be Premium Brands with Harvest Meats in Yorkton. Nutraceuticals, that would be . . . Bioriginal, I guess, would be an example of that. Agricultural equipment is an area where we have had some experience, although we're not presently involved in any . . . to any particular degree. And as you probably know, biotechnology, particularly opportunities that arise in and around Innovation Place, has been a focus, as well as information technology related in particular to the Regina Research Park and its emphasis on that.

A number of other criteria that are fundamental features of our investment approach are the scope, which is 5 million or more of provincial capital. That of course was based on the arrangement that had been in place with respect to SOCO

(Saskatchewan Opportunities Corporation) where they took the smaller stuff and CIC did the slightly larger investment, and that particular topic's under review right now in the light of our decisions around SOCO.

The full tool chest of investment tools is available to bring to bear to support economic growth, but in particular we have been focusing on equity because that's where we see, in essence, the capital market failure — historical capital market failure — in Saskatchewan, is in a shortage of equity capital. Other kinds of capital are available but occasionally we'll find situations where it's appropriate for us to participate on that basis.

The stages that we focus on are advanced product development or pre-commercialization. We do that primarily through the various funds that we've been involved in, that I'll speak more about, as well as initial capitalization — that is start-ups, and then expansions.

As we go through analyzing the project, these are some of the factors that we consider and underneath each of those I could go into some considerable detail. There's a number of things but I think for our purposes today I'll leave it at this and be happy to answer further questions you might have on each of those topics, if you do.

But again, primary importance is the economic analysis and the financial structure and the project returns, first and foremost.

Markets is a very important feature, both in terms of understanding the market that the particular business is trying to access and then making sure that they have a strategy to penetrate that market.

It's one thing to say that there is a huge market out there but it's another thing to have a good, workable, viable approach to penetrating that market. And we find many of the projects that we deal with have been weak in that area and we try and work with them to make sure that if we're going to finance them that they understand the importance of focusing on that particular topic.

Environmental considerations are always part of our analysis. We have an environmental checklist that we go through and, depending on the nature of the business proposal, we may require a further level of analysis and review before we agree to invest on the environmental front. Some of course there's really no environmental implications but others there are.

Legal due diligence is always a very important part of this process. And then other factors that we give consideration to, you can see there, the capital cost and construction issues, as well as tax planning and the implications around taxes.

Now the negotiating guidelines that we use give us what we think is a fair and reasonable position in the project and they are these: owner risk in the form of tax injection share capital . . . There's actually a typo there. It's share capital. Unconditional guarantees where the effect of our involvement is to underwrite someone else's investment are avoided. Risks and benefits — cost-benefit analysis is clearly part of what we do.

Not only equity investment but loans and guarantees should be subject to initial and ongoing due diligence for reasonable recourse to assets. To shorten that up, it means that you have to have appropriate security for the instrument that you're using to invest — normal commercial covenants comparable to what are considered industry standard, I guess.

Participating loans and investments should be avoided. That is, I think, there because of a lesson learned historically which is that participating loans are really for the most part equity and if you're taking an equity position then you should get equity returns with that rather than take an equity position and limit your return to that of a loan. So we tend to avoid that.

The funds should be used for new provincial assets or activities. Again, I guess, Premium Brands and Centennial would be recent examples of that where we've invested in a company and the cash from the investment has been used to build facilities in Saskatchewan.

And non-arm's-length relationships should be flagged and carefully negotiated. This refers to situations, in particular, where you're dealing with a partner who is also the marketing entity for the company you're going into. And you have to be very, very careful to make sure that that arrangement, that marketing arrangement that you might have with them, is appropriate and arm's-length and comparable to industry standard.

And then the rest, I think, are topics that we've talked about. But I should mention, I guess, with respect to due diligent tests related to our prospective partners or the owner proponents, and that's that we do the full range of credit checks and personal net worth and company financials and so on, and other references as well as obtaining personal guarantees where appropriate.

I guess another key point is the last one. And that's the issue of making sure that what we're doing is a commercial investment. Now there may be situations where the government feels that it's important to support the creation of a new industry or whatever, where they wish to place capital into a business. And we try and make sure that that is done by way of a grant through the GRF (General Revenue Fund) rather than part of CIC's investment program.

I've included in this, but I think . . . I'm not sure if we need to spend a lot of time on it — and we'll give you hard copies, by the way, so you can take this away — but these are the external investment guidelines. I've put them in here. I think you're probably familiar with them because I think the committee's gone through them before.

Just to say that CIC III, and CIC as a direct investor, is also subject to these guidelines in the same way that a SaskTel or a SaskPower or a SaskEnergy would be if they were doing external investment. Happy to answer more questions on that although it's not something we've done a lot of through CIC III.

Now I'll turn to a quick overview of the portfolio as it stands at December 31, '01. They're more or less listed by order of size there . . . that's not showing up.

Ladette, have you got the hard copies that maybe you could

pass around so people could have a look as I'm talking about them? Thanks very much.

What we've done is put together a table that sort of summarizes the key features of each of the investments with some, I think, quite important footnotes around each of them because there's — I don't want to overstate it — but there's amazing amount of complexity around each one of these investments, and particularly the larger ones, with respect to the shareholders, with agreements that are in place and the various terms and conditions of the investment. But we've tried to provide a synopsis here that can give you a sense of where we're at with this.

I'll speak to the first four or five and then again willing to answer questions beyond that, or after the presentation.

Meadow Lake Pulp, as you know, is a pulp mill just outside Meadow Lake. That's an investment that we — I don't think it's any surprise — we've historically struggled with rates since its inception. It's a market pulp operation that's had two good years out of 10. Through a combination of factors, it dug itself a pretty deep hole and it's taking a long, long time to come out of it.

This past year has not been a particularly good year for the organization. Pulp prices have been at one of the bottoms in the very steep cycles that they have in this business, and it was a . . . the loss in Meadow Lake Pulp was a major factor contributing to the overall loss of CIC III of \$16 million.

HARO Crown Life, that's of course in wind-down mode with the sale of Canada Life, but that's a staged sale not due to complete through a second closing for another year and a half. But the wind-down and the liquidation of the assets and the transfer of the business to Canada Life is proceeding according to plan, and our expectation with this investment would be that at the end of the day, CIC will have full recovery of all of its capital in the business with approximately 70 to \$100 million on top of that representing the return on that investment over time.

Perhaps not the strongest return you'd expect for the investment but the offset to that, of course, is the continuing presence of Canada Life in Regina with about 800 jobs. So on balance, probably a successful investment measured by both criteria.

NewGrade — very interesting to see that for the first time in the last year, NewGrade actually contributed cash back to CIC and contributed earnings of \$51 million. They had a very strong year last year, and due to the repayment of debt over time and some decisions that have been taken over the last 10 years with that investment, the outlook for that one continues to improve.

Saskferco, a steady performer, not really strong the last couple of years, but profitable for us — modest returns on that.

Cameco, as you know, we disposed of the last of the shares of Cameco subsequent to year-end at some substantial gain. And so on down the list.

And as I say, after I'm happy to answer questions on any of them.

I guess one of the totals that's interesting at the end of these charts — if you could go . . . you're there, okay — is the fact that we have had at the end of December '01 a total of approximately 78 investments, a combination of debt and equity. You can see there about \$750 million and that there are some guarantees that support that investment as well, that are theoretical exposure, at least, to the province.

I would say that on the guarantees as they stand now, the major guarantees, we have no reason to think that on any of these investments, these guarantees are likely to ever be called upon — that all the investments that are supported by guarantees right now, at least, are performing to the point where we feel comfortable that they're unlikely to be called upon.

We've also included a chart which shows you the various ownership positions we have in a number of the corporations that we've invested in . . . leave that to your reference, don't intend to highlight it.

Sectoral overview, which shows I think that we have a fairly well diversified portfolio which is important to remember when you're in the investment business that you don't want all your eggs in one basket. That's the portfolio as at December 31. I think there's another chart which shows what we've been doing recently and the emphasis we've placed on different sectors.

There's also a balance sheet, December 31, '01 for CIC III, which shows you the financial structure of the entity. Important to remember that not included in that balance sheet is the investment in New Grade and the Cameco shares. New Grade is held by CIC, the holding company, not by CIC III and for reasons that I . . . historical reasons that I don't know. I'm not sure why that was done, but that's the way it is.

And then we have there a list of — and this, I think, is an important one to focus on — a list of the amounts that we've put out the door over the last 10 years and the amounts that we've taken back in; roughly speaking, a cash flow around individual investments. And you can see that it varies considerably from one year to the next given the cyclical nature of our investment portfolio and so on.

But since 1992, there's been slightly over \$1 billion, if I can use the phrase, put out the door. And there have been repayments of two and a quarter billion dollars which is, I think, a number that a lot of people wouldn't have known or would find surprising. There's perhaps an impression out there that we have been particularly aggressive as investors. But really over the last 10 years, what you've seen is a gradual reduction in the level of exposure over investments and in the end, a considerable amount by over a billion and a quarter.

We've also included a chart here which shows you the average return on equity during that period of time — again, a considerable variation. That comes from the fact that the portfolio is in cyclical industries and it varies considerably from year to year. When you average those numbers, you would see that the average return over those 10 years would be about 7 per cent on a mostly equity portfolio. That's not a return that you'd like to see considering the risk that's been taken through the investment, but an acceptable one under the circumstances and a positive one, I guess, is the way to describe it.

The outlook for 2002, that prior to the gain on the sale of the Cameco shares, was for approximately 5 per cent and that mostly reflects a continuing weakness in fertilizer and pulp prices. But when you consider this gain on sale of the Cameco shares, that number will go up quite dramatically.

We've also provided one more chart that gives you some sense of how the portfolio has performed and it lists for you net income in each year, cash flow, and asset values, and also a chart on the right-hand side that gives you an indication of why there's particularly large numbers or no worthy transactions in any given year. Again, happy to talk more about that.

New investment. We thought it important to let you know what . . . And most of these have been covered by significant transactions report so probably the committee is aware of them already anyway, but we thought we'd summarize them for you.

We have been, since the implementation of the new investment strategy in 1999, somewhat more active in new investing but I wouldn't characterize it as particularly aggressive. And we do our new investment activity out of repayments from previous investments. So there's not a net new cash into the portfolio, I guess is the way to put it.

And the total there is 87.3 invested or committed. During this period of time, it's important to notice that that investment has leveraged an additional \$279 million of private sector investment. The total projects that we've supported with our investment activity are 366 million and the number of direct jobs created would be 852.

The other thing that's a major new initiative for us is the use of co-investment funds with the private sector to support our investment goals and objectives and to, in effect, have a new vehicle or method of delivery of investment capital to make sure that the market is being served but perhaps not to do it as much directly on our part. And of late, we have entered into four of these kind of funds. They're listed there. Our commitments total \$54 million and they're staged commitments.

As of December 31, we've advanced only 7.6 million against those commitments, but we expect to be advancing on a regular basis as these new investment funds get into the market and start becoming active on their own.

Most of these are early days. Foragen has done . . . I'll start . . . Primaxis has been active but has not yet done an investment in Saskatchewan, considered a number that has not yet done one. Foragen has looked at quite a substantial number in Saskatchewan, has done one, and is about to do another. Western Life Sciences Fund just started early in the year so — in terms of their presence in Saskatchewan — so have not yet invested. And then Prairie Ventures Fund is just recently met for the first time to consider and I think recommend four investments under their arrangement or co-investment fund with the CIC and Prairie Financial.

And then I mentioned that we did have a chart here of the emphasis that we're placing or that has been placed on various sectors in our recent investment activity. You can see a preponderance of agricultural and frozen food processing there

as well as forestry, with the OSB (oriented strand board) project near Meadow Lake being a major new initiative.

And then finally what we have given you is just a list of the areas where we see opportunities that match with our investment strategy to build on the strengths in the province and to provide commercially viable businesses or to support commercially viable businesses.

And I think it's well known that we've done a fair bit in hog production through Big Sky and others. We're beginning to look at feedlots, although CIC has not invested directly in any feedlot.

Oil upgrading, there's perhaps some opportunities there outside of NewGrade, although very preliminary analysis around that opportunity.

Forestry, we see considerable opportunity, not just with the projects like the OSB project but also with some of the smaller-but-related forestry activities that come about when you have major businesses in the area — everything from post plants to pellet plants to engineered wood products and so on.

Ethanol is an . . . is something that, I think, everybody knows that we've placed quite a strong emphasis on. And food processing, I mentioned we see further opportunities there as well.

I think that's . . . sums it up. As I said, happy to answer questions, or I don't know what the protocol would be, but . . .

Mr. Hart: — No, unless you wanted to hear anything from our CFO (chief financial officer), but I think he gave a bit of an overview of the 2001 financial report when it was tabled. If there's any need for a comment there, we can make that. Otherwise, go straight to questions.

Ms. Harpauer: — Thank you, Mr. Chair. My question is for Mr. Hart. Has he or any of his officials entered into negotiations with any parties with a view to build any ethanol plants in our province?

Mr. Hart: — We've been talking to a number of people in Shaunavon, Melville, Tisdale area, a group near Regina here, a group from the US (United States), Commercial Alcohols from Ontario. So there have been a number of them have approached us about plans to build ethanol plants. And we're in discussions with a number of them now.

Ms. Harpauer: — Okay you have to understand . . . Oh sorry, Mr. Chair, being located closest to the only existing ethanol plant in the province, it's of interest.

We've received information from Regina that indicates that perhaps a company has been given exclusive rights. So has CIC given anyone exclusive rights with an investment or involvement with CIC in building ethanol plants?

Mr. Hart: — No, we have not. We've been asked to invest exclusively with some investors, but we have not committed to doing that.

Ms. Harpauer: — The information that we have suggests that you have entered into a five-year exclusive agreement with OmniTRAX Broe Industries of Denver, Colorado to produce ethanol in Saskatchewan, and the agreement calls for massive government loan guarantees. Do you agree with that or deny it?

Mr. Hart: — We have not entered into an exclusive agreement with OmniTRAX. We've had discussions with them about that. They've agreed to invest with a number of other investors in the province and have asked us to be a partner, but we have not signed any inclusivity arrangements with them.

Ms. Harpauer: — Are you aware of what experience that this particular company has with the ethanol industry?

Mr. Hart: — Yes, we are. They are not actively involved in the ethanol industry at this time.

Ms. Harpauer: — And what other companies have you approached or have you been talking to about entering into an agreement with . . . in the ethanol industry?

Mr. Hart: — Essentially the ones I mentioned a minute ago. There's a group in Shaunavon that we've had some discussion with; a group in Tisdale that we've had some discussion with; a group in Melville that we've had some discussion with; a group near Belle Plaine that we've had some discussions with. We've had I think a few people approach us in the feedlot area, if I'm not mistaken, that have interest in ethanol and commercial alcohols. We've had some meeting with them as well.

Ms. Harpauer: — Has there been any consultants contracted by CIC or any feasibility studies done?

Mr. Hart: — Yes, we did a . . . we have shared the cost of doing a feasibility study with OmniTRAX, and it was the consultant that the Department of Economic Development hired to provide some overview of the ethanol industry.

Ms. Harpauer: — Why would you choose to consult with OmniTRAX which is the one company that you're suggesting doesn't have any experience in the ethanol industry? Why would that be your choice of where you would hire a consultant?

Mr. Hart: — Well we had . . . they had approached us some time ago because, as you know, they operate some branch lines in the province, and are interested . . . about a year ago expressed interest in investing in valued-added industries. So when they made a suggestion that we talk about looking at ethanol, we agreed that we would cost-share a study because we don't have any experience in the ethanol industry either and thought it would be good to get some overview from some experts in terms of what the industry is like and what the opportunities to invest were.

Ms. Harpauer: — What role does Points West play in these negotiations with OmniTRAX?

Mr. Hart: — My understanding is that they are employed by OmniTRAX as an advisor or something to them here in Saskatchewan.

Ms. Harpauer: — And who represents . . . who is Points West; who owns Points West?

Mr. Hart: — I don't know what the ownership structure of the firm is.

The Chair: — I had Atkinson, Mr. Wall.

Ms. Atkinson: — I must follow up on Ms. Harpauer's questions, particularly she raises the issue that OmniTRAX has no experience in ethanol production. Of the other groups that you've been in contact with or have been in contact with you — thinking of the groups in Shaunavon, Tisdale, Belle Plaine, Melville — have any of these groups had experience in ethanol production?

Mr. Hart: — No, I don't believe they have.

Ms. Atkinson: — So are we dealing with any of the proponents for a plant in their region? Have any of them experienced ethanol production anywhere in the country or North America?

Mr. Hart: — Oh, yes. Commercial Alcohols I think is the largest ethanol producer in Canada, I believe. So they are one of the groups that of course has quite a lot of experience in this area.

Ms. Atkinson: — So of all of the . . . so of the proponents for their communities, Commercial Alcohols is proposing an ethanol production plant in which part of the province?

Mr. Hart: — Pardon me, Commercial Alcohols . . .

Ms. Atkinson: — Where are they proposing a plant?

Mr. Hart: — They have had some preliminary discussions, my understanding is, with the producer group in Melville and Treaty Four. I don't know, they may have signed an agreement or not but I'm not sure. There was some discussion about it at a conference in Fort Qu'Appelle. My understanding is they didn't sign an agreement at that, but they may have since done — I'm not sure. But they're the group that is . . . that they've been talking to, that Commercial Alcohols has been talking to, is the Melville area group.

Ms. Atkinson: — Is that the only group that's got any experience?

Mr. Hart: — Well I think of the groups we've been talking to, I believe they're the only ones that have operating and experience with both ethanol plants and actual ownership.

Now having said that, to take one particular group, for example, that I've had a couple of discussions with, the producers from the Shaunavon area haven't actually produced ethanol, but they've been studying the opportunity for some time and appear to have quite a lot of expertise in terms of what they would propose to do in their area.

Ms. Atkinson: — Thank you.

Mr. Wall: — Thank you, Mr. Chairman. Broe industries, from what we can gather, is by and large in the real estate . . . is a real

estate developer based in Colorado and have retained, as you indicated, have retained Mr. Gross and Mr. Aldridge, in their firm Points West, to try to put together this deal from what we can gather.

And I wonder if you could confirm whether or not the proposed agreement — since you've said there is none — the proposed agreement would call for a total investment in this particular industry of 60 million, with Broe investing 36 and the provincial government 24 million.

Mr. Hart: — We haven't got to the point of determining how much capital would be put in by the various parties. What the Broe Companies have indicated to us and I think have indicated publicly, at least to the various groups out there that they've been talking to, is that they're prepared to invest up to 60 per cent of the capital required to build, I think, somewhere in the order of four ethanol plants in the province.

Mr. Wall: — What is the . . . Thank you, Mr. Chairman. In your presentation, Mr. Douglas highlighted an interest obviously in ethanol. And I wonder then what target level then has the corporation put on it? If you can't confirm that you're prepared to put \$24 million into a deal with Broe industries, what is the target? What's the budget you have? What's the allocation you have for investing in this industry in the province of Saskatchewan? Is it in and around 24 million or is it less? Is it more? What would be the general figure?

Mr. Hart: — We don't actually have a target. Sorry, Mr. Chairman. What we have been doing is responding to groups that have approached us about helping to facilitate their development.

So what we've kind of said, in principle to some of the various groups we've mentioned, is that we're prepared to talk to them about helping them get the financing in place to invest. And under a scenario where perhaps, depending on how much money they raise in the community, we may make up the difference or something like that.

But our approach has been to facilitate local investment, local ownership in the business. And so it's harder to say where the other 40 per cent, if Broe is committed to 60, would come from. Perhaps a combination of some from us, some from the community.

But we have not finalized those numbers and, as you may know, the communities themselves have only been just now testing the interest out there amongst farmers and so forth. The interest seems to be quite strong, at least from what they've reported to us, but what that will translate into in terms of dollars is way too early to say.

Mr. Wall: — Thank you. Mr. Chairman, the other manufacturers, and we've been talking about one in particular, as Mr. Hart indicated, the largest one in Canada, Commercial Alcohols, and some of the other people involved in ethanol. Would those firms be approached . . . if you haven't entered into an agreement with Broe industries yet, who has apparently no experience in ethanol, no direct experience anyway, if there has been no agreement entered into, whether there's exclusivity in that agreement or not, or if there's no . . . you know, if it

doesn't look like an agreement is imminent, will the CIC also approach in order to develop this industry, will you also be approaching these other companies that actually have ethanol experience in Canada and the United States in terms of some of the companies that have been involved in the mid-west expansion of the industry? Or is that in the plans, as Mr. Douglas alluded to in his presentation.

Mr. Hart: — Yes, we would take the position that we're a facilitator of the industry. We're not a lead investor. And so, when we had our discussions with Commercial Alcohols for example, they expressed an interest in learning more about what the Broe Companies were doing. Commercial Alcohols indicated to us that if they came to Saskatchewan they would be looking for an equity partner.

So we referred them to the Broe Companies, and I believe they're in discussions now. I don't know whether they've actually connected or not, but we've simply passed that opportunity on to them, to Commercial Alcohols to follow up with Broe.

Mr. Wall: — How did CIC become aware of Broe industries interest in this, in investing in the province and in this industry?

Mr. Hart: — I received a visit from Dwight Johnson who is the head of their business development area. I think — I can't recall the specific date but it would be at least a year ago — he had heard that, as per the presentation Mr. Douglas has given, that we are investing from time to time in various value-added businesses in the province. They have an interest in investing in the province and approached us about whether we might consider some type of joint investment in the future.

The discussion was not specific with regard to ethanol or anything at that time, but we agreed that if an opportunity arose, we would follow up with them as they have quite a lot of capital to invest and seemed to be quite interested in Saskatchewan but wanted a local partner. So that was essentially the essence of how we got together.

Mr. Wall: — So they were interested, generally — and are interested generally — investing in Saskatchewan? Or did they specifically mention the ethanol industry.

Mr. Hart: — They didn't when I first met them. The ethanol industry opportunity came up as a consequence of the discussion that was happening around the province last, late last fall, I think. And you know, the opportunity potentially to do some investment in the ethanol business came forward and we agreed that we would look at it together to see if there was in fact potential to do something.

Mr. Wall: — Had CIC officials then met, did they meet with and have . . . Do they continue to meet with Points West as the representative for Broe industries or are you . . . or is CIC dealing directly with Broe industries?

Mr. Hart: — Mostly directly with Broe. We've had some discussions with Points West. They've been present at one or two meetings we've had with them, as far as I'm aware. But mostly, it's directly with the Broe companies.

Mr. Wall: — Thank you, Mr. Chair.

The Chair: — Okay. Ms. Harpauer and then Mr. Prebble.

Ms. Harpauer: — Thank you, Mr. Chair. Are any of the proposals that you've been reviewing, brought to you from different groups, have any of them requested exclusive agreement on ethanol manufacturing rights? Has that been requested at all?

Mr. Hart: — I'm sorry?

Ms. Harpauer: — Have any of the different proposals that you've looked at and reviewed and discussed and been in negotiations with, have any of those groups requested an exclusive agreement on ethanol manufacturing rights in our province?

Mr. Hart: — Yes. OmniTRAX, if they invest, I think would like to have an exclusive arrangement for a period of time while the plants are being built. Their primary reason, they've told us, is that they don't want us investing with other parties.

Now we've basically said they have to work with the local groups, first of all, to see if there's local businesses that are interested in this and then we would consider supporting local groups. So that's kind of where it's at. We've not committed to anything beyond that at this stage.

Ms. Harpauer: — Have they indicated to you how long they would like these exclusive manufacturing rights? Have they given a time period that they would like that to happen?

Mr. Hart: — There may be something in the agreement. I'm not actually certain of that. We haven't signed any agreements. They, I think, have made some proposals. I recall five years, but I'm not sure if that's what they had in mind in terms of a final arrangement or not.

Ms. Harpauer: — Are there any projects that you're aware of that have given indication that they do not want any CIC investment?

Mr. Hart: — Just to clarify the exclusivity, I'm advised is really that they . . . it's not exclusively on the manufacturing rights. They just want exclusive arrangements with ourselves for a period of time while they invest with these other communities.

And sorry, your follow-up question again was?

Ms. Harpauer: — Was that, are you aware of any projects that's being proposed in our province that have indicated that they're not interested in CIC investments, that they have enough capital or are putting together enough capital on their own without CIC interest?

Mr. Hart: — I'm not aware of any projects, no, that have said that they specifically didn't want our capital.

The ones that I've talked to have indicated that they would like us to invest, as I said, under the concept of facilitating their community investment, primarily.

Ms. Harpauer: — Would you encourage — if there was a project or a number of projects being put together that you heard of that did not require CIC investment — would you encourage those projects to go ahead?

Mr. Hart: — No, absolutely, if we don't have to invest in this industry, we won't invest. Our only interest is seeing the industry go ahead. If it needs our capital and if it can . . . our capital can be put in under the guidelines that Mr. Douglas mentioned, then it's an area we would consider, because we consider it to be agriculture value-added which is a target or a strategic area.

But if projects can proceed without our investment, we would actually prefer to see that happen.

Ms. Harpauer: — Would you consider, or are you considering granting exclusive investment rights with CIC to any one given company?

Mr. Hart: — We haven't gone far enough to determine whether that's a requirement to get investment in the industry or not. So we'd have to assess that issue if and when it became a requirement to see initiatives go ahead.

Ms. Harpauer: — Is there any process that you have that would . . . You said you were not aware of any groups that were looking at investing in an ethanol plant that did not require CIC investment — is there some mechanism you have in place to find out if those groups do indeed exist?

Mr. Hart: — Well we tend to be reactive in this industry. If we're approached by people, we kind of respond to them based on our guidelines. We have not gone out and actively sought companies to determine whether they needed our investment or not.

Ms. Harpauer: — You've indicated to me that you would get involved because you want to see the whole process go ahead. And if there's difficulty with the going ahead on your own . . . or on their own, you would get involved. And yet you have no mechanism in place to find out if it will go ahead on private investment . . . on its own without investment from CIC.

Mr. Hart: — Well all I can speak to are the folks that have spoken to us. I can't talk about people out there who may have a project that have not approached us. I mean we'd only know about them if they'd approached us.

Ms. Harpauer: — How do you know then if there's a need for you to become involved in the industry?

Mr. Hart: — Because so far the individuals we've talked to have told us that they want us involved.

The Chair: — Okay, I have Mr. Prebble, then Mr. Forbes and Ms. Atkinson.

Mr. Prebble: — Thank you very much, Mr. Chairman. I want to back up and look at the bigger picture if I could for a minute, Mr. Chairman.

The Chair: — Is this on the ethanol issue or . . .

Mr. Prebble: — No, it's not. It's on the . . .

The Chair: — Okay. I think . . .

Mr. Prebble: — If you like, we'll deal with the ethanol . . .

The Chair: — Yes, I just . . .

Mr. Prebble: — I'll hold my questions until . . .

The Chair: — Okay, good. From the viewpoint of process, if there's any further questions with . . . related to ethanol, let's get that off the board. Then I'd like to come back to the annual report, if I might. The annual report was referred to us by the Legislative Assembly and we do have some responsibility to review that and report back to them. And although I'm prepared to provide significant liberties to explore issues, let's come back to the annual report and when we do that, then I'd like to give an opportunity to the auditor's office to also make a brief comment. So, Mr. Forbes, on ethanol.

Mr. Forbes: — It is on ethanol. And I'd like to back up as well, Mr. Chair. But just to talk about . . . The questions around ethanol have been really focused on a couple of companies and that type of thing.

But I'd just like to back up and take a look at the project analysis checklist and ask the officials if they could speak specifically about three of their criteria — market penetration strategy and approach, and environment processing; legal due diligence in terms of the ethanol, sort of in a big picture way, as opposed to talking specifically about companies that have been approached or have approached you.

What has been the strategy that you're taking in the environmental process? And, Mr. Chair, what's the legal due diligence that CIC's taking in terms of ethanol?

Mr. Hart: — My understanding of the question is what specifically would we be doing with regard to ethanol generally on these points.

Mr. Forbes: — Right.

Mr. Hart: — And can I just submit a copy of the three . . . the market penetration and the environmental processes. Were those the three areas that . . .

Mr. Forbes: — And the other one was legal due diligence.

Mr. Hart: — Okay, yes. Well prior to making any commitment or, in fact, for that matter prior to bringing forward a recommendation to the CIC board to invest, we would have to have undertaken a complete review of the markets for ethanol production in Saskatchewan; we'd have to look at the ability of the players we were investing with to actually serve those markets. In most cases, similar to a commercial bank that would be the senior debt lender, we'd probably require, if not sales contracts, at least preliminary indications that the ethanol would be sold under some kind of a sales contract.

The environmental processes would have to meet all of the provincial regulations in terms of whether there was an

environmental assessment required for the project — any of those kinds of things. So there'd have to be process in place to ensure that was going to take place and would get the adequate licenses or the appropriate licenses and approvals.

And the legal due diligence would be another standard piece of . . . a portion of the due diligence we would do in terms of all the processes that are normally part of that. So those activities would all be undertaken, along with all the other items listed on the checklist, prior to making a recommendation to invest, if we should get there.

Mr. Forbes: — I'm just wondering if the officials have started any formal process or is there anyone within your office who's dedicated to looking after these, or where are we at in that stage.

Mr. Douglas: — Mr. Chairman, there's actually several people involved in analyzing both the industry and the various proposals that we're looking at. We have a team of people within the corporate development division, which is the area of CIC which looks after sort of new investment opportunities. And they have also, as Frank mentioned, received the analysis, the report that we cost-shared. And they're continuing to build their information base and do their analysis on both the industry as a whole and on the specific opportunities that are coming to them.

Ms. Atkinson: — I want to follow up on the whole notion of exclusivity. Precisely what is your definition of what OmniTRAX wanted from CIC? Exclusive right to CIC for capital? Not investing in any other projects? What exactly is their definition of exclusive rights?

Mr. Hart: — In general terms, I believe — this is my perception — what they would ideally be looking for would be some kind of a standstill arrangement where CIC themselves and other investors, whoever those might be — and I've mentioned some of them as potentially . . . Commercial Alcohols, various producer groups around the province — would agree to work together for a period of time, whatever that period of time is, it may be five years, it may be less than five years, to undertake to build a number of plants around the province for that period of time. And once that work is done, then the exclusive arrangements would cease to exist any more.

I believe that's what they've . . . they have in mind, but we have not at this stage kind of got to the point of committing to anything. So until we do that, we don't know kind of exactly where they will end up on that issue.

Ms. Atkinson: — Okay. So in terms of CIC's analysis of the ethanol industry in Saskatchewan, you say you have a corporate development department?

Mr. Hart: — Yes.

Ms. Atkinson: — At present, what is the analysis in terms of due diligence that's been done? How many million litres of ethanol can be produced in this province on a viable basis, based on the present price of oil, based on the present price of grains and so on and so forth? Can you give us that information?

Mr. Hart: — Well we've been guided by the greenprint, the government's greenprint on ethanol which I think generally talks about somewhere ideally around 400 million litres of ethanol production in the province.

Ms. Atkinson: — 400 million, did you say?

Mr. Hart: — Yes. Currently I think we . . . my recollection is we consume about 1.3 million litres . . . 1.3 billion litres, pardon me, of gasoline a year. So that would require, at a 10 per cent blend, which I think has been contemplated in the greenprint, about 130 million litres a year which would mean that you'd, at 400 million litres, be exporting about 270 million litres a year.

I noted recently the US Senate I think has passed a Bill to triple the blending of ethanol in the US which would . . . I'm sort of on a bit of thin ice here because I don't know exactly the numbers. But from my recollection of what the advisors have said, somewhere in the order of 5 billion US gallons a year would be required in the US which is somewhere in the neighbourhood of triple the US production.

The limits on how much you could produce in Saskatchewan would be subject to how much you obviously can export, because the domestic market is only going to be probably 130 million litres unless we go to a higher blend, and the market for distillers grain which is of course a co-product of producing ethanol which you depend on to make ethanol plants viable. So it's a combination of how much market there is for feed and the export of ethanol.

But today the market conditions appear to look very promising for places like Saskatchewan that have an abundance of grain and an abundance of land to produce cattle and so forth to consume the distillers grain.

Ms. Atkinson: — So as I recall it, in order to have a viable ethanol plant you would need to produce a minimum of 80 million litres of ethanol coming from that plant. So we're really looking at about five plants if we want to get to 40 million litres, is that correct?

Mr. Hart: — No, not necessarily. There are plants such as Pound-Maker, for example, that produce 12 million litres a year, I think roughly, and are financially profitable. My understanding is — I've not seen their financial statements — but the emphasis I think in that model, a smaller plant, is more really on the feedlot. Ethanol is really sort of more the by-product and you're looking for sort of a low cost way of producing feed. So you could potentially have a number of those around the province as well.

It's really a question of sort of how the mandating will work in the province, the provincial regulatory system, and how one would sell the ethanol, either in Saskatchewan or export it.

Some of the groups I've talked to — for example, the Shaunavon folks — tell me that they are primarily interested in the export market because they believe that over the longer term that will be where the greater amount of money is.

But there are clearly two different models — maybe more than two. I think the Melville group has been talking about a 150

million litre plant, ostensibly most of it for export. The Shaunavon group I think has mentioned at least a 150 million litre plant. That's what Commercial Alcohols operates in Ontario. About 70 per cent of that is sort of fuel ethanol and 30 per cent of it is industrial alcohol.

Some groups have proposed smaller plants. The 80 million litre one is really a . . . I'm advised is a plant where sort of, if you build larger than 80 million litres you don't get much more capital cost efficiency. And so kind of the optimum of 80 is sort of the maximum number of plants to move around the province and still be able to compete with the standard in Minnesota, which is a 20 million gallon, US gallon plant.

So you'd want to be as efficient as your competitors across the board is the theory. But that's not to say that there aren't opportunities to do more of the Poundmaker-type plants as well.

Ms. Atkinson: — Thank you. My final question is, can you tell us how many proponents have approached CIC? Proponents of plants in the province, how many are we talking about?

Mr. Hart: — I think four in total.

Mr. Douglas: — If I can just add, Frank, there's a group in Weyburn as well that have approached SOCO and now CIC.

Mr. Hart: — Okay, so yes. I'm not familiar with their proposal but we've been directing them basically to talk to OmniTRAX or Commercial Alcohols.

Ms. Atkinson: — Okay. Thank you.

Mr. Wall: — Well thank you, Mr. Chairman. Just on . . . The last comment by Mr. Hart is interesting. So when proponents are coming to the province of Saskatchewan — the Crown Investments Corp — the Crown Investments Corp is directing them to OmniTRAX, Broe industries, or Commercial Alcohols. That's what you're . . .

Mr. Hart: — Yes, we've said that we're prepared to work with them to facilitate community investment if . . . You know, this is all of course assuming that our due diligence would justify a recommendation to our board to invest, which we don't know yet. But in principle, we would consider taking a role of facilitating community investment in these plants as a . . . we're not a lead investor like a Commercial Alcohol or an OmniTRAX would be. You know, there would have to be some kind of meeting of the minds there I guess before we could get involved, is the approach we've been taking.

Mr. Wall: — So then if — and just to follow up on the member for Nutana's questions on exclusivity because I think it's important that that just be, you know, that we all . . . that we know what that means — if CIC decides to do a deal with Broe industries, then obviously, and if Broe industries gets what it wants, which what you have indicated is this exclusivity, then Commercial Alcohol is out of the picture, at least as regards CIC partnering with them, or any other ethanol — if Broe gets what it wants.

Mr. Hart: — Well I suppose if that's what they want and that's what we agree to, that's what they'd get. But we've been, as I

said, taking the approach that trying to get all of them to talk and we'll come in sort of at the end of the picture when we're needed and . . .

Mr. Wall: — Or if you're needed.

Mr. Hart: — If we're needed, yes.

Mr. Wall: — And we understand from this information we're receiving here is that Belle Plaine would be, under the Broe industry proposal, Belle Plaine would be the site of the first plant. Is there a group on the ground in Belle Plaine who are . . . been working towards this kind of a project as there are in different areas around the province?

Mr. Hart: — My information is that it's IMC (International Minerals and Chemical Corporation (Canada) Ltd.) Kalium and a group of livestock producers who would propose a fairly major feedlot.

Mr. Wall: — And is the feedlot proposed have anything . . . Does CIC have any financial interest or plan to have a financial interest in any of the feedlots that might be attendant to these plants? And specifically Mr. Douglas did reference an interest in feedlots in his report this morning to committee members. Would CIC also have an investment in feedlots then, potentially?

Mr. Hart: — Well we've indicated to folks in the venture capital industry that we would prefer to see them take the lead.

Some of these funds that Mr. Douglas mentioned — financing feedlots — if they needed some capital to co-invest we might consider that, but our preference would be that if there's development in that area, it'd be done arm's length from us by some third-party venture capital group and perhaps we could invest financially in the fund or something. But it hasn't been our intention to get directly into the business of investing at this stage.

Mr. Wall: — If the Belle Plaine project proceeds with this developer — that does seem to be at least a ways down the road in negotiations with your shop there — if the Belle Plaine plant is underway, the exclusivity agreement, does it prevent other plants whose investor is Broe industries, does it exclude them from building concurrently? Or do we have a situation where the Belle Plaine plant or whatever's first out of the chute is built, you know, entirely and, you know, the key is turned so to speak, and only then can other projects proceed?

Mr. Hart: — That would be between, if it's . . . if the group that . . . groups that we're aware of, it would be determined largely by those groups in terms of the order in which the plants would get built, and what size they would be, and so forth.

I mean we'd have an interest obviously if we were an investor. But we wouldn't be the main determinant of that. That would be primarily determined by the local groups and whoever their partner is, whether it ends up being Commercial Alcohols or Broe or somebody else, I suppose — or a combination of all of those.

Mr. Wall: — The feedlot that may or may not be attendant to

the Belle Plaine project and others, would they be potentially, as to your knowledge, would they have an interest owned by, or would they have any involvement with an organization called Agribuild?

Mr. Hart: — I believe they're one of a number of feedlot developers that have approached us. I don't . . . I've not spoken with them personally so I can't reference much about what they have in mind.

Mr. Wall: — And does CIC III or other . . . or the holding corporation have any plans for direct investment and/or a . . . any sort of guarantee with that particular venture?

Mr. Douglas: — We have been approached by them and we have begun to consider their request for financing.

The Chair: — I'll just ask one question with respect to . . . you have an indication of interest, investment from Commercial Alcohols and they're centred in Ontario?

Mr. Hart: — Yes.

The Chair: — And Broe industries . . .

Mr. Hart: — Yes.

The Chair: — . . . or Broe/OmniTRAX, which is centred . . .

Mr. Hart: — Broe Companies . . . The Broe Companies own OmniTRAX.

The Chair: — And they're centred in?

Mr. Hart: — Pardon me?

The Chair: — They're centred in Denver?

Mr. Hart: — The Broe Companies are. OmniTRAX is a Canadian company.

The Chair: — And those would be two of the major export markets if we were to develop an industry of say 400 million litres, 270 million of which would potentially be targeted for export?

Mr. Hart: — The two markets — Ontario and the US — is that what you're asking, Mr. Chairman?

The Chair: — Yes.

Mr. Hart: — I believe they would be, yes, most likely to be the markets served on an export basis. There's a company called Sunoco in Ontario that has been blending ethanol for some time and is . . . my understanding is looking for more ethanol. They're primarily supplied by Commercial Alcohols now. And the US (United States) market is expanding for reasons I mentioned earlier, with the senate Bill.

The Chair: — Okay. That's all. At this point I'd like to go back to the annual report, and I'd like to provide an opportunity for Mr. Martens to provide us with any perspective that he would like to share with us from the point of view of the Provincial

Auditor's office, and then open it up for questions. And the first on my list is Mr. Prebble. So, but first we'll go to Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. First I'll just introduce the people with me here today. Corinne Rybchuk, principal, also works with me on the audit of CIC. And to my left is Ed Montgomery, executive director, who leads our work at CIC. And I'll ask Ed to just provide a few comments on the audit results for the year. Ed.

Mr. Montgomery: — Thank you, Andrew. Thank you, Mr. Chair. Just with respect to the annual report, I'd like to draw the attention to the . . . of the members to the fact that there's three sets of financial statements included in the annual report: the CIC consolidated financial statement, which includes the Crown corporations such as SaskPower and SaskTel and the other major Crowns; there's CIC non-consolidated financial statement, which is actually the results of CIC, the holding company; and finally, there's CIC III, or Industrial Interests Inc. which shows the activities that CIC manages through its subsidiary CIC III.

The audit reports in the annual report are signed by the appointed auditor, KPMG. We worked with KPMG using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. And we obtained good co-operation from both CIC management and from KPMG.

In our opinion, the three sets of financial statements included in the annual report are all reliable. And recently we reported on these three sets of financial statements, and all other Crown corporations and related entities which CIC . . . in our report entitled *Report to the Legislative Assembly of Saskatchewan on the 2001 Financial Statements of CIC Crown Corporations and Related Entities*.

This report covers all those entities that are audited by appointed auditors, and tells you whether we participated in the audit, and whether or not we thought the financial statements were reliable.

That ends my comments, Mr. Chair.

The Chair: — Any questions of the auditors before we go to Mr. Prebble? Thank you very much.

Mr. Prebble: — Thank you very much, Mr. Chair. My questions relate to looking at the performance of CIC, and particularly the investment portfolio over the last decade. And we've been provided, in the handouts that we've received, with some analysis over the course of the decade. And my first question which, Mr. Chair, I'll direct to Mr. Hart is with respect to debt.

How has our debt situation changed in terms of comparing say 1992 with our current circumstances?

Mr. Hart: — I'm going to ask Mr. Schwartz to respond to that.

Mr. Schwartz: — If you're referring to CIC's consolidated debt or CIC's non-consolidated debt . . .

Mr. Prebble: — Let's look at each of them.

Mr. Schwartz: — Sure. On a consolidated basis . . . At the end of 1992, consolidated debt, which is a debt of CIC at the holding company level consolidated or combined with the debt of its subsidiaries and its share of the debt of various investments, is about \$4.5 billion. At the end of 2001, the consolidated debt was about \$3.6 billion.

In terms of debt of CIC itself, at the end of 1992, December 31, it was \$1.3 billion; at the end of 2001, it was just over 22 million.

Mr. Prebble: — So we've witnessed a significant reduction in debt over the period of a decade?

Mr. Schwartz: — That's correct.

Mr. Prebble: — On the question of taxpayer exposure — I want to clarify this because this keeps coming up in question period, Mr. Chairman — can you explain for members of the committee, if we look at our current investments which are outlined on . . . new investments on page 12 of the handouts that have been provided, can you clarify for us what, if any . . . Why don't you take my handouts . . .

A Member: — Ladette's got them.

Mr. Prebble: — I'll just wait for a minute while you . . . I'm sorry, I didn't realize that you didn't have the handouts.

Mr. Douglas: — I may be able to help with the answer . . .

Mr. Prebble: — I wonder if you could clarify for members of the committee what, if any, exposure for taxpayers results from these new investments that are laid out?

Mr. Douglas: — Perhaps I can tackle that one, Mr. Chairman. I don't want to get too technical. It depends on what you describe as exposure.

Mr. Prebble: — Well what I meant is the actual tax dollars that taxpayers pay. By this . . . There's two questions that I have here really. Obviously we all own these investments — they're collectively owned by the people of the province. But in the terms of the actual use of taxpayers' dollars, you can make these investments. Can you clarify if there is . . . (inaudible) . . . taxpayer exposure?

Mr. Douglas: — Perhaps the best way to look at that the total amount of capital that's being provided to the Crown sector from the General Revenue Fund, the equity in CIC. Because really that's the one focal point for the whole exposure for the sector, that the taxpayers would have, that the General Revenue Fund would have, I guess, Sheldon, is one way of addressing it.

But if you want to look at the question of the total dollar value, net book value of the investments of CIC III plus NewGrade, right now the net book value would be something a little bit more than \$550 million. And that is supported by a combination of share capital in III and the due to/due from account with the holding company.

So the answer to that question is exposure in that sense would be on the balance sheet on page 92 of CIC III in the annual

report there. A combination of due to and due from and share capital, and reinvested earnings is not a liability in that sense. So 340 million plus 158 for \$498 million. Now as against assets that have considerably more value than that is the way to view that, I think.

Mr. Prebble: — What's the total value of those assets?

Mr. Douglas: — Net asset value is a number that you determine by looking at each investment, which we do annually — more than annually actually, periodically I guess is a better way of putting it — and determining a value based on its performance and your expectations about what you could realize on the investment.

And it would be our view at this stage that the net asset value of all those investments would be considerably more than the \$550 million book value. Because of their performance and our analysis of their worth at this stage, their market value. I would say that number would be in the order of \$800 million.

Mr. Prebble: — So the market value of our assets on these investments is about 800 million.

And just to clarify again in terms of debt reduction, we're down over the 10-year period on CIC.

Looking at consolidated, I wonder if you could just . . . I just want to make sure I'm very clear on the changes in CIC debt. On CIC itself, am I clear that it's dropped over the 10-year period from 1.3 billion to 22 million? Is that correct?

Mr. Schwartz: — That's correct.

Mr. Prebble: — And what is the reduction again in terms of looking at the consolidated CIC holdings?

Mr. Schwartz: — In terms of the consolidated?

Mr. Prebble: — Yes.

Mr. Schwartz: — The consolidated debt dropped from 4.52 billion at the end of 1992 to 3.62 billion at the end of 2001.

Mr. Prebble: — So we are looking at an overall debt reduction then of how much?

Mr. Schwartz: — I can find the numbers for you. Yes. In terms of 4.5 to 3.6, it's just over \$900 million.

Mr. Prebble: — Thanks very much, Mr. Chairman. I'm sorry — Madam Chair.

Mr. Wall: — Madam Chair, question: in the year 2001, January 1 to December 31, in the report on consultants paid over \$10,000, it indicates that the same Points West consulting firm that we were discussing earlier this morning on another issue was, if I'm drawing the line over right, earned \$246,000, you know, through CIC or at least CIC paid them that much. So I want . . . Could you tell us about that? It involves the other major Crowns or is it just . . . is it CIC proper, you know, or CIC III? Where would the bulk of that quarter of a million dollars come from?

Mr. Hart: — I believe it's mostly for market research related to Crown corporations. Some of the Crowns had been doing individual studies on their own competitive situation in the market, and we determined that it would be more efficient to do it as a group and so we could compare Crown corporation to Crown corporation in terms of their market support. And so we've been undertaking that information, gathering that information on behalf of mostly the four large Crowns.

Mr. Wall: — So clearly, Mr. Chairman, with that significant amount of work, I think it is the second highest, second only to KPMG in terms of the amount that has been paid to consultants. So certainly earlier on I think, with respect, I think the chairman alluded to not . . . the chairman of CIC alluded to not really knowing who Points West Consulting was or who the . . . how the structure was there. And I hope that that's certainly not the case after almost \$250,000 worth of work with them.

Would CIC, the holding corporation, and CIC III, would they have retained in the last year, would they have retained Mr. Gross and Mr. Aldridge, their firm, for any particular activities? Or would these all be under the auspices of the major Crowns?

Mr. Douglas: — I don't believe that CIC III has engaged that firm for any work in that period of time. In fact I can't directly recall them working on a particular file. They have worked for some of the people that approach us.

Mr. Wall: — Is there a conflict in the view of officials at all with a firm, a lobby firm, or a consulting firm, who has done such a significant amount of work for Crown Investments Corporation, then in turn acting as a lobbyist for a private sector corporation back to . . . or at least a liaison certainly. We would probably characterize it as a lobbyist I guess. We could maybe disagree. I'm not sure.

But is there a conflict there? Do officials see a conflict given the amount they've received and the work that they're doing on behalf of Broe industries with the . . . with CIC?

Mr. Hart: — I don't believe there's a conflict. Douglas, or . . . could you see any conflict there?

A Member: — No. I don't, I don't think so.

Mr. Wall: — Thank you, Mr. Chair. If I can move to NewGrade just for a few questions until you're . . . until the Chair allow . . . stops me from . . . or wants to go to somebody else.

The Chair: — I don't see anybody on the last set of questions. So yes, Mr. Wall, go ahead.

Mr. Wall: — NewGrade this year did earn \$50 million, you know, in the . . . or 50-plus million dollars in the financial statements for CIC. And I think . . . I noted . . . And thank you for indicating here in your presentation today that, you know, as late as '94 the taxpayers of Saskatchewan wrote off or forgave almost a quarter of a million dollars in . . . (inaudible interjection) . . . a quarter of a billion dollars, thank you, in debt.

And I think there was some other work on the share side, on the equity side there I believe at that time. And also it highlighted

the fact that NewGrade has been . . . has received or has received about \$25 million I think in grants to help it with its third party debts over the last number of years.

And if you go through the financial report up until this year, as I recall, it's sort of been an up and down thing but . . . for NewGrade. It makes a little bit of money, loses a bit of money. There's these grants that are paid out. But in your estimation, I guess I'm interested in your view of that, if you think it's reasonable for taxpayers to expect a return of \$50 million and arguably a higher return since '94, given the fact that the taxpayers themselves forgave, you know, close to — in terms of grants and what they forgave — almost \$300 million to this project.

So I don't know, to hold it up as a . . . I'm just interested in your comments in terms of holding it up as an example of return to the taxpayers that can come from these kinds of megaproject investments. I'm just interested in your comments.

Mr. Douglas: — Well just to clarify a little bit — their earnings actually last year were \$105 million and CIC's share was the 51 million.

You spoke about recent cash flow deficiency support that was provided. The earnings and the cash that's coming in are going to repay those first. And there's an order of priority around all this stuff.

And without getting into too fine a detail, what's been happening with that investment for the last number of years since the restructuring is that it has had cash flow to pay down the fairly significant debt it had associated with it. And it has been quite successful in doing that, it's retired all the Canadian debt and it's eroded the value or bit into the US debt quite substantially as well.

And we are now able to see an outlook that has the debt associated with the project retired in a reasonable time frame. And once you do that with any major industrial project, you then have an investment come into its own.

It's the same thing that's happening with Saskferco. It's not something that we see happening with Meadow Lake Pulp, but we see it here to the point where the earnings start to flow quite dramatically back to the shareholders. And that's the outlook we have for NewGrade.

Now looking historically at the total exposure of the taxpayers to that project and the ultimate outcome of that investment, I think our view would be now that the value of our share of the upgrader would be about \$300 million. So if we were to realize on that value, it would have the effect of recovering — because we've written down the value of on our books — recovering the write-off that was taken quite some time ago.

So I guess in a certain sense you can say that at the end of the day we now feel that there is a good chance of getting the original investment back, but perhaps not much of a return on that investment.

Mr. Wall: — Right. And I'm certainly going to defer to Mr. Douglas and his knowledge of sort of corporate finance and

how you'd evaluate these sorts of things. And I certainly would defer to you, although I think we're talking about two different things.

We're talking about the value of an asset — what it may now be, and cash — you know, how much it's providing to CIC. The cash that it's providing to CIC today, the \$50 million, some would want to — and maybe incorrectly so — but some would want to exclude it because of the very significant writedown of the taxpayers' interest, notwithstanding the fact that the value now, CIC might value its share at the same . . . or that the value has gone up by the same amount that the taxpayers wrote off.

I wonder if we could switch gears, Mr. Chairman. I have a question regarding the . . .

The Chair: — Before we do that, anybody else on the NewGrade issue?

Mr. Forbes: — Well, a lot of this is really directly related to the question that's just happened here. So can I ask a question?

The Chair: — If it's related to NewGrade? Yes.

Mr. Forbes: — Well, it's more of what's in the language that's been used here, Mr. Chair, in terms of taxpayer. I'm just curious about, this year did CIC actually use tax dollars out of GRF to do some of the investing?

Mr. Douglas: — The answer is no. We self-finance our new investment out of repayments from existing investments.

Mr. Hart: — We have not received money from the General Revenue Fund, if you define that as taxpayers' money since 1991 or '92.

Mr. Amundson: — '93.

Mr. Forbes: — '93 was the last . . . (inaudible) . . . to actually receive . . . if you can call that tax dollars because there's other segments of the GRF, I understand; it's just not tax dollars.

So I guess I'm concerned about the word taxpayer because there's other citizens in this province who are very interested, and I think there's citizens who are interested in how CIC performs, not just taxpayers. Because how well CIC does is how well our province does. And I think there's a big difference between just taxpayers having an interest in this; there's a lot of people who have an interest in this.

And so I'm alarmed, Mr. Chair, about only taxpayers and the implication that tax dollars are being used every year for investments, and you're saying the last time was '93 that actually money came out of GRF.

Mr. Hart: — Yes, it was in the early '90s, and it related to some very large losses that had accumulated in CIC in the latter half of the '80s. The corporation didn't have enough income to support its debt payments and so forth, so there was an injection of cash provided by the General Revenue Fund to correct the balance sheet of CIC.

Since that time there's been about a billion — or in that

neighbourhood — of cash actually paid back to the General Revenue Fund from CIC in a combination of regular and special dividends related to . . . and debt reduction as well.

So, I mean if you look at it from a taxpayers' point of view — if I define the taxpayers as people who pay money that goes into the General Revenue Fund as opposed to users of services like telecommunications, power, electricity, that you'd be paying to some company to provide those whether it was a Crown corporation or a private company — the taxpayer, in General Revenue terms is ahead of the game by some significant amount of money over the last 10 years.

Mr. Forbes: — Well I'm just alarmed by the word taxpayer because I think all citizens have an opinion on how these Crown corporations are run. And not just a small segment. So I'll just make that point.

The Chair: — Okay. I had Mr. Wall. I had Mr. Wall, he was addressing the issue of NewGrade. Mr. Forbes asked for some clarifications of terminology. Is there anyone else that wants to ask questions with respect to NewGrade before I carry on with Mr. Wall who has another topic and still has the floor? No? In that case, go to Mr. Wall, followed by Mr. Brkich, followed by Ms. Atkinson.

Mr. Wall: — Thank you, Mr. Chairman. I notice here on page 11 — and by the . . . you know, by the way, I think . . . well we won't go there because it'll just take up time, maybe we can discuss it later.

But on page 11 of the presentation today of the slides, it's very interesting as you go down the noteworthy transaction column that CIC has provided for us. And what's very interesting is the 500 . . . In 1996 the \$516 million gain on sale, on share sale of Cameco, which was previously part of the family of Crown corporations — at least part of it was, a significant part. SMDC (Saskatchewan Mining Development Corporation) was a Crown Corporation and it was privatized in the 1980s along with Eldorado Nuclear, a federal Crown.

Then also right next to it is significant or noteworthy transactions characterized as a \$56 million gain on the sale of Wascana Energy. And you also highlight another privatization in 1988, the privatization of the government share in the Bi-Provincial Upgrader to Husky Oil.

And, you know, I would say that . . . In the preamble to the question — and I have one, Mr. Chairman — is that if you look through this document and if you saw what the government did even this year, although it's not a decision that's under review currently with respect to its Cameco shares, CIC officials clearly haven't had any ideological opposition to the privatization of government-owned assets when it saw fit.

In terms of non-core assets we might disagree that . . . or we might want to see frankly more on the non-core side of that, but certainly the officials haven't had any ideological problems with this sort of thing, with the privatization of government assets. And that's an outright sale. I mean it's not an IPO (initial public offering) because its shares you held but it's an outright sale of equity, a divestiture of the government. Anyway you cut it, it's a privatization.

Another form of privatization is joint venturing. In fact you take a portion of your equity in perhaps some of the major Crowns that CIC is the holding corporation for, if you take a share of your equity, move it to some sort of a new co., and that new joint venture, that new company then might undertake certain activities or locate its head office here, whatever it might be. And this is a hypothetical question, but you know you're . . . in Mr. Douglas's presentation he did talk about the outlook for the future.

Would CIC have a problem if any of the major Crowns came to it and said look, we think there's a chance to protect head office jobs in the province, maybe add to some; we think there's a chance to pursue some development through synergies of a joint venture, but it requires, but it requires some privatization, 30, 40, 51 per cent.

I know that that's a public policy . . . the cabinet will have to make the decision on that, so I won't ask the unfair question. But is it something you would, if you felt it was the right deal economically for the province and from a return to the taxpayer standpoint, would you recommend that to whoever the government happened to be?

Mr. Hart: — Well our job . . . We see our job is to manage a diversified portfolio and to ensure that the value is maintained; however that is done. And we provide our advice based on what we think the best approach is to maintaining the value in the portfolio.

And clearly, as you've seen in some of those divestitures, like Wascana Energy or Cameco, we look for a time when the market conditions are to crystallize our gains in cash and that's what we advise our board. And it's up to our board to determine then whether they believe that that should be the decision or not.

So I think our job is best, as professionals, to advise — as any portfolio manager would, whether it's your mutual fund advisor or your stock broker — it's time to sell this stock and invest in a new one or something like that because this is the way you can make the most amount of money.

Mr. Wall: — Is it just return on investment though? For example, my understanding from what Mr. Douglas indicated, and it's something that by the way that we would agree with I think, that if an opportunity came for the government to privatize its share in the Upgrader and it was able to maximize . . . I mean the price was right, the price was very good, however it would have some negative impact on jobs, that would also weigh into the equation . . . Would it also weigh into the equation of whether or not that was something . . . that was a CIC priority — the impact on jobs of a potential divestiture?

Mr. Hart: — Well we always try to identify the impacts good and bad associated with any particular transaction and give those to our board. Maybe I can ask Mr. Douglas, since he might be the guy advising me, what he would say.

Mr. Douglas: — A very good question and a very difficult question for us to grapple with. But I think Frank has hit the nail on the head when he talks about a duty to put those options and that possibility in front of our board for the policy decision

around a tough question where there's a job loss implicit in a sale of an asset.

Fortunately with the portfolio that we have, with the sales that we've done, often they're not footloose assets and the jobs aren't particularly footloose. So, you know, the sale of Cameco shares, there's no job losses implicit in that.

But there are situations that arise where that is a possibility and it's a very tough decision that the policy-makers have. But it's our duty to bring the possibility forward, the option forward to do that and let them make the decision.

Mr. Wall: — You know, conversely there may also be opportunities, as you know, especially through joint ventures in particular, for jobs to be maintained.

Mr. Douglas: — Yes. Yes, absolutely. And that often is the case with a sale of . . . or a partnership with a private sector, that you can actually get a net gain out of that kind of approach.

Mr. Hart: — And I think you can see from the strategy that we outlined, our investment strategy, it explicitly pretty much dictates that we partner with a private company going into these things. And so we're pretty much of the mind that we need to have the private sector's capital involved in these kind of arrangements.

Mr. Wall: — I think though we want to draw a very careful distinction here. I think what my questions are centring around — moving out of assets in terms of potential partnerships. That was the foundation for my questions, not moving into more . . . not finding more things to go into. I just want to make that clarification and then thank the chairman for the time.

The Chair: — Mr. Wall has been discussing the investment portfolio, investment policy. Are there any other questioners on that topic? I had Mr. Brkich. I have Ms. Atkinson. You're . . . (inaudible) . . . Okay. Ms. Atkinson, then Mr. Forbes on this as well? Okay.

Ms. Atkinson: — I want to follow up on Mr. Wall's second-last comment where he said partnerships can maintain jobs, but then he wants to distinguish between new partnerships.

And I would make the point that many of the partnerships that have been entered into by the core Crowns in terms of their investment policy have indeed meant that jobs have been maintained at SaskTel, SaskPower, SaskEnergy, and SGI (Saskatchewan Government Insurance).

Mr. Wall wants . . . He's saying, let's not enter into new partnerships in terms of expanding the business. He's saying, let's partner SaskTel, for instance, with another telephone company, or let's partner SaskEnergy, the core Crowns. He thinks that's entirely appropriate, but he doesn't think it's appropriate for those core Crowns to partner in any other ventures that can mean maintaining jobs. So I just wanted to point out the contradiction.

I had a . . . The information that you provided this morning was a review of Crown corporations, June 14, 2001, and I found it interesting to read some of the comments that were made by

Mr. Boyd in his presentation to — talking about Saskatchewan Crowns — to the task group.

And his entire document — which I gather was done by Mr. Reg Downs, according to the cover letter, who's now the caucus office chief of staff over at the Sask Party — talks about privatizing SaskTel. And then based on SaskTel's privatization, there could be privatization of SaskPower, SaskEnergy, and SGI (Saskatchewan Government Insurance) over the next few years.

And the argument is that SaskTel, the evaluation at the time might be 650 to \$700 million. We had a presentation from SaskTel last night. Can you tell us what the present evaluation of SaskTel is?

Mr. Hart: — I'm advised it would be in the range of about \$1.4 billion in immediate equity value if it was sold to a strategic buyer.

Ms. Atkinson: — Okay. And this year . . . or last year, SaskTel had a dividend of how much?

Mr. Hart: — 90 million.

Ms. Atkinson: — \$90 million. So had we followed this advice of privatizing SaskTel . . . and they called it a privatization dividend of about \$50 million annually. I guess one could argue that the value of SaskTel has grown significantly since 1996 and its dividend to the people of the province is much higher than 50 to \$60 million annually.

Mr. Hart: — The value has certainly gone up. We've had that confirmed by independent reviews — SaskTel, yes.

Ms. Atkinson: — Thank you.

Mr. Forbes: — Thank you, Mr. Chair. I was just concerned about the line of questioning.

I would just ask about a clarification about . . . the role of the committee here is to ask the officials to speculate on future concerns or ideas. They've outlined their guidelines here, and I'm concerned about that because they're . . . they will be in *Hansard* and they could be brought up in the House the next day. And what is the purpose of the committee? So to speculate I think is . . . I don't know if it's productive.

The Chair: — Well you know, the purpose of the committee is to review the annual reports which are referred to it by the Legislative Assembly. Having said that, the Crown Investments Corporation made a presentation this morning and in that presentation offered up a great wealth of material dealing with a number of years, and also some small amount of speculation about their future activities.

Having done that — and I think it's fair for the committee members to want to ask follow-up questions on the presentation that was made to it — having said all of that, I certainly would encourage members to keep returning back to the annual report which was referred to us by the Legislative Assembly. And in effect the motion before us is to in fact agree to the annual report having been reviewed.

So having said all of that, I don't know if that's a complete answer to the question that you asked.

Mr. Forbes: — . . . my point.

The Chair: — But I might say that I'm also relatively new to this committee and, like you, I'm trying to understand all the nuances and ins and outs of procedure in this committee. Having said all that, any further questions?

Mr. Forbes: — No, I think my point's . . .

The Chair: — Then I go to Mr. Brkich. Thank you for being so patient.

Mr. Brkich: — Thank you, Mr. Chair. I got a couple of questions to deal with this. But just want to touch again on the member from . . . brought up before about SaskTel. You said their dividend last year, how much of that was external, came from external, and how much came from the actual province of Saskatchewan?

Mr. Hart: — My recommendation is that you'd ask that question of SaskTel when they're here because they would give you a more accurate answer than we could.

Mr. Brkich: — Okay. Because yes, just . . . remark on was just how much . . . I was curious to see how much would . . . came from their outside investments and how much came from, just from the province. But let's say I'll direct that question to SaskTel when it comes.

I got one question on . . . deals with page 8 on your presentation one there. I just notice here . . . Could you give me some background information on the value of assets that they wrote down for Sask Valley Potato Corp, 14 million, 14.3 million? If you give me some background information on that.

Mr. Douglas: — Yes. Just give me a minute to flip to the right page here. And specifically you'd like to know . . .

Mr. Brkich: — Just on here you have a marking in December 2001, CIC wrote down the value of its assets by 14.3 million. I take it it was talking about Sask Valley Potato Corp?

Mr. Douglas: — That was the writedown of the value of those storage assets that we actually announced in December of 2001. And it dealt with the Broderick facilities, Lucky Lake, Tullis, Riverhurst, and which one am I missing? That may be them, sorry.

And it was based on a review and analysis carried out of SVPC (Saskatchewan Valley Potato Corporation) last year which led to the conclusion that the value we were carrying in that was not sustainable, and we felt compelled and wanted to write them down to a more appropriate value.

We did that and then subsequent to that we've had some success in negotiating sale of those assets to a number of different producer groups. And now we're on the verge of selling to Broderick facilities — to Cavendish as well. We're in negotiations with Cavendish around that.

And we expect as a result of that to do better than we had provided for at the end of last year and that that will result in a recovery of between 5 and \$6 million on those assets which represents about, at the end of the day, between 50 and 60 per cent of the original value of the assets when they came to SVPC.

Mr. Brkich: — Thank you, Mr. Chair. When talking about . . . you're just talking about the sheds itself, not about the company that you wrote down.

Mr. Douglas: — Same thing, it's . . .

Mr. Brkich: — Yes, on the 14.3 million.

Mr. Douglas: — The total result for SVPC last year, including the operating loss, was approximately \$16 million.

Mr. Brkich: — So the 14.3 is just dealing with the writedown of the sheds, if I understand.

Why were they wrote down? I know in '98 — I think it was '98 to '99 — there also was some argument about some of the companies you're involved in, saying that they had the sheds valued too high. And that . . . I don't know if that's still in the courts, or I'm not even sure.

But could you give me the . . . be more . . . some more reasons why they decided to write down approximately 14.3 million of their initial value here?

Mr. Douglas: — It was based on an assessment of the ability of those assets to sustain themselves and what level of value or debt associated with them. So it was based on the expectation of how many potatoes you could get in there, and how much you could charge for storing them, and the market for storage facilities, storage services at that time, and our expectation going forward as to whether or not we would be able to completely fill them. So it was the business case driving the asset value.

Mr. Brkich: — Okay. Mr. Chairman, that's, I guess, what I was looking for. This is . . . so probably in '97, '96 when they were built, the expectations were fairly high then. I would take it that's why they were valued fairly high — that they would be filled at all times or that going at the price of seed potatoes — is that why they were valued exceptionally high, I guess, when they were first built?

Mr. Douglas: — I'm just not in a position to comment on that, not being around and responsible for the file at the time. I'm not sure what was the basis upon which they were originally valued, other than that that was the cost, the capital cost to build them and that presumably there was at that time a business case which supported that capital cost.

Mr. Brkich: — Thank you, Mr. Chairman. I think that's all I have for now.

Mr. Douglas: — Could I just add one little bit of encouraging news on this file. And that's that they did have a very good seed potato crop last fall and that they have been very successful in moving that crop this year — almost all of it again to Cavendish

in PEI (Prince Edward Island) at a pretty reasonable price. And the financial result for 2002 will be considerably better than 2001.

Mr. Wall: — Thank you. Thank you, Mr. Chairman. Also on page 8, the reference to Great West Brewing Company is made, and in the notes CIC's already . . . looks like it's characterizing the taxpayers' interest, the province's interest, in the brewery as equity, as the shares.

In Great West Brewery, did any of the employee shareholders or any of the officials of the company or any of the other equity owners make a specific request to CIC that they would flip their debenture into equity?

Mr. Douglas: — There are ongoing discussions between the other shareholders, the management, and ourselves as to a new business arrangement, but it would be premature for me to say anything more than that.

Mr. Wall: — That's absolutely fair, Mr. Chairman. I wouldn't ask the officials to comment on what future arrangement might be.

Did the officials ever . . . did Great West Brewery ever ask the government to flip its debenture, its effect of its debt into 80 per cent equity ownership in the brewery?

Mr. Douglas: — I don't know that for a fact, but my impression is that no, they did not.

Mr. Wall: — So why then would CIC want to do that?

Mr. Douglas: — Because we had the right to do so under the agreements and we felt it was the best business decision to do it at that time — and that, to be quite honest, to prematurely signal our intention to do that would have affected our business position.

Mr. Wall: — So it would have been . . . it was the financial interests of CIC III that were at play here?

Mr. Douglas: — In part.

Mr. Wall: — Do the future — without specifying; I wouldn't ask the officials to do that — would the future action that CIC may take with respect to its brewery include an exit strategy for the province, for the taxpayers, and everyone else who lives in the province?

Mr. Douglas: — As with all of our investments, we regularly consider exits when available and at the appropriate value. And this is one that, as I say, there are presently discussions going on between the other shareholders including the employee shareholders, the management group, and ourselves.

Mr. Wall: — There was no advance notification then — for the reasons that you've indicated — telegraphing CIC's intention to now become an 80 per cent owner in a brewery. There was no notice given at all whatever to senior management and to the employee owners of the brewery?

Mr. Douglas: — Effectively even in . . . it was in the original

agreements, at the time that they were signed, that CIC would have the right to do that. And effectively CIC was the major player in that business, has been for quite some time — four out of five board seats, certainly a regular contact with senior management and so on. And so I don't think any of this would be characterized as anything other than sort of ordinary course of business around an investment.

Mr. Wall: — Well in light of the fact, Mr. Chairman, in light of the fact that CIC had four . . . had that many board seats, in light of the fact that they had ongoing discussions, I think perhaps not people close to the deal — and frankly maybe some people close to the deal, maybe some shareholders in fact — but at the very least the taxpayers, the general public would see it as a significant transaction for the government, unsolicited and uninvited, to flip a loan into 80 per cent ownership of the company. So effectively you have a state-owned brewery. I mean whether you like the term or not, that's what we have. And I think others would find that significant.

So again, I'm not sure what the long-term purpose is. Was the long-term purpose then with this transaction exclusively a financial side, a financial gain for the taxpayers, a return? Was it the ongoing health of the brewery? What was the rationale for SGI to . . . or I beg your pardon, for CIC to do this — sorry, a Freudian slip — for CIC to make this investment?

Mr. Douglas: — What was the key reason we decided to make that particular step with this investment that was already part of the deal previously approved? It was, as always, to possibly position ourselves for exit.

Mr. Wall: — Possibly position yourselves for exit. Okay. Thank you, Mr. Chairman.

The Chair: — You got an exit?

A Member: — I guess so.

Ms. Atkinson: — Yes. I'd like to make a motion:

That the Crown Corporations Committee acknowledge the benefits that a publicly owned SaskTel, SaskEnergy, SaskPower, and SGI provide to Saskatchewan citizens in the way of customer service, jobs, economic activity, and revenue, and that this Crown Corporations Committee goes on record as supporting continued public ownership of these Crowns.

The Chair: — While that's being copied, I wonder if we might put that to one side and ask if there are any further questions of the officials before us.

Mr. Prebble: — Yes. Well further to Mr. Wall's question about taxpayer exposure on Great West breweries, I wonder if I could ask the officials, is there any money that's come out of the General Revenue Fund that is in any way being invested in Great West? I wonder if we could have a clarification on that?

Mr. Douglas: — To the best of my knowledge, the answer is no, particularly in the context that we talked about earlier where there's been no GRF contribution going to CIC which in turn has gone into investments.

Mr. Prebble: — Okay. So there is in fact no tax dollars that are at risk in Great West? Is that fair to say?

Mr. Douglas: — I believe that's fair to say.

Mr. Prebble: — Thank you very much then. Thank you, Mr. Chair.

Mr. Wall: — Mr. Chairman, the entry for BMO Nesbitt Burns in the CIC's report of consultants paid over 10,000, it said 103,000. I'm guessing, are those commissions for the disposition of shares or were there . . . is there any . . .

Mr. Douglas: — Actually, I believe that was transaction advice in relation to our position on Meadow Lake in the pulp limited partnership.

Mr. Wall: — Thank you. We never got into the specific . . . I mean, I appreciate that Mr. Hart gave some general answers to the Points West consulting quarter of a million dollars last year. What isn't here . . . or what we . . . is there a way to get a bit of a breakdown of that, without being . . . you know, without being provided any confidential information, but just a . . . could members of the committee get a breakdown of what CIC got for the \$246,000, you know, even if it's just topical, sort of by general . . . the work that they did, the different contracts they had?

Mr. Hart: — I can give you a general answer, I guess. Maybe you want something filed with the committee, I don't know.

As I mentioned, for the last some time, Crown corporations had been doing intermittently their own surveys of market conditions with respect to how people compare their customer service levels with other competitors in the market. And we determined that it was more efficient and more effective if we undertook those surveys as a . . . on behalf of all of the major Crowns that this work was being done for, and so that they would have comparison one Crown to another and comparisons to other companies operating in the marketplace.

And so it's a number of surveys that are conducted throughout the year — or focus groups, as the case may be — providing essentially then competitive intelligence on how they're doing in the marketplace.

Mr. Wall: — Thank you.

Mr. Hart: — Maybe while I have the floor, Mr. Chairman, I just want to go back since we're on the subject of Points West and just clarify something. Mr. Wall I think made a statement regarding Points West that may have implied, and I'm sure he didn't intend it this way, that I have misled the committee. And I certainly don't want to mislead the committee.

I think Mr. Wall said that I said that I didn't know who Mr. Aldridge was. Of course I know who Mr. Aldridge was, the . . . I was sort of handed a note from the officials, I didn't pick it up at the time — sorry. But the question I answered, as I recall, was whether I knew the ownership structure of Points West, and I do not know the ownership structure. Of course I know Mr. Aldridge.

So I just want to make sure that that's on the record as clear.

Mr. Wall: — Well I certainly accept that, Mr. Chairman, and the proper question would have been . . . and then a subsequent clarification would have been, do you know the owners of, the principal owners of Points West Consulting?

Mr. Hart: — I believe Mr. Aldridge is an owner. I don't know that for a fact, though.

Mr. Wall: — Thank you.

The Chair: — Are there any further questions of the officials related to hopefully the annual report? If there are no further questions of the officials — because we're approaching 11:30 which is the hour of adjournment and we're certainly prepared to ignore the clock for a while — but if there are no further questions of the officials, can we agree that we have no further questions for them and that they need not reappear, or do you want them to come back again?

Mr. Wall: — We'd like them to come back, Mr. Chairman, if that's possible.

The Chair: — All right. Then the next item I have . . . I still have Ms. Atkinson who has a motion before us and then I have Mr. Brkich.

Mr. Brkich: — We can . . . My question can wait until they come back.

The Chair: — Then I have a motion by Ms. Atkinson, copies of which you have before you. And I take it that you've moved the motion. Is the committee ready for the question?

Mr. Wall: — I think in general we're going to propose what we hope the government members view as a friendly amendment to the motion. The way it's worded that we acknowledge the benefits that a publicly owned SaskTel, SaskEnergy, SaskPower, and SGI provide to the way . . . provide to Saskatchewan citizens.

And I think we would like to move an amendment that would read — and I'm just finishing it here, but I'll try to have it done for the Clerk, Mr. Chairman — that the amendment would read:

But that this committee . . . (and it would just come immediately after the last word of the motion by Ms. Atkinson) . . . But that this committee not preclude any change in ownership structure of these Crowns, including joint ventures, if such structures can be proven to provide customer service, jobs, economic activity, and revenue.

And if you don't mind I'll just quickly finish drafting it and . . .

The Chair: — I'm also mindful that it's 11:30, that we're agreed to meet again next week at this time and we can certainly dispose of the motion and the amendment to the motion next Tuesday morning at 9:30.

And we look forward to seeing you again, Mr. Hart, and your officials. Thank you very much.

Mr. Prebble: — Excuse me, Mr. Chair. Could we get copies of the amendment before we adjourn?

The Chair: — Sure, I think Mr. Wall would do that, yes. Thank you very much.

The meeting adjourned at 11:30.