



Standing Committee on Crown Corporations

Hansard Verbatim Report

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Peter Prebble
Saskatoon Greystone

Kim Trew
Regina Coronation Park

Brad Wall
Swift Current

The committee met at 09:34.

Saskatchewan Power Corporation

The Chair: — I'd like to call the meeting to order. And the business before the committee is the resumption of the consideration of SaskPower 2001 annual report and related documents. And I had Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. Morning. Morning to the officials.

I'd like to return, if I can, to the discussion that we were having yesterday perhaps for sake of clarification and perhaps to explore some new areas.

In 2001, the officials informed us yesterday the corporation began at least planning for the day when it might have to mitigate some emissions in terms of the greenhouse gas issue. And at that point in time I think officials said they knew that the targets, at least for what would now be known as the Kyoto Protocol, were known at that time at least. And so for that reason and others, the corporation began its planning.

And yesterday the officials indicated in response to a question that the one option that the corporation had considered was to purchase more electricity, I think. And if I'm wrong on this, just please correct me. But one option that they were pursuing was to purchase more electricity from clean sources — quote, "clean sources" — the closest I guess being Manitoba's hydroelectricity, and replacing some Saskatchewan-produced electricity that may not be as clean; coal-fired, for example. Is that correct?

Mr. Wright: — Not quite, Mr. Chair. What we'd indicated is that for future demand or future load purposes, the growth each and every year — roughly around 1.2, 1.4 per cent per year — that we are looking at alternatives to service that in the most cost-effective manner possible, recognizing a potential Kyoto accord, recognizing safety and other considerations.

One among many, many, many to serve that incremental load, it does indeed involve Manitoba Hydro who we have a very close relationship with. So it wasn't to replace existing coal-fired generation, but rather to serve incremental load.

Mr. Wall: — I don't yet have *Hansard* from yesterday, Mr. Chairman, but I'm going to check it again because that's not my understanding and, you know, I want to check it and see first. There's no point in debating the point with the president, but I was certainly under the impression that it wasn't about additional load as much as it was about reducing greenhouse gases. And some replacement of Saskatchewan-generated power seemed to be indicated. But you can comment on it further if you like, but I'm going to check with *Hansard* from what the testimony was yesterday.

I would like to stay with Kyoto a little bit with the work that began in the year under review that we're currently considering. Either way you cut it, I mean whether or not it's the technological mitigation techniques that the corporation is pursuing or whether it is the economic instruments that the

corporation is considering having to . . . or is considering the spectre of, I guess, it has a huge impact on this utility. This Kyoto accord will have a huge impact on this utility and any other electrical utility, certainly ones at least that use fossil fuels to generate electricity to the degree that ours does.

And you indicated yesterday that when the targets were known for Kyoto and for other reasons, the planning began at the corporation to deal with these issues. I don't get a sense of urgency at all from officials about the seriousness. The officials, I think, understand that . . . I think the officials understand that this is going to have a huge impact on the corporation. But yesterday, although they highlighted a number of sort of mitigation techniques and the different things they're pursuing, I just didn't sense the urgency. And so . . . and if I missed that, then that's great; that's why we can do that this morning again and have you clarify that.

Have you . . . how strongly have you painted the picture for the government? Because certainly it would be Mr. Wright's and his officials' job to look after the interests of SaskPower, of SaskPower as a utility, its financial health, its future health, and of course, its customers who need to have electricity at the lowest possible cost. And so I wonder what have you done in terms of your relationship with your shareholder since 2001 and up to the present, to convey how serious this protocol could be for your company.

Mr. Wright: — Mr. Chair, just some introductory comments, and then I will turn it over to Rick, who is Mr. Patrick, who is our resident expert on the accord.

It is a very serious issue, and if I come across suggesting that perhaps it isn't a serious issue for SaskPower or that we appear to be lackadaisical in our approach to this, I apologize because we take this very seriously.

Part of the issue around the Kyoto accord is that it really depends on how it's going to be implemented, and to be forthright, that's not clear. Will there be credit for early action? Initially the federal government suggested no; now they're prepared to consider it. Are there going to be caps? Are they going to be soft caps, hard caps? What will these covenants with sectors look like? What do they really mean by intensity of emissions, in covenants with individual members of certain industries? So this is a lot of uncertainties.

As I mentioned yesterday, the federal government has indicated that it will take 2003 and 2004 to work through any implementation plan. But in the absence of having clear, clean direction on this back in 2001, we've been reviewing our options on a very broad base taking into consideration everything that's available to us.

And with that in mind, I'm just going to turn it over to Rick to just summarize again some of the things that we've been doing. But it is an urgent situation.

Mr. Patrick: — Thank you. If I may, Mr. Chair, I can refer to the question you asked a moment ago about the Manitoba Hydro issue and clarify that. The president's correct in that certainly we have to plan for load growth, whatever that may

be. And the issue at the end of the day, and I perhaps didn't convey this sufficiently well yesterday, is we're planning for the worst and hoping for the best, I guess. And at the end of the day, the decisions as to how Kyoto would be implemented and the sort of rules of engagement between levels of government is essentially a political question, not a technical one. But because our job is to keep the lights on in this province, we have to deal with, if you like, the technology fallout of such decisions.

What it basically boils down to — and I, when I talked of a sort of a three-phase approach to the future — what is probably best for SaskPower and its ratepayers would be an orderly utilization of the existing asset base. When I say orderly, I mean the various units that exist within our fleet have a lot of useful life left within them.

And so our job, amongst others, is to determine whether or not we can continue to use those assets to the end of their normal life by some mechanism, whether that is buying off their emissions with economic instruments because that may be cheaper than a physical fix or if it turns out that . . . and right now it — realize we're dealing with the year 2001 — we didn't know in the year 2001 entirely to the degree to which economic instruments would be allowed to be used versus the implementation of physical emission caps.

If there was an absolute limit placed on amounts of emission, we might be forced to actually physically mitigate some of our emissions. That's something we don't know. Certainly not in 2001.

So we're . . . our sort of plan was, if we can use economic instruments that's fine. At the end of the day it really just becomes a question of how much does that cost compared to whatever else you might do. But we're also pursuing the concept of physical mitigation because if you have to physically mitigate you need the technology that you could actually apply, whatever that may happen to be. And as I spoke yesterday, I won't reiterate those things. There's many things we're working on to create some technical options for us.

If we can have an orderly continuance of the life of our existing assets, that would be preferred. If it's . . . and if that's the case and we're allowed to continue those assets, because the load will grow, you have to bring new stuff on line to supply whatever that need may be. And it seems prudent that we would look at physical sources of future generation which will add the least amount to our increasing amounts of pollution woe, if you like — that it would not make a lot of sense knowing that you're working against increasingly stringent environmental regulations to add apparatus that in itself adds to the problem.

So ideally what we want to head for, as reasonably quickly as possible, is zero emitting technologies. It turns out that hydroelectric is one of the few technologies readily available that generally meets that criteria. There are certainly environmental issues around the siting of hydro stations and they're not without their problems in terms of getting their approvals. But once they're in place they essentially produce electricity without significant greenhouse gas. They're essentially zero emitters.

So it has to be on our list of possibilities. For the reasons that

we discussed yesterday, there are some very serious concerns about the long-term availability of large hydro in Saskatchewan because of the concern over long-term hydrology coming into both the South and North Saskatchewan River basins because of the effect of climate change on the watershed.

So it's not an obvious thing that we can say, well hydro is good, therefore the hydro will necessarily all be in Saskatchewan. It may not be possible. Therefore we have to plan beyond our own borders. So having the Manitoba Hydro on the table is simply an option that is clean. It would probably be a good thing for the future.

In-Saskatchewan hydro is better, but it may not be possible; therefore you have to keep all of these options open. So ideally it would be an orderly transformation to other technologies, zero emitting to meet future load growth.

If it should turn out that the existing fleet, for whatever reason, cannot be economically or physically mitigated then you would have to have a fallback plan for that. It wouldn't be our first choice but at the end of the day it's essentially about economics because all these things cost varying amounts of money. You'll presumably pick the one that gives you the best utilization of the provincial economic resources.

With respect to the second question about the degree of urgency and what are we doing about it. One of the things that we started right at the end of 2001 is a rather exhaustive modelling exercise of the cost and technical consequence in terms of emission profiles of the various things that we can do about Kyoto and the other emissions that we produce.

And we included Saskatchewan Industry and Resources in that modelling exercise because they, on the provincial side, are the custodians of the work that's done through the so-called analytical modelling group, which is the intergovernment — provincial to federal government — group of experts who model the economic impacts of Kyoto, if you like.

And so we're sharing with them, if you like, the cost and consequences such as we know them to be, starting back then. Since 2001, of course, more work has been done. But starting back then we were working.

And we've had the Industry and Resources people basically pretty close to us all through it as well as Saskatchewan Environment. Similarly we've been dealing with them at the very senior official level, right up to the deputy minister level, in fact for both departments, in terms of sharing our concerns and our options and our possibilities and really trying to ensure that the policy-makers, if you like, at the senior levels of government bureaucracy understand the things we're working on and what it could mean in terms of, if you like, the position the province wants to take both with the federal government and internally in terms of provincial energy and environmental policy.

So it has been a pretty close collaboration with the senior officials in those two most affected areas.

Mr. Wall: — Are the senior executives at SaskPower in favour of or opposed to the Kyoto Protocol from the perspective of the

work you began back in 2001 and what you know today about its impact, potential impact, on the company?

Mr. Prebble: — Is it for the officials to declare what their views on Kyoto are? Surely this is a question for the government. No, surely this is a question of government policy and cabinet policy and not a question . . . this is surely not a question that is appropriate to ask our officials. Their personal views on Kyoto are not relevant on this question, Mr. Chair. So in my view this question is out of order.

The Chair: — Well let's take it as a point of order. I've heard your comments. Mr. Wall, let's hear your comments.

Mr. Wall: — Mr. Chairman, we're talking about arguably the most important corporation in the province of Saskatchewan. I'm not interested in Mr. Wright's personal views of Kyoto. I am interested in his views as the CEO (chief executive officer) of this company, of the Crown corporation that is SaskPower, that has well in excess of \$3 billion in assets, whose financial future is going to be impacted by this accord.

As the president of SaskPower I think it's completely reasonable that members on this committee would want to know what his view is in terms of the accord's impact of the Crown. That is the basis on which I'm sure he makes recommendations to the government, to legislators, to members of this committee, and to the government he serves.

Mr. Chairman, I would just submit to you that it's completely in order, especially in light of the fact that all of this began back in 2001 — the corporation's assessment of the Kyoto targets and the different actions they could take regarding Kyoto.

The Chair: — I thank Mr. Prebble and Mr. Wall for their . . . Ms. Atkinson?

Ms. Atkinson: — On the point of order.

The Chair: — On the point of order.

Ms. Atkinson: — Thank you, Mr. Chair. I think what Mr. Wall in fact asked the officials was to comment on the pros and cons of Kyoto. Then in his point of order he said he wanted to know the impacts, what the impacts would be on the corporation, a \$3 billion asset. Those are two different questions.

I think it's quite appropriate for us as committee members to ask, you know, what are the impacts on this very important Crown. It's quite a different question to ask the officials for their view on whether or not it should be or should not be ratified. I think the second point that Mr. Wall makes is quite appropriate. What are the impacts? I think the committee should have that information. It's inappropriate to ask what are the views of the corporation on this accord.

Mr. Wall: — Mr. Chairman, if you're going to rule on the point of order, just to clarify. We've already dealt with the impacts. We've already asked the question. I think it's been answered by officials.

My specific question is: from the perspective of these officials who make recommendations to the government about this \$3.5

billion corporation, what are those recommendations based on? As the senior executives of this electrical utility how do they feel about the Kyoto accord — do they feel it's good or bad, at the risk of oversimplifying?

The Chair: — I want to thank you all for your contributions on the point of order. I expect that if there were no interventions in terms of the point of order that Mr. Wright, given his experience, would have dealt with it appropriately. But certainly the officials know enough to distinguish between the work that they do internally in a corporation and as opposed to being asked to comment or provide their viewpoints on policy matters that are before government.

And certainly the issue of Kyoto is a policy matter. Mr. Wright has indicated that regardless of Kyoto, SaskPower is concerned about the environmental impact of what it is that SaskPower has been doing and continues to do and feels that it's part of the corporation's mandate to concern itself with individuals questions, but to then ask officials to give their viewpoints on policy issues that are before government and in the public domain is something else again.

And also to ask that . . . to go on to say that surely you've, that is SaskPower, has given advice to government and therefore should be in a position to comment on that — you know that officials are not in a position to comment on the advice that they give to cabinet or their ministers and so the point of order is well-taken.

I think it's also well established in the committee that, both here and in Public Accounts, that we have the officials here. The officials are here to provide for us their perspectives on what it is that they do inside the corporations, but we don't have ministers here to give us their viewpoints on issues of policy.

And you know, if . . . it's certainly within the mandate of the committee to call the ministers forward to deal with policy issues but — and that I might say was the practice in the past in the Crown Corporations Committee, where as a matter of course the ministers would appear — but over time the committee's taken the point of view that somehow they get more complete answers to issues that concern them by having the officials here.

So again the point of order is well-taken and Mr. Wright is not obliged to answer the question but my guess is that he already knows that.

Mr. Wall: — One of the options that was discussed yesterday was the nuclear option, I think. At least SaskPower has indicated that it's an option that they remain open to as a result of this process that started back in 2001 and prior to that, I would assume.

As a means of replacing . . . I think the other question that I asked yesterday — and I didn't specifically use the nuclear example — but I was talking about, if you recall, the upper end, granted, of Mr. Wright's estimates. And we understand that's what they are, that's all that can be done at this time; tswhc estimates for the cost of the credits that SaskPower might have to buy and the upwards estimate I think was \$200 million.

And so yesterday I asked in a general way if, when the actual cost of the credits and the implementation plan was known so that SaskPower could estimate its total annual cost to purchase these economic instruments, would that cost be compared, analyzed against the carrying costs of some new, large generating facility, like nuclear for example. I'm certainly . . . I don't know all the details but I understand that the latest technology from AECL (Atomic Energy of Canada Ltd.) is for a much smaller reactor and, I don't know, I think the cost is between 700 million and \$1 billion.

And so if Manitoba, if purchasing more from Manitoba is an option, if all of the technological improvements that you could make hopefully when that technology is available are options, is that also an option, especially in light of the fact that the economic instruments may cost the corporation a lot more than simply replacing, quote, "dirty electricity" with cleaner electricity, from a GHG (greenhouse gas) standpoint anyway? Is that the basis for that nuclear option being considered by the corporation?

Mr. Wright: — Mr. Chair, there are a whole series of issues and items that go into consideration of any new major or even small generation projects. For example, what is the capital cost of the project? How long does it take to get the project up and running? What's the ongoing fuel cost? What's the variability and volatility of that fuel cost and the supply of that fuel into the future? What are the emissions? What are the cleanup costs ultimately, or decommissioning costs?

Is it a baseload, which means does it run 24 by 7, 24 hours each day, 7 days a week? Or is it intermittent, like wind, which is at God's pleasure? So there's a whole series of things that go into the mix in considering what should that next major supply option be.

We consider all options. That's our job. Biomass, fuel cells, wind, solar, clean-coal technologies, as Rick discussed yesterday. We take a look at what AECL has brought out in terms of its ACR-700 (Advanced CANDU Reactor) units.

We're not at the point right now, for two reasons, of having to make a decision. One, again we simply don't know at this point in time what the implementation plan will be from the federal government and how it will impact on us, and I think that was recognized in the question. And, secondly, even when we do know that, we have to line up these technologies. The new AECL technology, for example, really won't be coming forth until the year 2005 as we understand it. But I do want to emphasize it is our job, duty, and obligation to look at all aspects of different generation technologies as we move forward.

Mr. Wall: — Were there any other questions on Kyoto, Mr. Chairman?

Mr. Prebble: — I do have a couple of questions with respect to Kyoto, Mr. Chair. And my question relates to . . . just further to the one that Mr. Wall just asked but looking at this from a different perspective.

Has the corporation looked at the potential of taking the investments that might go into the emissions credit system and

instead injecting them into various energy conservation initiatives around the province, and have we looked at how the . . . at sort of what the end result of that would be? So in other words, rather than an investment in nuclear power, an investment in energy efficiency.

Mr. Patrick: — There's two elements to the use of the economic instrument as I believe I tried to explain yesterday. Probably the chief advantage of the economic instrument is that it simply allows us to buy time in order to make a, quote, good technical decision because if we had to make a decision today on our technical pathway, we really couldn't do it with a lot of confidence.

So the use of the economic instrument has twofold. One is a time-buying device and we would only use it to the point where we felt that we could make a better long-term decision, and also that at the end of the day — and I think the members quite correctly point out — is the utilization of the money. You know, are you better off to spend money on a continuing basis to buy economic instruments — the money arguably is gone and may never come back to Saskatchewan — versus investing it immediately in some kind of capital infrastructure or something that, if you like, has permanent value to the people of this province. And that's a fair question. And that's . . . I think would be the basis of using it.

When you talk about the use of the money to buy conservation specifically in 2001, although we certainly are aware of conservation potential, we had not launched a study in that year — that was something that came subsequently — to look at, if you like, the business case around conservation. That's sort of a work-in-progress but was not significantly in place in 2001, but we're certainly aware of it as being an option.

The truism, generally speaking, is that the uptake on that is not likely to be sufficient to completely do away with our entire problem. I mean it won't in any event. Even if you cut the load of Saskatchewan down by some huge percentage, the remaining load is still being served with greenhouse gas emissions and it would take a huge load reduction to get to the point where we'd be under the Kyoto target. I think in a practical sense it isn't going to be workable. It doesn't mean that it shouldn't be pursued to the point that it can be, but in itself it's not the answer.

I spoke yesterday of the concept of a portfolio of solutions. It's going to take a little bit of practically everything to solve this problem. It's going to take stuff on the demand side. It's going to have to take stuff on the supply side. It'll probably require economic instruments. It will require technical solutions. It's going to require probably a bit of everything.

And I think what will happen is, in a sort of a spectral sense, initially what you will see is things like economic instruments being used preponderantly, initially simply to buy time and because there's really no other choices. Over time as we're able to convert our existing fleet, either at the end of its normal life or perhaps prematurely if the economics dictate it, to zero-emitting technologies so that some day in the future — whenever that may be, and arguably that could be 20 years from now — that it no longer is an issue, that we make electricity with essentially no pollution and it's not really an issue any

more. But there's going to be a transitional period of, you know, one or two decades perhaps to get to that happy day when we're not having to discuss that matter in this context any longer.

But I think that one of the underlying, if you like, philosophical guidances for SaskPower in all our deliberation on this is we're of the belief corporately that eventually energy will be required to be produced at zero-emission levels and that it's important for us to try and determine whether we can get to that zero-emission outcome sooner or perhaps later. We need to understand the rate of transition from the old world, if you like, to the new one.

Mr. Prebble: — Mr. Chair, I have a couple other questions of our officials . . . I'll just wait, Mr. Chair, because I want to direct the questions through you.

But my second question is that in the year under review, that SaskPower had begun energy performance contracting and I think had a contract with the province of Saskatchewan to retrofit a number of public buildings. And I'm wondering what the experience there has been with respect to investment made, energy savings achieved, and emission reductions achieved?

Mr. Wright: — Mr. Chair, we're extremely pleased with the performance of our EPC or energy performance contracting alliance with Honeywell. And Ms. Youzwa will be delighted to illuminate the discussion further on this topic.

Ms. Youzwa: — Thank you. As Mr. Wright has indicated we do have a partnership with Honeywell and through that partnership we've been delivering energy performance contracting services to some of our large customers that operate public facilities.

We have our first, sort of customer, that we've dealt with under this program has been the Saskatchewan Property Management Corporation. And we have with them a five-phase program. We have completed, I believe, the first two phases and are just now moving into the third phase with SPMC (Saskatchewan Property Management Corporation).

We have also had some success with the EPC program in providing these services to the public school system. And we have, starting in 2001 and extending into 2002, worked with Saskatchewan Valley School Division and also the North West Catholic School Division and have a multiphase program working with them. And we're looking to extend that even further now with some work with the city of Regina.

This is a program that we've been very pleased with. It's a partnership where SaskPower works with Honeywell. Honeywell comes in and brings its technical expertise to do the audits on the facilities and determine what kind of retrofit activity or requirements there would be to achieve energy savings. The actual sort of renovation work and the installation of this equipment is contracted out to local contractors so there is an economic development opportunity there as well.

We have . . . I have numbers as to what the savings have been. The actual payment for the capital equipment that's installed in these facilities comes from the energy savings. And once that

capital is recovered then the lower energy bills are passed on to the customers directly.

We have . . . These are not 2001 numbers unfortunately. These would be sort of started in 2001 and now carrying on to current values if that's fine. We have 88 buildings that we have dealt with and for a contract value of just over \$20 million.

We have, in terms of energy savings, a capacity reduction of about 2.4 megawatts. This also leads to — that's electricity — it also leads to natural gas consumption reductions, propane, and water as well because it is a complete kind of energy audit that's done. It's not just electricity; it's all sources and utilization of energy in these facilities.

Our estimates of environmental impact was we have looked at what we . . . this kind of program can do in terms of reducing the amount of emissions that we generate or would have generated to supply the energy it would have consumed. And there are some significant savings that come both in CO₂, Nox (nitrous oxide), and Sox (sulphur dioxide) emissions as well.

Mr. Prebble: — Do we have an estimate for the \$20 million that will be invested, what the projected energy savings will be over a period of time?

Ms. Youzwa: — The projects, the estimate is that they'll reduce energy consumption by 25 to 35 per cent. The actual dollar amount of that savings, I don't have with me.

Mr. Prebble: — But the projects are paid for through the energy savings.

Ms. Youzwa: — That's right. And . . . Sorry.

Mr. Prebble: — Oh no, that's fine, go ahead.

Ms. Youzwa: — And typically they will take sort of five to eight years to repay the capital, the costs for the retrofit activity.

Mr. Prebble: — Mr. Chair, I have another question with respect to Kyoto, and that is that I'm wondering if . . . I know that it's not the responsibility of SaskPower to kind of look at all elements of the impact of Kyoto on the province. But what is . . . Mr. Wall has raised the question about the economic impact of . . . his concerns about the economic impacts of going with Kyoto.

I would like to ask whether our officials have examined at all the economic implications of not addressing Kyoto; in other words, the economic implications of not curbing global warming for the province. Has there been any examination of that in terms of what the impact, for instance, would be on SaskPower of uncurbed global warming in terms of surface, water surface levels, river flow, and anything else that would impact on the corporation?

Mr. Patrick: — We had a symposium about a year ago in which we brought together climate change experts. And there was a wide range of discussions which included both river hydrology, which we've spoken of earlier, but it also looked at the changing temperature of the Prairies, if you like. And because our facilities are designed with temperature limits in

mind, when we write our specifications for equipment we specify the operating range of the equipment.

We looked at that from the point of view of how might our specifications change in the future, and how might our existing facilities be inhibited in their operation, if you like, because of a changing environment in which they're forced to operate — if it's hotter or colder, or if it's more variable, if the winds are higher, a whole range of those things. So we have looked at it, and I would suggest at this point we've looked at it more from a qualitative perspective than a quantitative one.

I mean it's extremely difficult to put a number around what the effect of, you know, a 10-degree temperature rise on average would be with the operation of our transmissions. It's a laborious study and frankly, we haven't put our mind to try to figure that out, but we've thought about it internally from a qualitative thing. And we actually did make up a list of the impacts because it could affect things like the availability of reservoir cooling water, the heat rejection rates on our units because they expect to reject their heat into a particular sort of temperature, the sag limits on our transmissions lines because they operate thermally, if you like. There's a lot of technical stuff around this which we have thought about, but we haven't sat down and tried to put together the total picture.

The rate of climate change is somewhat indeterminate. I mean you can read many experts and get many different opinions. It's not something that we feel is going to hit us tomorrow; there's not going to be sort of a huge step change in all our operating conditions. It'll be something that is spectral. It'll start slowly and increase to whatever value it goes to over many years. It's something that you would sort of grow into, I think. And we would recognize in our specification for new equipment any embeddable belief we have in terms of new temperature. We basically design our equipment for minus 40, plus 40 degrees C (Celsius). I mean that's kind of the range we operate in Saskatchewan, and even though you don't get to that very often you have to be prepared to manage in that environment. If it changes to minus 50, plus 50 or something, you'd write that into the spec, and presumably equipment manufacture would design accordingly. We're not there yet.

So I don't know whether that's sufficient answer, but yes, qualitative we thought about, quantitative we haven't worked out the number as to what is . . . and frankly, I'm not so sure that we actually can very easily.

Mr. Prebble: — Yes, I can understand that that could be a significant challenge. Mr. Chairman, that completes questions that I have. I think it's clear though that there are options other than the nuclear option in terms of addressing this that the . . . that we're clearly getting very cost-effective investment from an investment in energy conservation. And I think it's also clear that there are economic costs that are associated with not going with Kyoto. I'll turn things back to you, Mr. Chair. Thank you.

Mr. Wall: — Thank you, Mr. Chairman. Mr. Prebble raised some questions about the performance contracting issue and I'd like to pursue those if I can.

Was there an RFP process used or what process was used to select Honeywell as the partner for this project?

Ms. Youzwa: — I believe that we had a process where we asked — it was like expressions of interest — people who were expert in providing energy performance contracting services to submit a proposal to us. And through that . . . we evaluated those proposals and through that process chose Honeywell as a partner.

Mr. Wall: — That is what happened? I know that you indicated that you believe that or is that in fact then the case? Was there that open kind of a process?

Ms. Youzwa: — I . . . And I'm only hesitating because this is before my sort of direct experience with the program. But I quite strongly believe that we went through a selection process where we did look at a number of different vendors and chose Honeywell because we felt it offered us the best sort of technical expertise and services.

Mr. Wright: — Mr. Chair, it is our view here at the table that this was the approach taken. If upon checking — and we will check — it is otherwise, we will advise you dutifully.

Mr. Wall: — Thank you to the officials through you, Mr. Chairman. So when an audit is done then . . . or maybe that's not the correct term but I'll just use it anyway. When an audit is done and work is prescribed for the client — whether it's government or a municipality or whomever it is — what's the process then? Is the work that's required or equipment that needs to be purchased, is that also an open process? Is that part of a, I guess part of a tender or is that up to the client?

Ms. Youzwa: — I do have some information here. I can confirm that we'd had a request for proposal to select Honeywell. We did receive a number of proposals and went through an evaluation process and chose Honeywell.

In terms of the projects themselves, the Honeywell people do the audit, the actual sort of assessment of the building. Some of the equipment that Honeywell is the supplier of, they will provide for that retrofit. The actual construction activity, the renovation to the building, is contracted out and I believe goes through a tendering process as well, a competitive process.

Mr. Wall: — But the actual equipment that might be required is automatically supplied by Honeywell? Is that correct or is that . . .

Ms. Youzwa: — When Honeywell . . . In the areas where Honeywell has the technical expertise and that equipment, they are the vendor of that equipment.

Mr. Wall: — How long is this agreement in place with Honeywell?

Mr. Wright: — We'd have to check on that, Mr. Chair. Five years sounds familiar but we would have to check. I'm sorry we just don't have that information here.

Mr. Wall: — Prior to SaskPower and Honeywell doing this sort of work, were companies like Honeywell or its competitors — or anybody else for that matter in the province — offering this service in the private sector?

Mr. Wright: — In some form or fashion this service has been offered probably for about 20 years. Even today we are not the sole providers of this. We've bid on a number of projects that have come up and other competitors in the open marketplace have won those projects.

Mr. Wall: — Is SaskPower and Honeywell only undertaking this work in Saskatchewan?

Ms. Youzwa: — Yes.

Mr. Wright: — Yes. A resounding yes, Mr. Chair. Sorry.

Ms. Youzwa: — No, that's fine. And I just want to reiterate the point. We do compete with other suppliers and the public institutions that we've been successful with go through RFP (request for proposal) processes and we submit proposals in competition with other suppliers.

Mr. Wall: — I have a few questions but they're on a different matter if somebody wants to jump in on this. Okay. I'd like to talk a little bit about NorthPoint Energy Solutions and its relation, and OATT (open access transmission tariff), I guess. It's highlighted significantly in the annual report. Of course we have a 2001 report where NorthPoint records some revenue in fact — and not an insignificant amount of revenue, I would say.

Because I'm unaware of . . . I'm just interested in where that revenue is made and how the money was made in light of the newness of OATT.

Mr. Wright: — Mr. Chair, Pat Youzwa serves as the president and chief executive officer of NorthPoint and would be delighted to answer the questions.

Ms. Youzwa: — I will start with maybe giving a little bit of a context to NorthPoint and how it came about to be created as a subsidiary of SaskPower in 2001.

When the decision was made to introduce an open access transmission tariff which opened up access to our transmission system for a certain sort of set of eligible customers, one of the requirements of having an OATT is that you separate your marketing arm away from your transmission part of your business so that anyone who is looking to, if you will, compete with SaskPower for market . . . to wheel power on our transmission lines feels there's an appropriate kind of separation and a fair sort of playing field to work under.

In order to do that, the decision was made that we would take the group of individuals who have been active in managing load and generation services for SaskPower and also engaged in some import and export activity and put them into a separate entity which is now called NorthPoint Energy Solutions.

That group was part of SaskPower before. It was part of our bulk power management group. So we just took that group of individuals and that function and we put them in a subsidiary, so it's not as though we created new people and new functions there.

NorthPoint Energy Solutions can generate revenue from three different sources. One, it provides all of the load and generation

services, continues to do that for SaskPower. And they have an agreement with SaskPower for that and they earn a fee for those services of 12 cents and the bulk of the revenues that we record in 2001 come from that.

It earns revenues also if there are opportunities to export surplus energy that SaskPower may have, generation and energy that's available that we don't need for our load and we have an opportunity to sell it into Alberta, for example, and make a profit for SaskPower. It arranges that transaction and for that it gets paid a commission fee based on the profit that it earns. The rest of the profit goes directly back to SaskPower.

And equally, on imports, if we can import — and these tend to be very short-term transactions — import energy cheaper than we can generate it in SaskPower, then we'll arrange that import, we'll buy the energy, arrange the transmission, bring it into Saskatchewan. And for that, it also, on the savings that it achieves for SaskPower, will take a commission fee as well. The remainder of the savings pass on to the corporation.

The third area, and there is no revenue in this, is the potential of engaging in transactions for growth opportunities, trading transactions into the future. That's a potential revenue item. In 2001 there were none of those transactions.

Mr. Wall: — Thank you. Mr. Chairman, this isn't a 2001 question, but it might be . . . neither is there anything untoward about it. It's a very interesting development, I think OATT is, for the province, for two municipalities in particular — one, I happen to represent.

And I'm wondering, and I guess it calls for some speculation, but does the corporation have an idea about when or, I mean, if any time in the near future either municipality will be potentially switching from whom they buy the electricity? Are there indications that are worrisome to the company or that would tell us a little bit more about where the municipalities are at?

Ms. Youzwa: — Under the open access transmission tariff, the municipal electrical utilities of the city of Swift Current and the city of Saskatoon are eligible customers, which means if they want to, wish to, arrange for supply other than SaskPower, they can do so. And they can book transmission on our system to move that energy into their franchise areas. That's been available to them since November 1, 2001.

Now when will they exercise that option? I think that largely depends on when the market can offer them something which is a more attractive source of supply than we currently provide to them. They are able to go out and evaluate whatever options are out there, either outside of Saskatchewan or even within Saskatchewan, with independent power producers, and compare that to what we supply them with and make their choices.

Mr. Wall: — And it certainly doesn't . . . this certainly also opens the door for them to generate. I mean maybe even wind . . . I mean who knows what municipalities might do, but this also opens the door for that opportunity, that's correct, the open access tariff, then.

Mr. Wright: — That's correct, Mr. Chair. If they can do it

cheaper than we can supply it, God bless them.

Mr. Wall: — I have some . . . if anybody . . . I'm done on that one now. I don't want any questions on that one, Pat. I had some questions on SaskPower International, if we could switch to that a little bit.

I wonder if we could just talk a little bit about the statement of loss and deficit that's provided for us, for members of the committee, in the report. We once again see a deficit at the end of the year. It's a little higher than the year previous, at \$3.9 million. And perhaps if Mr. Wright would highlight the reasons behind that, for the members.

Mr. Wright: — Over the course of the year, 2001, SaskPower International was very much engaged in not only the fly ash component, which has been ongoing, consulting services internationally, but also with the development of the Cory facility with our partner, ATCO. Indeed it's been the case that another net loss occurred in the year 2001, approximately \$300,000 at SPI, or SaskPower International.

As I indicated last year, it's still our expectation that in the year 2003 SaskPower International will turn positive in terms of those net losses that have been incurred each and every year since its inception, will turn around, and that for 2003 and beyond we're forecasting profitability.

The main lines again, fly ash sales, that's also very good for the environment to the extent that that's used in a variety of operations — cement, oil backfill, and a variety of others — continues to be profitable.

And consulting services we are somewhat disappointed with in the course of 2001. We've engaged in a number of consulting projects internationally from Russia through to other parts of the world. We have changed our approach to consulting services late in 2001 because, quite frankly, they're not profitable and so we have backed off from that. But if asked, we will be . . . we will take on a consulting project rather than actively going out to seek them out, we've decided to pull back on that.

And that's about all she wrote on that, Mr. Chair, unless there's some specifics. And I apologize that the president isn't here. He was here yesterday but he just can't be here this morning.

Mr. Wall: — Well that's fine. I'm sure you'll be able to answer the questions that we have.

The amount of equity that was committed to that, to the project you mentioned, the Cory project, the amount of equity required from both partners, members of the committee have been informed, has increased. The original maximum was \$28 million to be committed by SaskPower and ATCO and now it's . . . there's a range has been given to members. Is there a more specific number known? And why is this project costing more than originally thought?

Mr. Wright: — Sure. Mr. Chair, I want to first off say that the Cory cogeneration project is a terrific project. We're extremely pleased with it. We're extremely pleased with our partner, ATCO, out of Edmonton, and we're also extremely pleased

with the co-operation that we've gotten from the Potash Corporation of Saskatchewan where this cogeneration facility is located.

When we approached the project we set a budget of about \$228 million for the project and that was dutifully reported to the Crown Corps Committee as a significant transaction.

Going through the project we encountered a number of challenges. Those challenges ranged from site challenges — when we got on-site at the Cory mine it was a little soggy than anybody had anticipated because of the spring rains. This resulted in more gravel being required to compact in more compaction of the soil. It required almost doubling of the number of pilings that we had to put in. In round terms the original budget called for 400; we had to put in something close to 800.

We found that the interconnections with the potash mine itself were a little bit more complex. The Department of the Environment asked us to undertake a few more environmentally sensitive measures such as a deep water . . . sorry, a deep waste-water facility which added some cost.

And in addition, we got caught in what I'll call the labour bubble. And the labour bubble was driven and continues to be driven largely by the tar sands. Projects up there have drawn labour from across Canada, particularly Western Canada. All types of trades are up there. And as a consequence our ability to attract trades here, such as pipefitters or insulators, the gentlemen and ladies who insulate the pipes, has been extremely difficult.

People have been asked to work longer hours, hence we've been paying overtime. There have been some delays. There were some engineering challenges. The cost of materials rose as a result of materials in high demand up in the tar sands gravitating there. So in some cases we have an up to 35 per cent increase in some of the materials that we'd anticipated.

In addition, Mr. Chair, the foreign exchange rate turned against us. The Canadian dollar dropped more precipitously than perhaps any economist, other than my chief financial officer, had anticipated. But it did drop, and that added cost to it because a lot of the equipment was purchased in American dollars.

We also chose not to go with bank financing but rather with a bond facility. And the original budget provided for bank financing but by going to a bond facility it added a little over a million dollars in cost up front, but lower interest rates than would otherwise have been the case throughout the life of the project.

As a consequence, Mr. Chair, instead of the \$228 million that we had anticipated, we're looking in the range of 255 to 265 million. This is about, on average, call it up to a 15 per cent increase. And again, this increase is not unlike virtually any other major industrial project in Western Canada and including at least one project in Saskatchewan.

We had originally committed \$28.5 million in equity. The equity component may rise by 2 to \$7 million more, which is to

say from 28.5 to 30.5 to 35.5, depending upon how some of these final bills come in.

Is this project a success? Yes it is. Is it still commercially viable? Absolutely. ATCO stands with us in this. And this is a very environmentally friendly project that we're very proud of.

Mr. Wall: — The initial rate of return that was forecast for the project, I mean, you're indicating that the rate of return is still commercial.

Mr. Wright: — That's correct, Mr. Chair.

Mr. Wall: — What has happened to it? What's the difference in terms of what it was and what it is? Also, has this changed the debt/equity ratio for the project because, you know, in terms of the amount of new equity versus the new debt that would be required?

Mr. Wright: — In general terms, roughly, the debt/equity ratio remains at 80/20. And in terms of the commercial rate — rate of return — it has gone down, however it's still within our hurdle rates as defined by SaskPower International.

I, Mr. Chair, would like to be able to tell you what it is. Unfortunately this is a commercial operation and will be competing for sales in Alberta and elsewhere — down into the US (United States) — so I would not like to advise my competitors what kind of rate of return we anticipate on this project.

Mr. Wall: — You anticipate no further increases in terms of the cost of the project?

Mr. Wright: — There still is one major hurdle to overcome. Although the project is firing steam right now and generating some electricity into the grid from time to time, as we clean out the pipes, I'm — and we've encountered no problems — there is always for any electrical project some risks at start-up. Beyond that, no, we're well within the range we believe of 255 to 265 barring the unforeseen and unprovided for, in terms of start-up.

Mr. Wall: — Thank you, Mr. Chairman.

Mr. Brkich: — If nobody else has any questions on that, I've got a little different issue in 2001. You had a, I think it's called an aerial joint use agreement with SaskTel. Can you give me some background information on that?

Mr. Wright: — Sure. Mr. Chair, I do apologize but my head of transmission and distribution, Mr. Kelly Staudt, is not with us today as well. Kelly's dealing with some other issues.

This goes back quite a few years in that . . . they are not telephone poles. I want to emphasize that, these are power poles. They are owned by SaskPower on behalf of the people of this province. However there was an agreement dealing with the joint use of these poles such that prior to December 31 of this year, we had an agreement with SaskTel whereby SaskTel remitted an amount per pole for rental rates, and in turn SaskTel would rent these rates . . . or rent space on the poles out to others, not only themselves but also cable companies.

This agreement will be terminating December 31, 2002. We did notify SaskTel of this in December of 2001, so it is relevant to that year in question because the agreement provided for a one year's notice.

In the future as we move forward, we will be negotiating with the cable companies as to what the appropriate rates will be. The rates — just a sidebar if I may, Mr. Chair — the rates charged are in the range of \$14 per pole that we charge. However in other provinces — and there is a court case that I believe may be heading to the Supreme Court — in other provinces, fees are as high as \$40.92 per pole being rented. So there are some issues around that. The CRTC (Canadian Radio-television and Telecommunications Commission) is interested in trying to regulate power poles and it's an interesting challenge.

Mr. Brkich: — Why did you terminate the agreement with SaskTel? What was the reason for that?

Mr. Wright: — Well this was ongoing discussions. As you know, SaskTel is under the jurisdiction of the CRTC. The CRTC is moving in often strange and mysterious ways, certainly to us in the electrical industry.

We believe that it was appropriate and right to terminate it. I believe, and I would not want to put words in the mouth of any of my colleagues in SaskTel, but that SaskTel may have been into a bit of a conflict here, potentially with the cable companies and others. So it was in everybody's best interests.

Mr. Brkich: — Thank you, Mr. Chairman. Well the reason I'm asking some of these questions, I've got some information from the town of Craik that uses the power poles entered into agreement with SaskTel. They supplied their own local cable. And the current letter that's sent out, I guess from SaskTel, it's now saying that this agreement being terminated, the rates are going up now for SaskPower, I think almost by 25 per cent for the next three years.

Mr. Wright: — Mr. Chair, my understanding is that SaskTel charges the cable companies the CRTC-regulated fee of \$9.60 per pole. We have not established exactly what the rates will be to the best of my knowledge, but we have indicated that they will be notified — which is the various cities, towns, and others — and we will be talking about contracts for 2003.

Mr. Brkich: — Yes, the letter that's gone out to the towns already has . . . I'll just use Craik. I believe Craik is increasing \$829 for 2003, then another increase in 2004, another increase in 2005.

You know the problem they raised with me is, you know, then the cost is getting very high for them to supply local cable to their residents because they're just supplying it at cost. They do the maintenance on the line themselves already, so they're just actually just paying rent to SaskPower. So their concern that they raised with me is, you know, why are the rates going up for the following years.

They were paying, they were I think not happy, but they knew that they had to pay some rent and they had an agreement with SaskTel and they thought that agreement was fair. They just

don't feel why the increases are coming now. For the next following years it's going to be very hard; they're going to have to make some decisions about whether they're going to even provide local cable to the residents now. They may have to discontinue that.

Mr. Wright: — Mr. Chair, there are . . . It's not only the town of Craik. There are other cable firms out there, a variety of towns from Loon Lake to Yellow Grass, certainly Access cable here in our town and others.

From SaskPower's perspective, there are costs associated with the maintenance of these poles. There's costs associated with putting in the poles, maintaining them over the years, and so on.

I'd like to think that in Saskatchewan the pole rental fees are certainly well below those of other jurisdictions. And the rate increases that we've been looking to over the years are to bring us more in line with the actual costs associated with the poles out there.

As members of this committee would know, hopefully, that we have a very old and aging infrastructure and part of that is the wood pole structure that's out there. We spend over \$10 million each and every year just on replacements of these poles and there are costs associated with it.

I certainly understand where the town of Craik is coming from, where other towns and villages are. But we're trying to bring in line our costs relative to the revenues derived from pole rental fees.

Mr. Brkich: — I guess their concern would be that you're already using the poles and they had been paying rent on them. They thought they were paying a fair rental. Now they feel that the rent is getting more prohibitive, that they can actually . . . you know, actually operate.

The cable that they run on, they use on the pole, I don't think really deteriorates the maintenance on it. It's a very small cable, very . . . I think it's about four or five feet, quite a bit lower than your power lines. And they just feel the cost increases for the next few years are unwarranted.

Mr. Wright: — Yes. Mr. Chair, I certainly do understand that they are feeling that they got a relatively good rate or a reasonable rate and, indeed, they did. Indeed, relative to municipal electrical utilities in Ontario that were over \$40 per pole rental, they got a good deal; or relative to what in 1999 the CRTC ruled that the pole rental fee should be, \$15.89, it was a good deal.

We're just trying to bring them in line. This is not an area where we're trying to make massive amounts of dollars and cents. We're trying to do this in the best interests of everybody in the long term with a level playing field for all cable companies.

Mr. Brkich: — That's all the questions I have now on that one.

The Chair: — Are there any further questions of SaskPower? In that event, would someone like to move that the Standing Committee on Crown Corporations conclude its review of the

annual report and financial statements of SaskPower and its subsidiaries for the year ending December 31, 2001?

Moved by Ms. Jones. Is that agreed? Agreed.

Thank you very much, Mr. Wright, and all your officials for appearing here.

Mr. Wright: — And, Mr. Chairman, on behalf of all of my colleagues at SaskPower, just thank you very much. We always do look forward, with a little trepidation, but we do look forward to being here and answering your questions. Thank you.

The committee recessed for a period of time.

Saskatchewan Government Insurance

The Chair: — Good afternoon. I'd like to call the meeting to order. Our business this afternoon is consideration of the SGI (Saskatchewan Government Insurance) 2001 annual report and related documents.

I would like to proceed by calling on Mr. Fogg to introduce his officials, ask him if there's any opening statement that he would like to make — a brief one hopefully, if that — and then call upon the auditors to see if they have any comments they'd like to make, then open it up for questions.

If it's agreeable with the committee perhaps we might entertain a break at about 3 o'clock and . . . for 15 minutes or so. And I think that's about it.

And we'll go to you, Mr. Fogg, to first introduce your officials and, if there is any opening comments, we'll entertain those.

Mr. Fogg: — Thank you, Mr. Chairman. To my left is Earl Cameron, vice-president of claims. To my immediate right is Alan Cockman, vice-president of the Auto Fund. John Dobie, vice-president of finance. And behind me is Maureen MacCuish, the assistant vice-president of communications.

And, Mr. Chairman, we were here in February and we had done three years and I had made my opening statement then, so I have no opening statement at this time.

The Chair: — Are there any comments from the Provincial Auditor related to SGI?

Mr. Martens: — Thank you, Mr. Chair. With me today is Mr. Bashar Ahmad and Rod Grabarczyk who lead our work at SGI. Also, Jamie Wilson from KPMG who does the direct audit work at SGI is here today. I'll ask Mr. Ahmad to give our summary comments on our audit.

Mr. Ahmad: — Thank you, Andrew. Good afternoon, Mr. Chair, committee members. For the year ended December 31, 2001 we have completed our audit of Saskatchewan Government Insurance, Saskatchewan Auto Fund, SGI CANADA Insurance Services Ltd., Coachman Insurance Company, Insurance Corporation of Prince Edward Island, and SGI superannuation plan.

To complete our audit we worked with KPMG, SGI's appointed auditor, using the recommendation of the task force on roles, responsibilities and duties of auditors. In our opinion the financial statement for all the SGI-related entities are reliable. The entities had adequate rules and procedures to safeguard and control their assets and to comply with authorities. And the entities complied with authorities governing their activities, arranging financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

This concludes my remarks. Thank you.

The Chair: — Questions, issues?

Mr. Wall: — Thank you, Mr. Chairman, and welcome to the officials from SGI on behalf of the opposition members. The consultants that were paid over \$10,000 report that's provided to us for January 2001 to the end of the year, which of that list would involve research done and the studies that were being carried out on injury — traffic injury, soft tissue injury, those sorts of things?

I see one there that, you know, like traffic injury research is the name of one, so that must obviously be one. Are there any other of those companies that . . .

Mr. Cockman: — The Traffic Injury Research Foundation is a group that does a lot of work to do with drivers, particularly alcohol related and they are the leading group to deal with various driver issues, graduated licensing, driver distraction. And we have used them and supported them for many years to help us with their research. We in fact get advance copies of their research papers and we can ask them a variety of questions.

So we tend to use them as a general traffic safety research group rather than specifically on items that are directed to the injury area itself.

Mr. Wall: — So there were no other firms engaged in that fiscal year then with respect to traffic injury or soft tissue injury studies?

Mr. Fogg: — Not per se. No, there wasn't.

Mr. Wall: — Was there funding provided . . . What's the status for the year, for this particular year, reporting year 2001, then, of any studies that SGI was involved in with respect to soft tissue issues and the automobile insurance?

Mr. Cameron: — The only outstanding study is the one we reported in, I think, February of this year is the outcomes research. And we are hoping to get that report sometime in 2003, perhaps the spring.

Mr. Wall: — So it's still not . . . it's not available yet?

Mr. Cameron: — No.

Mr. Wall: — 2001 was obviously a very important year for the Crown, not only for what happened — and the annual reports we have copies of — not only for what happened in that year but also what it was planning for to happen in this year that

we're in right now in terms of the announcements of a dual system of choice in automobile insurance.

And given the fact that the ads are currently running for that new system and it's certainly topical and current . . . I know that it's not in the year under review and so officials . . . (inaudible interjection) . . . What's that? . . . (inaudible interjection) . . . Yes, that's right, but I'm sure the work began back to that date. So I'd like to ask just a few questions that I think a lot of people frankly out there are asking as they see the . . . as they hear the commercial, the commercials.

The first is with respect to the impact of choice between carriers on additional coverage that the new system might have. For example, we understand that a number of companies have decided to exit the market in terms of some of the products they used to carry. Part of the reason we understand is because of the new system. And I wonder if you can comment on that.

I think Wawanesa is one of them and then there's some others that have exited certain products. I'm not sure of the status of Co-operators but maybe you can share with members of the committee what's happened.

Mr. Fogg: — Yes, Mr. Chairman, Mr. Wall. The bulk of the extension auto, 70 per cent of it approximately, is written by SGI CANADA. The next two big players are The Co-operators and Sask Mutual and both of those companies are going to offer the product very similar to SGI's.

The one that I'm aware of that left was Wawanesa. And Wawanesa does a fair volume of property business but was never big in extension auto.

They did leave the province. The reason that they gave for leaving was that they weren't making a lot of money at it. And you can understand that the extension auto, the average premium may be under \$200, so unless you write a fair volume of it, it's not worth your while. And to be fair to Wawanesa, although they didn't say they left because of choice, that would have been a contributing factor, yes.

Mr. Wall: — Thank you, Mr. Chairman. The regulations for the new Act are available to anybody. We can sort of go through them and have a look.

And I wonder if you anticipate any additional changes prior . . . any additional changes or additions or clarifications in terms of the regs for the new automobile insurance system we have at all or what we see here is what we get basically.

Mr. Fogg: — I'm not entirely sure, obviously, whether the government will proceed with additional regulations or not. But there may be additional regulations that come into effect prior to the implementation of the program.

Mr. Wall: — Are there any discussion currently at the corporation about how commercial vehicles might be treated in terms of if there's a system that they'll be mandated to . . . if there's a type of insurance that they'll be mandated to utilize for whatever reason?

Mr. Fogg: — Well the issue with commercial vehicles is the

issue of vicarious liability and it was kind of an esoteric discussion. But what . . . presently if one chooses no-fault insurance — and I won't go through it all — one of the benefits is you cannot be sued for pain and suffering.

Mr. Wall: — Right.

Mr. Fogg: — However if a plumbing contractor, for example, chose no-fault insurance and they harm somebody else or are at fault in an accident, while they could not sue the individual for pain and suffering, unless some regulation is put forward they could sue the limited company for pain and suffering.

Mr. Wall: — And just to clarify, under the current . . . under no-fault . . . under PIPP (personal injury protection plan) that regulation was in place to protect the company as well as the driver from suit?

Mr. Fogg: — Under PIPP they could not have sued the company.

Mr. Wall: — Right.

Mr. Fogg: — So when we brought forward the choice legislation, that left the opportunity open to sue the company in spite of the fact that the individual operator had chosen no-fault. And if you wanted to protect the company from that type of lawsuit for pain and suffering, you would need some type of regulation to prevent that.

Mr. Wall: — So all of the companies then are automatically no-fault under the system.

Mr. Fogg: — No. The companies aren't anything.

Mr. Wall: — Well but the car . . . when the vehicle is plated . . .

Mr. Fogg: — Because you could sue the . . . The owner, being a limited company, can neither choose . . . has no ability to choose no-fault or tort. So they leave themselves open to lawsuits for pain and suffering in spite of the fact that the owner chose no-fault. Unless that is clarified with some regulation, if that's . . . if I'm making myself clear.

Mr. Wall: — I think I understand you. Thank you. And so that would also be the case for . . . How are government . . . how are CVA (Central Vehicle Agency) vehicles plated? As commercial vehicles, I presume. Do you know offhand? Sorry, that's not your . . . that's not a fair question to SGI maybe but . . .

Mr. Fogg: — I'm not sure, Mr. Wall. But for example, the SGI vehicles would be in the name of a company, yes.

Mr. Wall: — Right. And because CVA is SPMC (Saskatchewan Property Management Corporation), a corporation, the likely it is the same then for them.

Mr. Fogg: — That's right.

Mr. Wall: — So that the regs, the regulations will, never mind . . . notwithstanding what the driver's chosen, what the government employee for example has chosen in terms of his or

her own insurance, the government can't . . . the government can be sued.

Mr. Fogg: — Presently at the way it stands, the owner of the vehicle, if the owner of the vehicle is a limited company, they could be sued, yes.

Mr. Wall: — Right.

Mr. Fogg: — For pain and suffering.

Mr. Wall: — And you would think that that would apply to the Crown corporation as well, but I don't know. And I'm not asking you to answer because it's not fair to . . . for you to speculate about SPMC structure unless you happen to know it.

But I think that's an important question to find out in all of this, if the government has any . . . has choice at all. And it would all revolve around whether they're defined as a, whether they're the same as a limited company in terms of their ability to . . . or lack of ability to choose their insurance. That's right; that's correct.

Mr. Fogg: — I believe that's correct, yes.

Mr. Wall: — So the new . . . if I hear the . . . if I've read right and hear the advertisements right, the new . . . people can choose, will have a choice effective the middle of December. Is that correct?

Mr. Fogg: — It would be effective January 1, but they have the option to choose up to . . . They can start choosing on December 16, but it wouldn't take effect until January 1.

Mr. Wall: — And I have to renew here very shortly, so for me . . . However any time in the new year that if I decide to switch to tort, I'm certainly welcome to go into a broker and switch at any time.

Mr. Fogg: — Absolutely. You could switch to tort and you can switch back to no-fault throughout the year. It's not tied to your vehicle renewal.

Mr. Wall: — Okay, thank you. And so when I ask my broker to give me some advice, because I think we all have brokers that we . . . well I mean many of us will have brokers that we trust and ones that we deal with on a regular basis, brokers who I think had a commitment of some protection from liability. If I ask my broker which I should choose, based on his knowledge of my own personal circumstance, what is it that he will be able to tell me with liability protection?

Mr. Fogg: — What the broker will be able to tell you about, if you're talking about these two products, he will be — he or she — will be able to explain to you the coverages under both products.

What the broker or anybody else cannot tell you is which will be better for you sometime in the future because that will depend on the accident circumstances.

Mr. Wall: — See and I think there are some questions involved there because I don't think that is the understanding that many

of the brokers, rightly or wrongly . . . I mean whoever is, whoever didn't . . . wherever the wires got crossed is sort of immaterial, I think, at this point. Because I've had concerns from brokers who feel strongly that at least they believe the commitment at the outset was that they could deal with their customers as they want to.

And what of course they want to be able to do is advise their customers, as any business would that has developed a relationship with those customers, to say look, you know here, Brad, I know you and I know your situation and I really think, you know, notwithstanding the fact the accident that you might have might prove me wrong, but I believe, I'm leaning in the direction of advising you to go with PIPP or tort or whatever. And they can't do that.

And I think there's some . . . At least their understanding is that they can't do that and they're not at all, or at least the ones I've spoken to aren't very pleased about that because that's not the understanding they had.

Mr. Fogg: — Well we would recommend . . . we recommend to our brokers that they are unable to predict the accident circumstances.

So you have got here a quality tort product and a quality no-fault product. They're both good products. Which will be better for an individual? No one can predict until they know the results of the accident.

So we give the same advice to our brokers as the legal community gave to lawyers. We recommend, we would advise you not to make a recommendation because they are both good products.

Mr. Wall: — Right, and that's fair enough. Specifically what protection does the Act afford them then? It only . . . and maybe you've answered it by saying the Act protects them only insofar as they explain both systems and offer no advice. Is that correct?

Mr. Fogg: — The Act, it's generally . . . What the Act does, it protects the issuer under almost any circumstances unless it's grossly negligent . . . unless he or she is grossly negligent.

So if the issuer, perchance in error, gives you some advice and you have an accident and it turns out the other product would have been better and you sue the issuer, we will protect the issuer as an issuer.

Mr. Wall: — So they still have that protection unless there's gross negligence.

Mr. Fogg: — Unless there's gross negligence. If they . . . when they become a broker and talk about extension insurance, that's a different issue and they would have their own E&O (errors and omissions) insurance to protect them there.

Mr. Wall: — So in that case why would SGI then be recommending, or whoever's recommending to brokers, to not go past providing them with the general description of each package . . . of each product, sorry?

Mr. Fogg: — Well when we . . . To be fair, Mr. Chairman, Mr. Wall, when we . . . We had the issuer immunity clause, as you recall, in the legislation. We advised issuers in our training that they shouldn't . . . or we strongly recommend that they do not give advice as to which is the better product.

Rightly or wrongly, and perhaps we miscommunicated to the brokers, they've . . . they had some concern that if they inadvertently gave some advice or at least their customer said they got advice, that SGI would not protect them. And so on November 4 we wrote another bulletin to the issuers clarifying it, saying under any decision or any recommendation or whatever you do as an issuer, we will protect you as long as you do it in good faith and are not grossly negligent.

So I believe that cleared up most of the issues and most of the concerns they had with that problem.

Mr. Wall: — I think we talked a little bit during Committee of the Whole as well about the fact then when PIPP was first offered to the province there was a built-in review to the process. And my recollection is that, you know, obviously I think the minister indicated that, while there would be . . . obviously the government would be watching to see how, and the corporation would be watching to see what was happening with the system, there wasn't any formal review built into the process. Is that changed, or is there . . . What measures are going to be in place at the corporation to sort of monitor this?

There's a whole bunch of issues here, i.e., whether or not the premier option is more costly and its price has to change, or whether or not . . . Maybe there's just insufficient demand for either product that they could be . . . you know, what are . . . could you give us some insight as to what things the corporation will be looking for come the new year as we move forward on this?

Mr. Fogg: — Well certainly we have to . . . certainly the unknown is how many individuals will choose the tort product. If it's a significant number and you can . . . and it's a statistically valid number, you can then sometime in the future price the products differently — the tort product vis-à-vis the no-fault product — and one may turn out to be more expensive than the other. If there are very few opting for no-fault, then we would . . . my belief is we would monitor it for a number of years. If it was such a small number that took it and it was costly to run both programs, although it shouldn't be, then we would make different recommendations to the government. But right now there's no reason for me to believe we cannot simply operate both programs successfully.

Mr. Wall: — From your discussions with brokers, do you think they share the view, I mean generally speaking? We'll speak with IBAS (Insurance Brokers' Association of Saskatchewan) because it's unfair for me to ask about brokers without characterizing them as some sort of entity, maybe. So does IBAS, as far as you know, still share that view?

Mr. Fogg: — When we offered it to . . . You have to keep in mind that the choice system is something unique in North America, maybe unique anywhere in the world, I'm not sure. And for brokers they're used to having a number of products they can offer and they can recommend to their customer which

is the best fit that meets their needs.

This is different for them so yes, they have concerns. Certainly we believe the immunity clause and the clarification of the immunity clause has made it easier for them. But this is different from what they usually do so yes, they have, and rightfully so, some concerns.

Mr. Wall: — Are there any . . . of those concerns, are there anything that the regulations dealt with specifically or that the corporation plans to deal with?

Mr. Fogg: — Some of their concerns are, you know, they relate to certain products and they may be one broker's concern and not others. And some of them . . . I can't say what will be in the regulations but there won't be a dramatic change to the program. There may be some clarification within the regulations on some of their issues.

Mr. Wall: — The premier option side of this choice was taken for the most part from the Coalition Against No-Fault's *Premier Option* that they presented publicly at SGI and obviously MLAs (Member of the Legislative Assembly) and anyone, I guess, who wanted a copy. And in it there was quite a bit of time spent on the need for structured settlements in the courts. And I wonder if you could confirm that all of the sort of both the directional elements and the specific elements of the premier option, as the coalition had prepared it and it was studied by various firms, if all of that is in fact represented in the tort choice that people now have.

Mr. Cameron: — I'll make a comment, Mr. Chairman, on the structured settlements. In the tort world before, structured settlements were quite common. They are not in the legislation. They're not forced on to anyone. It's an agreement between our customer and SGI. And for the most part we are always in agreement of doing a structured settlement because there's some benefit in it for the insurance company. So it's offered as an option to the customer, through their lawyer usually, as to whether they would like a lump sum payment or a structured settlement over time. And there's some obvious advantages to the customer for it too, tax implications.

Mr. Wall: — Could you maybe highlight, Mr. Cameron, why that wasn't pursued — maybe it couldn't be, I'm not sure — but why it wasn't pursued in The Automobile Accident Insurance Act because of both . . . it can be very beneficial to the customer and is very beneficial to insurers and is sort of a stabilizing force. I mean one of the criticisms of the tort system is what it can potentially . . . what happens in terms of claims and a structured settlement at least in part helps deal with that. So that seemed to be a pretty important part of that option to keep it affordable. And was there any reason that they didn't . . . you didn't pursue that in the legislation?

Mr. Cameron: — I don't know exactly other than . . . I'm not a lawyer, so I was told it was certainly not necessary to be in there, that it was something that both sides could agree to. And certainly from our point of view because we'd done structured settlements for the last 30 years as far as I know under the tort regime before, in '94, that it wasn't necessary to have it in there because certainly the other side can ask it. The courts also could and quite often will indicate what sort of a structure they may

want to see. I don't know if they can invoke or not. Like I say, I'm not certain on that. But it wasn't felt that it was necessary because it happens everywhere else without legislation.

Mr. Wall: — The 2001 report for the Auto Fund records a rate stabilization reserve in the positive range compared to what happened in 2000. And I guess it sort of forms a foundation for a number of questions about the new system because of course . . . I mean you're in the industry but it strikes me that your industry is all about predictability, I mean, which is, and I understand, an impossible thing. But I know there's actuarial tables, and there's models, and there's things that the industry uses.

And because this is the first of its kind anywhere in North America I think basically in terms of the form it's taken here, what's that done to the finance side of the corporation in order to be able to . . . I mean reporting what happened the year previous obviously is easy enough but in terms of making those important decisions for the future from the perspective of this fund of the rate stabilization reserve and other Auto Fund issues, how are you doing it?

Mr. Fogg: — If we're discussing the choice particularly, the Coalition Against No-Fault had done some work when they developed the premier option. And the premier option is based on the fact that the cost of the premier option, at least initially, should be the same as the no-fault option. And when our actuary had a look at that he agreed at that time that that would probably be the case. So it doesn't, at least in year 1, matter particularly whether you pick one over the other. And it . . . additional administrative costs to run these programs, after we get through the advertising and the education, should be no different. So it . . . that by itself does not have a particularly big role in it.

But you're absolutely right about the predicting claims costs and looking into the future and investment income in particular, what will happen to investment income. So yes, that's . . . we have actuaries that assist us in determining what rates and what we need to do. But choice, per se, will not have a big effect on it.

Mr. Wall: — When the no-fault system was introduced there were many attendant developments at the corporation and with our insurance system including . . . there was a feature last night I'm sure you're aware of on the national news about the centres, the rehab centres, the work-hardening centres that are . . . that have come to the provinces as a result. Obviously they didn't exist before. Obviously they're there at some cost to SGI.

There are things that we now have at the corporation that I'm assuming weren't there before, before no-fault. We still will have all of those things, all of those . . . the centres for example, and yet we now, you know, we're going to have a choice, so . . . with what has to be some incremental administration involved in the fact that people can now choose. And the corporation has to deal with that.

So how did the planning work dating back to this year and moving forward to be able to provide this choice system at the same cost? That's the part that's hard to . . .

Mr. Fogg: — Rehab is a good example. We pay . . . The rehab tertiary centres are in Wascana Rehab and in Saskatoon which are run, operated by the Department of Health. And they're paid per person that goes through there. So if a number of people choose tort and that therefore there's not as many people, or not as many injured persons proceeding through those rehab centres, we'll simply pay them less. That by itself shouldn't cost . . . There shouldn't be a lot of additional administrative costs here.

Mr. Wall: — Are you characterizing the tertiary centre, the operation of the tertiary centres as administrative costs?

Mr. Fogg: — Well I calculated it as claims cost, actually. It's a claims cost. Per claim . . .

Mr. Wall: — A claims cost that did not exist prior to 1995 but that does now exist along with the parallel system, but there shouldn't be any increased cost.

Mr. Fogg: — I'm not anticipating any major increased cost, no.

I guess what I'm trying to say is if someone is injured under no-fault and has to go to a tertiary centre, we're making that payment. If a person is injured under tort, that payment won't be made, obviously.

I'm not certain . . . I'm not seeing what you . . . exactly what you're meaning by increased administrative costs.

Mr. Wall: — Well, fair enough. Maybe we can come back to that.

I guess there are some other issues that we've been raising historically, I think, with the corporation that were raised in the national piece last night regarding the work-hardening centres and that is the — we come back to this a lot and I apologize for that, it was an issue in 2001, you know, it's an issue today — and that's the supremacy that the PIPP system places with the adjuster in terms of decisions on people's files, on their medical decisions in many cases on those files.

And I'm wondering if you could . . . We discussed this in Committee of the Whole and I understand that as well and I wonder, even since then, if there's been any adjustments to the PIPP option that people will be able to choose from that they can pin some hope on that their doctors and specialists will have primacy over any adjuster as to what is the right thing for them.

Mr. Fogg: — Maybe I'll let Mr. Cameron speak to this. But I want to be clear. The adjuster does not make medical decisions. I know that that's a misconception. The adjuster does not. Doctors or medical people make medical decisions.

What was at issue and we're moving forward with was the role of the primary practitioner or the primary caregiver and what role they had. And I think it's fair to say they have more involvement in the treatment because most individuals that are injured in motor vehicle accidents, especially whiplash claims, they get better with simply going to the primary practitioner. Very few have to go to secondary, tertiary centres. You're talking about a small amount. It's in those rare circumstances where they don't recover the way they should.

And what we have done now is we've done . . . certainly we have involved the primary practitioner to a greater degree and, secondly, we've made it easier for injured people who disagree with SGI's decisions to appeal those decisions.

And early in January of next year, there will be an independent tribunal set up under a minister other than a Minister of CIC (Crown Investments Corporation of Saskatchewan) and people will have certainly a more user-friendly tribunal to approach if they're in any disagreement with SGI. I don't know, you want to make any comments?

Mr. Cameron: — No, other than the tribunal hopefully will be able to with some of the — I don't want to undermine the importance of them — but some of the smaller decisions where it just wasn't economical for the person to go to the Court of Appeal to get a final decision. So they'll have a choice to go to the tribunal or to the court, but on cases where it's a small dollar amount they'll be able to go to the appeal process and it will be . . . or to the tribunal. It will be a much quicker and I think a more efficient appeal process, especially for some of those.

Mr. Wall: — The other improvements in the PIPP part of the PIPP/tort choice is . . . Some of the other. . . One of the other improvements also relates again to people who are driving under the influence. Is that correct; at least for a second offence, is that born through the ratings?

Mr. Fogg: — Well there are three occasions when an individual who chooses no-fault can sue for pain and suffering; in addition to getting all of their no-fault benefits they can sue for pain and suffering. One is if they're injured by an impaired driver; one is if it's deliberate acts, somebody tries to run them over; and a third is if it's a defined third party, i.e., a vehicle manufacturer.

Mr. Wall: — There's some other choice-related questions we have to ask but we have an afternoon so I want to make sure . . . I'm going to move on unless there's other members that want to ask questions about the choice system. So I'm going to move on to the Safe Driver Recognition program if I can. And let me thank the officials in advance for answering the many letters that I've sent to the minister and have found their way over to the corporation.

When this was announced I think generally speaking . . . Now I understand this was announced this year as well but I'm sure the planning was underway in 2001 and we've always had a bit of a point, you know, a point system, something intended to achieve something like this. But when this was announced I think that people felt the, you know, the general direction was positive I think; that it is, it sounded like the right way to go and I think that they found — for those who've since changed their mind and don't like it — I think their problem, I think they've found that the devil's in the details for their own personal case.

And the specific issue that I think we've corresponded on quite a bit is the issue of determining the offence date in terms of a traffic accident. And so we've . . . you've highlighted it in the letters but I just think it's worth revisiting a little bit in terms of the options that SGI had, which is something we haven't talked about in correspondence. What options did you explore in terms of this decision on the date of the offence, and what should be

in and what should be out.

Mr. Fogg: — The issue is one of when you . . . the offence date is the day that somebody went through a red . . . through a stop sign and the date they were convicted. I think that's the issue. And we have always used the conviction date and in fact all insurance companies have to use the conviction date because the offence date, they're not at that point guilty of anything.

And secondly, that is the only way . . . until they're convicted and we get the information from the Department of Justice, we can't change the records. And that is why it is used by SGI on the Safe Driver Recognition program and was used by SGI under the previous program and is used by virtually all insurance companies. That is the only date that would have any meaning.

Mr. Wall: — All insurance companies would use that, like for example, if the trip . . . the ticket was received, well was received prior to July 1 but they didn't pay the ticket until after July 1?

Mr. Fogg: — I guess what I'm trying to say is there's two dates here — there's the offence date and the conviction date. And the only date that would make . . . that would be reasonable for any insurance company to use, and they have to use it because that's the only information they get, is the conviction date, the day . . .

Mr. Wall: — The date by which you have to pay the ticket.

Mr. Fogg: — The date which you are convicted.

A Member: — Correct.

Mr. Cockman: — In some cases it may be the date that you're given on the ticket that you have to pay. And the others it may . . . But there are instances where you will go to court, plead not guilty, and therefore there is an extended time taken before there is a conviction put on the record and then we will get the information from the court system.

Mr. Wall: — So there were no other options that were considered by the corporation, just because this is what happens across . . .

Mr. Cockman: — No, we did consider the option. But the other problem is that if you then do it at the actual offence date, you've then got to do an awful lot of administrative work of checking back and seeing whether discounts were applied properly, and a variety of things like that which would make it more, we think, very difficult and very costly. But we also think it would be even more confusing for the general public.

As Larry said, we have had this system in using the conviction dates for many, many years and it's only in the last few months with the new program that issues have come to light. And of course those issues really are over the period between the new program coming in, in the first few months.

Mr. Wall: — Sure and they would come to light when people, maybe even some people sitting at this table, get a bill from the Crown where they never got a bill before. And then all of a

sudden you start looking a lot more closely.

Mr. Fogg: — But it did come on the driver's licence. I mean if you had a conviction, it would eventually show up on your driver's licence.

Mr. Wall: — And I don't mean to disclose Yogi's personal business but I think that might be the difference.

Mr. Chairman, have you recognized Ms. Atkinson?

So what is the implication for people who . . . The enforcement of course comes with issue of a driver's licence, is that correct? I mean you're not going to get . . . the point the corporation has decided you won't be licensed until you've paid up.

Mr. Fogg: — You will not be able to do another . . . You have a certain length of time to pay up — 90 days to pay up. If you don't pay up within 90 days we will not permit you to do any other transactions, so it may be vehicle insurance or licence, or driver's licence, whatever.

Mr. Wall: — Right. Mr. Chairman, the Sask Auto . . . And maybe we could have just a brief discussion about . . . And again this is sort of about maybe some current stuff that is happening.

In various marketplaces, specifically in Ontario and in Alberta, it seems that there is a lot of withdrawal from the marketplace by, or at least certainly significant players are withdrawing from the auto insurance company or musing about it — to the point where there's even some discussion in the editorial pages in Alberta, for example, of a potential no-fault system and people already lining up on either side of that issue.

I guess I'm looking for some insight from the corporation because certainly that can't be related to 9/11. I mean other insurance industry concerns obviously would be; I understand that. But it's auto insurance.

So what is happening now in Canada that is causing this upward pressure on rates; and to that end, what do you anticipate here?

Mr. Fogg: — What has happened on this, and I'll speak about insurance, and P and C (property and casualty) insurance in general and then how it relates to auto.

What has happened over the years is insurance companies, and SGI CANADA is probably no different, have underpriced their product so that they're in a position where their costs . . . for every dollar in premium they're bringing in, they're putting out a total of about \$1.06 in claims and other costs. And that was fine as long as you had a lot of investment income so you would . . . they did what was cash flow underwriting.

When the investment income dries up, then your rates are nowhere near adequate. And in the case of auto, it was compounded by the inability to get rate increases. Whereas home insurance, for example, is not regulated any more, auto insurance is regulated in one way or another everywhere. And I was seeing in New Brunswick today where they're going, for the facility, for a 60 per cent rate increase and the regulator gave them 40. And that might not be enough.

Certainly no-fault insurance has been beneficial. And the Auto Fund by its very nature, as a universal, compulsory program, its administrative costs are less than the private sector. And this will be true of Manitoba and BC (British Columbia) as well. And they have been able to keep their rates lower than in private sector provinces, and one of the reasons certainly that . . . or some of the reasons that SGI CANADA, SGI, or the Auto Fund has the lowest rates or some of the lowest rates in Canada, is low administrative costs and the no-fault system.

Mr. Wall: — Those would be the two. New Brunswick is serviced by a private, by a private . . .

Mr. Fogg: — New Brunswick is serviced by . . . New Brunswick has its own set of problems that are different than other places, but yes. And the companies have not put the rates . . . increases through the way they should have because they're making it up in investment income. Now the investment income's gone and they've got to put through enormous rate increases.

Mr. Wall: — It was in the year under review that SGI made its application to the rate review panel.

Mr. Fogg: — It was in the year under review we made a rate . . . Yes.

Mr. Wall: — And it was denied.

Mr. Fogg: — It was denied.

Mr. Wall: — And yet the reserve is recorded a positive number. In the previous year it didn't. Did the previous year's deficit drive the application to the rate review panel? You know I'm looking for the rationale behind it in light of the fact that it was denied and everything was in . . . (inaudible) . . . at the end of the year.

Mr. Fogg: — Mr. Wall, or Mr. Chairman, I've been at SGI for 22 years, I suppose. And one thing we all know if we've worked there long enough is that while the number of claims, damage claims may not increase dramatically and the number of injury claims may not increase dramatically, you can rest assured the average cost per claim will increase each and every year.

If you look at the no-fault claims, they're indexed. They're going to go up each and every year. And if you look at vehicle repairs, we have to pay the repairer more, the parts are more or less most costly to repair them. So each and every year it's going to go up.

And I have said, since I've been there, that insurance companies have to put through a rate increase approximately the level of inflation each and every year. And that is why in 2001, in spite of the fact we were going to make money, I went forward and asked for 2 per cent and the panel did not agree with my philosophy and said: you are making money; you don't need a rate increase.

Well that's fine; but then somewhere down the road, I don't know when, you'll need a bigger rate increase.

Mr. Wall: — Is that still then the position of the corporation, that there . . . you know, that that decision by the rate review panel simply deferred . . . Because obviously there was no application made in 2000 and I know this last fiscal either.

Mr. Fogg: — No, there wasn't because, as I've said, I have always believed that you need a rate increase approximately the level of inflation. The panel did not agree, as I said, as long as I was making . . . we were making money we shouldn't . . . we didn't need one. I believe we're going to make money in 2002 — we're very close to it — so it doesn't seem worthwhile to be going for it, for my rate increase.

Mr. Wall: — The annual reports of SCISL (SGI CANADA Insurance Services Ltd.) and Coachman, we have a few questions on that as well . . . (inaudible interjection) . . . Yes, I'm sorry.

The Chair: — . . . questions on this particular issue?

Mr. Prebble: — Well I have one related to a question that Mr. Wall asked a couple of . . . just as an add-on to a question that Mr. Wall asked a couple of minutes ago.

The Chair: — Can we recognize it before we go on?

Mr. Prebble: — And that is just with respect to . . . we were discussing the matter of rates in Canada rising generally. And my question was in terms of where does SGI stand now relative to other provinces in terms of rates — for young drivers, for older drivers. Like what do we, you know, how do we compare with Western Canada? How do we compare with throughout the country as a whole?

Mr. Fogg: — I'll get you some . . . we have some information. We overall would have the second lowest rates in Canada. Manitoba's . . . We used to have the lowest but Manitoba may be a little better than us, but we're very, very close.

The minute you move outside of Manitoba and Saskatchewan you're looking at significantly higher rates and if you look at . . . especially for young people and seniors, much, much higher in other places. And we have our . . . there's an organization called Runzheimer, and I'll spell it, R-u-n-z-h-e-i-m-e-r, and they do rate comparisons for other companies as well and they look at auto rates across Canada. And this is the example for a 22-year-old male student and I won't go through . . . he's had one at-fault accident. In Saskatchewan that individual would pay \$783; in Calgary, it would be 3,512; Vancouver, it would be 1,656; and, Toronto would be 4,492.

If you looked at a 75-year-old driver in Saskatchewan would be 840; Calgary, 997; Vancouver, 1,530; and Toronto, 1,341.

So the rates are significantly lower in Saskatchewan which is why there are . . . we're running into problems now with people wanting to plate their vehicles in Saskatchewan — whether it be commercial fleets trying to move in and get the low insurance rates or Alberta residents.

And recently, as one of the news articles talked about in Alberta, a young driver who was paying \$11,000 for his insurance and you could see that it would be almost cheaper to

buy a house, a home in a small town in Saskatchewan, and plate your vehicles from there.

So it is significantly different. And the bigger the difference, the bigger problems we're going to be facing with people trying to get our insurance.

The Chair: — On this, Mr. McMorris.

Mr. McMorris: — I was just interested in the comparison and I don't know if you have any other numbers that would compare, for example, a 40-something-year-old driver with no collisions, at-fault collisions, and an absolutely clean record compared to the other jurisdictions.

Mr. Fogg: — Yes, we do. And it's a few years old but ICBC, Insurance Corporation of British Columbia, there was a study done by the consumers association of BC and it had numerous examples, maybe 20, 30 examples. It compared Vancouver, Calgary, Regina, Winnipeg, and Toronto.

And there's not a circumstance that I can recall where Calgary, for example, would have had a lower rate than either Winnipeg or Regina. So you hear that criticism. And I'm not saying you cannot find an example somewhere, somebody in Red Deer under certain circumstances maybe. But generally speaking, it would be pretty remote.

Mr. McMorris: — My other question that I had was regarding the Safe Driver Recognition program and just a couple of questions I guess surrounding the whole process and, I guess, what was the rationale that went into the program and, you know, certain offences weren't included and other offences were.

What was the rationale that went into the program as to what was not going to be included, i.e., speeding tickets type thing? And if I could just get a bit of background, please.

Mr. Fogg: — Maybe I'll let Mr. Cockman speak to it. When we looked at Safe Driver Recognition, we tried to look at traffic violations that would be the more serious violations in the causing of accidents with the one exception of seat belt usage, which does not cause accidents but would be included anyway. And while speeding certainly increases severity of accidents it is — and to some degree would, you know, would perhaps cause additional accidents — it is not anywhere near as important in accident causation as perhaps red lights or following too closely or that type of thing.

I don't know if you want to . . .

Mr. Cockman: — We've certainly taken a look at speeding. In fact we also agree with law enforcement that one of the things we want to do within a year is to check on what we should do on those because the infractions where there are speeding but it's speeding that's perhaps not significantly over the speed limits have tended to be ones that we've taken a look at and wondered whether they really do link into accidents, and in fact we have found out that they don't directly link into accidents that we have on file.

The questions are still asked of us as to whether we should

perhaps give them one point rather than no points. Now those are subjects which we are debating and discussing, particularly with law enforcements, and we agreed to do so over this particular year. So I'm not too sure we have the end of the situation with regard to speeding.

If you're, on the other hand, going past the emergency workers or past a police car with its lights flashing beside the road, those are issues where we know we have accidents and fatalities involved. And therefore we do put points against those — four points for example against those particular ones.

Mr. Fogg: — As well as excess speeding, very high rates of speed, over 50 kilometres an hour over the speed limit and the other one we'd have to look at and it's a bit of an issue is school zones. Certainly speeding in a school zone is much more serious perhaps than going 108 kilometres on a four-lane highway.

Mr. McMorris: — Who knows, in the future it may not be an offence. But certainly I know I've had a number of questions on that. How, you know, how did they determine . . . I guess that certainly clears it up.

I actually . . . I really don't have any more questions on that.

Mr. Wall: — Thank you, Mr. Chairman. Just . . . I do want to talk a little bit about or ask some questions about SCISL's report and the report . . . or about Coachman.

I will tell you, anecdotally, that I have a cousin-in-law who unfortunately moved to Medicine Hat not long ago from Swift Current. He's about my age, a little bit older, and probably a better driver, but his rates are . . . for about the same vehicle are significantly lower in Medicine Hat. Mind you, he has said, as you, to support what you've said . . . he said when his daughter though turns 16 he's thinking about moving . . . maybe trying to commute to Medicine Hat from Maple Creek because the difference is so significant if he wants her . . . if she wants to drive their family vehicle. But for him and his wife it is cheaper. The same is true for my brother who moved unfortunately to Claresholm, and he's plated a truck that he had and a car and saved on both counts.

But I certainly don't want to debate or argue with you about what the teenagers and the younger people under 25 are paying because there's no doubt that it is not just a little bit higher than what they pay here in Saskatchewan.

So I guess in the . . . we've chosen a system. I guess it's . . . the question would be, we've chosen a system then that subsidizes the higher risk . . . that tries to flatten out the line a little bit and subsidize the higher risk drivers, the older drivers, on one end, and the very young drivers on the other, or . . .

Mr. Fogg: — No, I don't agree with that actually. Just let me make a comment on Alberta and . . . I just happen to see it here. And Allstate is announcing it's not going to write business in Alberta any more because it tried to get a 40 per cent rate increase through for its preferred and good drivers, and they couldn't get it through; they're simply leaving the province. So there may be occasions where there are people perhaps paying less, but they're . . . if they aren't paying more, they soon will

be.

The idea that young drivers or older drivers should pay more is based on the theory that . . . by simply looking at the statistics, a young driver has twice as much chance of being involved in an accident perhaps as a mature driver. So you can either (a) charge them all a lot more, which is what you have to do if you're in a private sector province — otherwise you'll be selected against — but in Saskatchewan you don't have to charge them more. The only time you have to penalize them or charge more is when they have an incident, not simply because they're 18 years of age or 70 years of age — only when they have an incident. And that to me is a much fairer system than simply penalizing all young drivers or all older drivers. So that is why I don't agree with that.

Mr. Wall: — And so you're referencing the safe driver program and other things then . . .

Mr. Fogg: — Safe driver program and other things, absolutely.

Mr. Wall: — Do you think that they equal out? I mean the safe driver program, would that be more of a token financial cost to somebody who's a higher risk driver and has made the mistake, than the . . . than assessing the actual risk to that person?

Mr. Fogg: — If what you mean by assessing the actual risk is looking at somebody's age, that's not necessarily the only thing that you should look at. And we have the luxury of, because we insure everybody, we have the luxury of assigning higher premiums to those who actually are involved in either risky driving or cause accidents — not simply based on age.

The private sector doesn't have that luxury so they simply base it on age. So you get the circumstance where you can have a good young driver paying a higher premium than a poor middle-aged driver in private sector provinces, but that would not happen in Saskatchewan.

Mr. Wall: — Actually that's an interesting discussion. On the general side though of the company isn't there . . . are there no instances where that's exactly what's done in terms of the premium that you charge for a particular property for fire or some sort of insurance based on that class, that kind of a property?

Mr. Fogg: — You're absolutely right, Mr. Chairman, Mr. Wall. That's exactly what . . . because on the general side of the business we're competing with the private sector. And when you're in a competition — have to compete for the business or you don't have it all — you have to prejudge what may occur. So you're basing your rates on statistics and not on individuals. But you would . . . that's what you have to do in any kind of private sector enterprise.

Mr. Wall: — So is the extension of that argument that we should have government-owned monopoly general insurance as well . . . (inaudible interjection) . . . Who said that?

Mr. Fogg: — If you wanted low homeowner rates that's exactly what you'd have.

Mr. Wall: — I beg your pardon . . .

Mr. Fogg: — If you wanted low homeowner rates. If you wanted lower homeowner rates overall, that's probably what you would do. I'm not advocating for or against it but if you asked me would the rates come down, I suspect they probably would.

Mr. Wall: — Under a monopoly, completely government-owned general insurance.

Mr. Fogg: — It doesn't have to be government owned. Any non-profit . . . The Auto Fund is a non-profit organization. The government puts no money in or takes no money out. So really it's just a trust fund for motorists. If you had a trust fund for homeowners on the same basis where there was no profit motive, you know, overall you got to say to yourself the rates would be lower. Yes, they would.

Mr. Wall: — How much of a dividend did you pay in 2001 to the General Revenue Fund through Crown Investments Corporation or to CIC?

Mr. Fogg: — From SGI CANADA?

Mr. Wall: — The whole shooting match. I guess the Auto Fund . . .

Mr. Fogg: — The Auto Fund . . .

Mr. Wall: — The Auto Fund does . . . pays none, is that correct?

Mr. Fogg: — Pays nothing, gets nothing, or pays nothing.

Mr. Wall: — Right. I guess what I'm saying is before you look through that you'll have to convince the government, under your model there of a non-profit and/or publicly owned insurance company on the homeowner side, you'd have to convince the government to do without their — whatever their stipend you'd give them every year — through CIC.

Mr. Fogg: — Yes. To answer your question, in the year 2000 we gave them 41.5 million and in 2001 we gave them 9.1 million.

Mr. Wall: — Right. So that would be . . . You would have to be willing to give that up, I guess, if you wanted a non-profit model, whether it was government owned or otherwise.

Mr. Fogg: — I've answered your question whether the rates would be low. I'd just simply say they would be.

The Chair: — Just a follow-up question with respect to this matter of rates. And some time ago I saw a survey of rates with respect to drivers and personal vehicles. And my memory of that was that drivers in Prince Edward Island had very low rates and there seemed to be a progression that the more rural the jurisdiction, the lower the rates tended to be.

Mr. Wall raised some examples of people who have been licensed in Alberta. Is there a differential rates in Alberta, depending where you license, in Calgary or Claresholm or Medicine Hat?

Mr. Fogg: — There would be territorial rating in Alberta; yes, there would.

The Chair: — Territorial rates in Alberta?

Mr. Fogg: — Yes, and in fact Manitoba, which is also running a public insurance company, they have territorial rates as well. It's one of the ways you can rate. We provide, for example, lower rates for farmers than for non-farmers because farmers as a group have fewer claims.

We don't rate by territory. You could but when we look at it we don't see a significant difference from one territory to another. And it just wouldn't be that meaningful and it would be additional administrative cost to do that.

The Chair: — But it obviously is significant in other jurisdictions.

Mr. Fogg: — Manitoba, for example, where Winnipeg is so huge compared to smaller outlying communities, it would be a major difference, yes.

The Chair: — And similarly in Alberta, that you may have some territory which is primarily rural where rates in that area might be low compared to rates, say, in Calgary or Edmonton.

Mr. Fogg: — Yes. In the competitive market you . . . everybody to my knowledge would rate by territory. And in fact if you look at SGI CANADA and look at homeowners, we rate by territory, in the homeowners' product.

The Chair: — Okay, thank you.

Mr. Wall: — Questions and answers. Okay, SCISL annual report there's an interesting, I don't know if it's interesting or not, but a question is begged I think by note 11 to the statement of operations and retained earnings.

Last year SCISL recorded a loss of about three quarters of a million dollars and the . . . I beg your pardon, in 2000, I'm sorry. And in the year under review it recorded income of \$294,000 but there was a net loss of \$908,000 before the following: future income tax recoveries — it's page 16 if anybody wants to have a look — future income tax recovery which was over \$1a million. And I wonder if someone could explain why that . . . what that's all about in light of the fact that there was such an entry for the year previous but it was only 289,000 on a larger net loss.

Mr. Dobie: — Mr. Chair, and Mr. Wall, that's got to do with the purchase of our Coachman Insurance Company, which through a loss that it had, it was able to have a future income tax recovery. So it's got to do with the Coachman business.

Mr. Wall: — Through their \$580,000 loss that they recorded?

Mr. Dobie: — Well the way the . . .

Mr. Wall: — Your share of it?

Mr. Dobie: — That's correct. The way the income tax for an insurance company is of course calculated, it takes a lot of other

factors into account — your unpaid claims and amortization of investment earnings. So it's a very complex calculation.

Mr. Wall: — What you're saying is it's not . . . you're probably . . . what you're saying is you should be looking at the underwriting loss of Coachman then, which was \$4 million? You know what I'm saying? The numbers seem, I mean, the tax recovery is \$1 million, 1.059 million. And you're saying that that's a product of the losses at Coachman or was it the acquisition of Coachman, did you say?

Mr. Dobie: — No, it's through the loss of Coachman.

Mr. Wall: — Through the loss of Coachman which was \$580,000. So I don't, you know, I don't understand how the . . . (inaudible) . . . recovery . . .

Mr. Dobie: — Well it's part of the acquisition as well.

Mr. Wall: — Okay. Okay. Of Coachman?

Mr. Dobie: — Right. I'd have to sit down and go through the income tax.

Mr. Wall: — Well these have been audited and everything. It just jumped out because it was \$1 million where the previous year was . . .

Mr. Dobie: — It's got all to do with the company that we purchased mid-year, which we purchased Coachman on July 1, so it's mid through, mid-year of 2001.

Mr. Wall: — Coachman has had a couple of bad years in 2000 and the year under review, it looks like. What is the . . . what's up with that? This is an investment SGI has made out of the province and I wonder if you could highlight for us, when there's an expectation of profit on the horizon or . . .

Mr. Fogg: — This gets really a bit complicated and John can go through the figures. But if you take a look at Coachman for 2001, you see the loss of \$733,000. Now that loss, the larger portion of that loss, happened in the first six months of the year. So it doesn't . . . it's not all coming into SGI.

And secondly, in the case of both Coachman and ICPEI (Insurance Company of Prince Edward Island), when we bought the company we had agreements that if the claims reserves for prior years were inaccurate, that that would not be charged to SGI CANADA or SCISL but charged back to the previous owner in the case of ICPEI and we had a holdback arrangement in the case of Coachman. So even though some of these companies show losses in the individual financial statements, those losses do not necessarily move forward to SCISL. And in fact . . . John, you could maybe indicate how, what the . . . So if you take the two, if you take the loss in Coachman and the loss in ICPEI, that is not what moves forward into SCISL.

Mr. Dobie: — That's correct. For instance, with ICPEI there was \$1.2 million of prior year claims development. So we're able to recover from the previous owner that claims development on prior year, prior to our ownership claims. So when it then gets consolidated — the ICPEI results get consolidated into SCISL and into SGI CANADA — we show

that recovery because we're going to recover it. We set it up as a receivable and . . .

Mr. Wall: — Sorry, sorry. Coachman . . .

Mr. Dobie: — Coachman is a similar thing. There's two factors with Coachman. If you go from their income statement at Coachman into SCISL, a good part of the loss that Coachman had was prior to our ownership. We purchased it July 1. So of the \$580,000 loss, 540,000 was at July 1. So there was only a \$40,000 loss from our period of time and of that \$40,000 loss, there's a good portion of prior to our ownership claims development again. So we were able to show that as a receivable and reduce the claims on a consolidated basis under SCISL.

You can't show it on Coachman's statement because it's an annual statement and it has to take into account their prior development but when you get into consolidation, we're able to recover it from your previous owner.

Mr. Fogg: — Mr. Chairman, if you look on page 6 of the SGI CANADA Insurance Services Ltd. annual report — and it says a year of growth — it tries to explain how you can have losses in two subs but they don't flow through to the parent.

Mr. Wall: — So I assume though that this 2001 . . . these reports in 2001 represent the end for those, for these factors that prevent that flow-through. I mean the . . .

Mr. Fogg: — No, they'll go for on for years to come. The difficulty in insurance companies is the reserving — how you reserve for claims. And you have an actuary and you have all sorts of . . . well but no matter what reserve you put up, invariably the amount you pay out is either higher or lower than the reserve. Nobody reserves absolutely accurately. And we want to protect ourselves against buying a company that had under-reserved. And so in each year some of the claims that are claims expense — and it could go the other way, but usually it's claims expense — will be attributable to old-year claims and it will not affect SGI or SCISL; it'll be charged back against the previous owners.

And in some cases, to protect ourselves even further, we bought reinsurance, adverse development reinsurance, so in case that those claims are much worse than we thought, then we would collect from our reinsurers. That's just the business we did.

Mr. Wall: — Will that end up serving you well in . . . I guess we're going to get to 2002 reports but I did . . . Maybe I'll just go back and ask you if you have any idea, any projection for us, when you think the financial statements will improve for these, for these two in particular, the PEI and Coachman.

Mr. Fogg: — ICPEI, it'll probably, it'll . . . the rate changes have been made in ICPEI and it's probably . . . I mean it's not a very big company but I think it'll probably be profitable.

Coachman, it's for the most part Ontario auto. Ontario auto is an underpriced product. And although the rate increases are going through, what they need is legislative changes to bring in more protection for insurance companies against fraudulent claims. My understanding is they're bringing a Bill forward —

in fact it may be in the House now in Ontario; it is — and when that Bill is passed, I expect anything after that date will certainly improve the results of insurance companies.

If you look at the insurance industry across Canada, half of the P and C insurance premiums is Ontario auto — that's how big it is and that's how important it is that everybody gets it right. And simply putting through endless rate increases is not doing the job and they need some legislative amendments and that's what they're going to do.

Mr. Wall: — In terms of in Ontario, you're talking about the Ontario marketplace. So that'll have an impact on Coachman in particular?

Mr. Fogg: — That will have an impact on Coachman auto, that's right. We write some property through Coachman but we do that out of Saskatchewan, so . . . And property is not the issue. It's Ontario auto that's the issue.

Mr. Wall: — It's the auto side. Well that is interesting because I can't remember the company now, but I referenced it earlier and it was just recently in the news I think as either, you know, sort of mulling about the prospect of getting out of the marketplace in Ontario or staying in.

In Ontario, effectively they're offering kind of a modified tort environment for this investment that's for Coachman. Is that correct?

Mr. Fogg: — That would be fair. It's a modified . . .

Mr. Wall: — . . . claims and that sort of thing.

Mr. Fogg: — It's a threshold system; that, you can only sue for pain and suffering when you get through with a threshold and, at that point, you can sue. Yes.

Mr. Wall: — So which is similar to the premier option's deductible. Is that . . .

Mr. Fogg: — No, no, no, premier option has a real sure deductible, much like the \$700 deductible on auto.

This would be . . . The only time you can sue for pain and suffering is if you're seriously injured and then you have to define what seriously injured means and there's a threshold to define it. So it's a little different. It's not a deductible per se.

Mr. Wall: — And, what would your be . . . As an operator, SGI . . . In here, the annual report, you're . . . I mean, here it is, SGI is operating in that environment through Coachman. And so, you have a preference this time, not as a government Crown but as another insurer in that marketplace. Your preference obviously would be for the deductible or is that . . .

Mr. Fogg: — The preference is . . . The problems in Ontario auto are . . . there's a number. But certainly, people receiving endless accident . . . People can be injured in Ontario and there's no way of ever getting them off benefits. They can endlessly go on. And there's a lot of fraud built into that system.

And so what the legislation tries to do is remove the ability to defraud the company and other things as well. But it's a . . . In theory, it's a good system and I think it can be a good system and it will have to be a good system. It's up to the government in Ontario to move on it.

Mr. Wall: — I have just a couple of last questions on matters that we've raised with officials before and for the current . . . for the year under review as 2001, it certainly would have been an issue and it has to do with any ongoing dialogue the corporation is having with auto wreckers.

You'll recall we've had this discussion in the past, that there was a concern on the part of wreckers about the degree to which they perceive themselves having to compete with SGI. And I wonder if . . . You had indicated, I think the last time you were in here, that this kind . . . the dialogue was open and these discussions were continuing and I wonder if you have an update for us.

Mr. Fogg: — That's correct. I believe that last time I was here, I indicated that we would . . . we planned to . . . we would meet with auto wreckers and we did. We met with auto wreckers, two meetings, one in the North and one in the South, and Mr. Dobie can perhaps tell you what the results of that meeting was.

Mr. Dobie: — Yes, we did in . . . June 18 we met with the southern auto recyclers, and on March 26 we met with the northern recyclers. We gave them a survey first of all to see how they felt about our operation and whether we were of assistance or a detriment to them. And for the most part, they were very in favour of our process. They of course get most of their vehicles from us, that's where they purchase their vehicles from, and for the most part we have a good relationship with the auto wreckers in Saskatchewan.

Mr. Wall: — Would there be an opportunity to . . . was there a hard . . . Was there a sort of a formal survey? Would there be an opportunity to have a look at that — the survey, or the results at least?

Mr. Dobie: — There was a survey that was done, yes.

Mr. Wall: — Would we be able to have a look at the results of that survey?

Mr. Fogg: — Certainly, Mr. Chairman, we can provide that.

Mr. Wall: — I appreciate that. There's a couple of things. I also would like to return to the third party, the consultants paid over \$10,000. Another outstanding issue we'd raised in other reporting years, and certainly would again be an issue, is the new claims centre for Regina. And I'm just looking here at the third party group and wondering if . . . how many of these, if any, constitutes some involvement in that?

There's Ellard Croft Design Group at \$369,000, and Stantec Architecture Limited, maybe that's for something else. Anyway, I guess which of these are — I don't know if you have this in front of you even, if you've got this list — which of these would be the claims centre and what is the status of that?

Mr. Fogg: — Dominion Construction Company, Ellard Design

. . . Ellard Croft Design Group, and Stantec Architecture Limited — Stantec and Ellard are the same company now — are all part of the consulting that was done on the new claims centre.

Mr. Wall: — What would Dominion Construction do, just out of curiosity, at a lesser value than the architects?

Mr. Fogg: — Dominion Construction provided construction management services for the building of that fleet centre. And Ellard Croft were the architect and prime consulting services.

Mr. Wall: — Was it tendered under the auspices and regulations of the Crown Construction Tendering Agreement?

Mr. Fogg: — Yes, they would have been. Yes.

Mr. Wall: — When would it have been tendered then? It would it have been 2000 . . . The CCTA (Crown Construction Tendering Agreement) expired in . . .

Mr. Fogg: — In Dominion Construction company it was issued in June 2000, and Ellard Croft Design Group was August 1999.

Ms. Atkinson: — I want to talk about what's happening to those citizens who were injured in accidents prior to the personal injury protection program. I believe there's about 90 or so, maybe 89 or so individuals in the province that are permanently disabled and receiving some form of disability insurance. And for the year 2001 can you tell me how many citizens were still under the old system who had been permanently injured? And approximately how much money did each of those citizens get on a per-month basis for their living expenses?

Mr. Fogg: — I've got the March 1, 2002 figure, Mr. Chairman, so it wouldn't have been significantly different at December. So in March of '02 there's 144 individuals who were permanently injured in crashes under the pre-1995 tort system.

There's a bit of a history here. Up until 1981 they would have received income replacement benefits of \$60 a week. On May 1, '81 it was increased to \$150 a week and in July of '92 it was increased to \$200 a week. And when SGI introduced the PIPP program in January 1, 1995, the IRBs (income replacement benefits) were indexed and as a result the IRBs paid in 2002 will be \$234.50 per week, net.

Ms. Atkinson: — Thank you. Can you . . . (inaudible interjection) . . . Okay.

Mr. Fogg: — It was \$234.50 per week, net.

Ms. Atkinson: — Can you indicate to the committee what the average income replacement would be for those people under the new system?

Mr. Fogg: — Under the personal injury protection plan . . . (inaudible interjection) . . . No, I don't. I'm sorry, I don't have that figure.

Ms. Atkinson: — Would the committee be able to get that figure?

Mr. Fogg: — Yes.

Ms. Atkinson: — Can you give us a ballpark figure? Would the average weekly income replacement for people post-1995 be in excess of \$234.50 net, per week?

Mr. Fogg: — I haven't got the figures but I believe it would be higher than that, yes.

Ms. Atkinson: — Has the corporation considered the possibility of dealing with those 144 individuals who are permanently disabled, have been permanently disabled for many years? Has the corporation thought about providing them with an average weekly income that would reflect the personal injury protection program?

Mr. Fogg: — See, the personal injury protection program, it has a maximum and it has a minimum. And if you looked at the minimum it would have been, the minimum would have been the minimum wages at the time and the minimum wages at the time . . . a single person on minimum wages would have an annual net income of ten six sixty. So the pre-PIPP IRBs are slightly higher net than minimum wage but they're not as high as the average industrial wage. They're in-between those two.

Ms. Atkinson: — Thank you. I'll repeat my question. Has Saskatchewan Government Insurance contemplated the possibility of paying those 144 individuals who are pre-PIPP the average PIPP payment? If you average all of the payments, the average weekly payment that PIPP people are presently receiving if you were to average them all, have you contemplated paying those pre-1995 individuals — the 144 individuals — that amount of money?

So what we would basically see is an increase of the \$234.50 weekly payment net to reflect what would be the average under the PIPP system?

Mr. Fogg: — Have we looked at doing that? No, we haven't.

Ms. Atkinson: — Has the corporation contemplated reviewing the pre-1995 payments that are made to those 144 individuals?

Mr. Fogg: — Have we looked at it?

Ms. Atkinson: — Have you contemplated changing it? Not have you looked at it, have you contemplated changing it?

Mr. Fogg: — Other than above the indexing, no we haven't.

Ms. Atkinson: — So as I understand it, the corporation has not considered the notion of changing the amount of money that those 144 individuals receive beyond the \$234.50, other than the indexing?

Mr. Fogg: — That's correct.

Ms. Atkinson: — So no recommendations have ever been made to the minister?

Mr. Fogg: — Well I have some difficulty in discussing recommendations.

Ms. Atkinson: — Okay then, my apologies. So as I understand it, you have never contemplated changing it, which obviously means you have made no recommendations to your minister.

Mr. Fogg: — We have never contemplated changing it.

Ms. Atkinson: — You have answered my question, thank you.

The Chair: — If there are no further questions, can I ask . . . Oh, Mr. Brkich, sorry.

Mr. Brkich: — I have one question. We were talking a little bit about speed before and I have a considerable amount of twinned highway in my constituency. And I was just wondering, in 2001 if you have taken studies or looked at other jurisdictions that had raised the speed limit to 110? Any considerations?

Mr. Fogg: — Mr. Chairman, no we haven't actually and it's not under our auspices under the Department of Highways to talk about changes to speed limits. But you can understand we would be interested in it.

And while we have some anecdotal evidence, we have never done a study of the effects of increasing the speed limit from 100 to 110, for example. It's not been done, no.

Mr. Brkich: — That's it. No, I was just going to . . . If you want me to keep asking.

No what I was just wondering, there is jurisdictions that have 110 and if you looked at their insurance, have they had to adjust their insurance rates over the number of years? Or have they stayed the same? Or have you talked to any of the other jurisdictions that have 110 on twinned highways?

Mr. Fogg: — I think it's clear to everybody that the higher the speed limit the more likely there is that you're going to be involved in an accident. I mean the stopping distance will increase. But how much that 10 kilometres an hour would add to the number or the severity, we don't know. Whether 110 is the right figure or 120 or 100, there is nothing to tell us that there is a perfect speed.

Mr. Brkich: — I was just wondering because in the States where it was 100 and they raised it to 110, they would have had records of before that how many accidents there were on that section of highway. And I was just curious to see if they've gone up the next number of years when it was raised to 110. It just . . .

Mr. Fogg: — That I can answer — they have gone up. When it was 55 miles an hour, there were fewer accidents than when the speed limit increased. Now is that a major factor in the number of accidents? But certainly the faster one goes, the more likelihood of having an accident is.

Ms. Atkinson: — Yes, I just want to go back to my previous line of questioning. Would the officials from SGI be able to provide to the committee an indication of what the average PIPP weekly amount is? So what I'm talking about is taking all of the income that is given to people weekly and average it. And could you also provide to the committee what would be the implications for SGI if we were to increase that average weekly

wage of those 144 citizens who've basically been stuck, if we were to increase their average weekly wage to the, to the PIPP average?

Mr. Fogg: — We're trying to get the average PIPP payment as you requested. If you wanted to do that, it would seem that you'd also have to increase all of the individuals under PIPP who are receiving only minimum wage because they are actually receiving less than some of the pre-PIPP people.

Ms. Atkinson: — I just want to make this . . . I certainly understand your point, Mr. Fogg, through the Chair, but I would . . . what is not taken into consideration necessarily is that there were citizens who were, who had wages above the minimum wage when they were permanently injured and that is not taken into consideration. And those are the people that I have been in contact with or have certainly been in contact with my office. So if you could just provide that information, that would be helpful.

The Chair: — Anyone else on this topic?

Mr. Wall: — Similarly then, did officials ever contemplate, you know, using the same logic when we went . . . in moving to the choice system, allowing those who — those victims from '95 until now — who would like some . . . the access to the courts in terms of remedy, did you consider any retroactivity in terms of availing them of court options when you went to the choice system?

Mr. Fogg: — Well they had court options, to be fair. They could have gone to the courts. But could they have gone to the courts for pain and suffering? Did we contemplate going back and allowing people to now sue for pain and suffering? I think it would be . . . no, we didn't. It would be unfair, I think, certainly to anybody who was at fault in the accident, unless SGI is simply going to provide additional funding and that would be, I think, very costly. So the answer to your question is no, we didn't.

Ms. Jones: — Thank you, Mr. Chair. On a different topic, and I know that this would have been considered in 2001 and all previous years as well, I'm sure. But a general question about how SGI handles . . . the comment was made that some companies would, to gain an insurance advantage, would want to register their company in Saskatchewan. And it caused me to question how SGI handles close border consumers such as in Lloydminster, Alsask, anything along the Alberta or Manitoba border in terms of policing. Or do we bother to police, or how do you handle people who live really close to the border? Do they have to prove residency or how do we deal with that?

Mr. Fogg: — There is a problem with this and you're right. Residency is very difficult for people to understand to begin with, so that if a Saskatchewan student went to Alberta, for example, they could take their Saskatchewan-plated vehicle, go to the University of Calgary, and as long as they were a student they would be properly registered. If they ever ceased being a student they would have — and each jurisdiction is different — I think in Alberta it's 90 days to get Alberta plates.

The difficulty . . . what happens is not everybody's aware of these little rules and they would have an accident after the 90

days. And the debate was, they were at that time an improperly registered motor vehicle and technically they had no insurance coverage. Practically though, where we believe it was an innocent mistake we would pay those claims. But it's costing us money to do that.

The bigger problem we have now is with trucking fleets from Ontario establishing — they always say flags of convenience — but post office boxes and small offices, and operating their trucking fleets out of Saskatchewan to get lower insurance rates. And that is a more difficult problem for us to police.

The Chair: — The Liberia of the trucking world?

Mr. Fogg: — Well it's not an analogy I would have picked, Mr. Chairman, but that's what's happening.

Ms. Jones: — Thank you. And, Mr. Chair, I'm wondering further is there any statistics, any way that the corporation can . . . or the Crown can track costs related . . . or costs incurred by Saskatchewan taxpayers . . . or Saskatchewan consumers, I am sorry, related to out-of-province people insuring in-province? Is there any possibility of relating how that translates into profit and losses for SGI and therefore reflected in the rates that SGI consumers pay?

Mr. Fogg: — Yes, Mr. Chairman. We know how many — for example, Alberta and that's the most common one — Alberta accidents occur with Saskatchewan plates. But what we're not always sure of is . . . Two things we're not sure of is how legitimate they all are. And secondly, we're not sure how many people are driving around in Alberta with . . . Alberta residents with Saskatchewan plates and paying this premium and not having any accidents.

But we do . . . And it's becoming a bigger problem. We're more aware all the time of the Alberta issues. And one of the questions we ask our issuers to ask people when they register a vehicle, is that vehicle located in Saskatchewan? And if they say no, it isn't, it's located in Lethbridge, then we ask them why. And there may be a valid reason — maybe they're a student there and that's fine, or maybe they're there on a holiday. But if the person's moved there and has a Alberta driver's licence, then we're concerned, yes.

Ms. Jones: — Okay. Thank you, Mr. Chair.

The Chair: — I have on this topic Mr. Wall, and then I have Mr. McMorris and Mr. Prebble.

Mr. Wall: — In the Southwest we have quite the opposite occurrence, it seems. Our oil patch is full of vehicles with Alberta plates and I think it would be a good problem to have if those companies had Saskatchewan plates. The fact is they don't. We've raised this with the Finance minister in estimates and different places because we would like those companies to and those employees to be resident in the province of Saskatchewan, or more specifically, in Swift Current would be nice.

So I just want to bring that to the members' information that this is an issue where . . . And I would argue . . . I mean if you talked to the oil companies or the service companies, it's driven

by a couple of things. I don't know about if their rates are less. I heard earlier today you say that commercially their trucks will be more if they register them in Alberta.

So then I'm thinking it may be the PST (provincial sales tax). I'm not sure of the reason why but certainly it's a problem that we have, just in case anyone's getting the impression that it's all a one-way street. It happens in the Southwest on the west side, I think, on a very frequent basis.

The Chair: — Further on this issue of automobile insurance rates? No, another issue?

Mr. McMorris: — Yes, I just wanted a clarification, I guess, on the issue of speed. We've talked about it just briefly a couple of times. But earlier when we were talking about the safe driver program, we'd talked about speed and that really wasn't necessarily a cause of collisions. I think the statement was it had a definite impact on the severity which is, you know, just physics. And then later we were just talking about the increase in speed limit, and it was a cause of collisions, the increased speed. And no doubt that the higher the speed limit or the speed — I shouldn't say speed limit but the higher the speed — perhaps a greater chance of collision, but it may be one of many, many factors.

So I guess I'd like some clarification on that because it was . . . to me it seemed like a little bit of a contradiction.

Mr. Fogg: — I don't want to ignore the speeding or I'm not condoning speeding in any way, shape, or form. And in fact, under the driver improvement program where speeding is counted, and we call people in for interviews if they have bad records, we do include speeding.

But when you look at the Safe Driver Recognition which is tied for the most part, is trying to prevent collisions, it's an insurance issue more so perhaps than a safety issue. It is not a major factor in causing collisions, at least, you know, rates of speed slightly over the speed limit. But I'm not trying to say that it doesn't have any effect, but it's not a major factor. And that is what we tried to include in the driver . . . in the Safe Driver Recognition program, as I say with the exception of seat belts.

Mr. McMorris: — Just one closing comment, probably more than a question. I think it's really important though when we start discussing the whole speed issue and whether it's a cause of collisions, is when you divide the highways compared just to two-lane highways it's significant. And so . . . and I know I'm certainly not a statistician and any study being done definitely needs to look at not just speed. But the differential between two-lane and four-lane is extremely important.

Mr. Prebble: — My question is with respect to the application under PIPP of minimum wage and the application of average industrial wage. And I'm just wondering if we could get a little overview of when the average industrial wage kicks in and when the minimum wage kicks in or some wage under the average industrial wage. And obviously, I mean in the . . . Anyway is that question clear enough or does it need . . .

Mr. Fogg: — Well I'll answer a part of it and we can . . . If

someone is catastrophically injured under PIPP, they will receive at a minimum the average industrial wage. So if someone is unable to ever work again they would receive the . . . the least is the average industrial wage.

There may be students who are injured and miss six, seven months of work. They would — and they were earning the minimum wage — their income replacement would be the minimum wage.

So what you want to do, if someone is earning a minimum wage you don't want to pay them more so that there's no incentive to get back to work, but if someone is catastrophically injured and can never work again there's nothing . . . I mean they're not . . . there's nothing that they can ever go back to so then we would want to make sure they got the average industrial wage. And there's variations in on that.

Mr. Cameron: — I'll try and clarify because it is complicated. When they're students, and I think we've talked about this before, if they still . . . if they're on minimum wage and after one year are still unable to work then they move to the average industrial wage. And that was an improvement that was put in August 1.

Mr. Prebble: — That's really good. Just one more question of clarification. Do we have any numbers now on how many people under PIPP have been permanently disabled? How many are facing that catastrophic . . . are in that catastrophic injury category? Maybe that's not numbers you have handy.

Mr. Cameron: — No, it's not a number. I could get a number of people who after a period of time are still receiving full income replacement benefits. That would be a true indicator, after say two or three years.

Mr. Prebble: — Right, sure because at first you don't know.

Mr. Cameron: — Because the first two years, that's correct, you don't know.

Mr. Prebble: — Exactly. You don't know.

Mr. Cameron: — But I don't have that number with me, Mr. Chairman.

Mr. Prebble: — Yes, actually I would be interested in that information. If you could provide it to me, that would be great.

Mr. Fogg: — And there are some people, Mr. Chairman, that are . . . we believe are catastrophically injured, quadriplegic for example, that are able to return to work. So you have to be a bit careful with it.

Mr. Prebble: — What you're saying is reaching a conclusion on catastrophic injury in the first couple of years is not a wise thing to do.

Mr. Fogg: — We define a catastrophic injury, but that doesn't mean that someone who is catastrophically injured cannot return to work, and they do.

Mr. Cameron: — Just for clarification too. There's quite a few

people who are on income replacement benefits who for whatever reason are unable to work, who would not come close to the catastrophic injury definition, but still have been on income replacement for three or four years and hopefully, you know, will improve.

Mr. Prebble: — And just for the clarification, in all those circumstances if those folks are making under the average industrial wage, they continue to . . . their compensation, their benefits reflect what their original wage was at the time of injury.

Mr. Cameron: — That's correct.

Mr. Fogg: — But if you were earning under the average industrial wage and you were catastrophically injured . . .

Mr. Prebble: — Then you would get the average . . .

Mr. Fogg: — You'd get the average industrial wage. If you've got more than the average industrial wage, then you would be paid based on your actual earnings, your actual income that had to be replaced — indexed, of course.

Mr. Prebble: — And if you were not catastrophically injured and you were earning under the average industrial wage, you'd continue to earn that as long as you were receiving benefits from SGI until you are ready to return to work.

Mr. Fogg: — Yes, that's correct.

Mr. Cameron: — Those two are also indexed.

Mr. Prebble: — Right. Exactly. Sorry. I should have added that, including indexing. That's very important. Thank you. That's very helpful.

The Chair: — If there are no further questions, could I ask someone to move that the Standing Committee on Crown Corporations conclude its review of the annual report and financial statements of Saskatchewan Government Insurance and its subsidiaries for the year ending December 31, 2001. Is there someone that will move that? Mr. Prebble?

Mr. Prebble: — I so move.

The Chair: — Is that agreed? Agreed. Carried.

Thank you, Mr. Fogg, for being with us here this afternoon and we certainly look forward to future appearances by yourself and your officials in years to come. Thank you.

Could someone move that we adjourn? Moved by Mr. Wall. Agreed.

The committee adjourned at 15:16.

