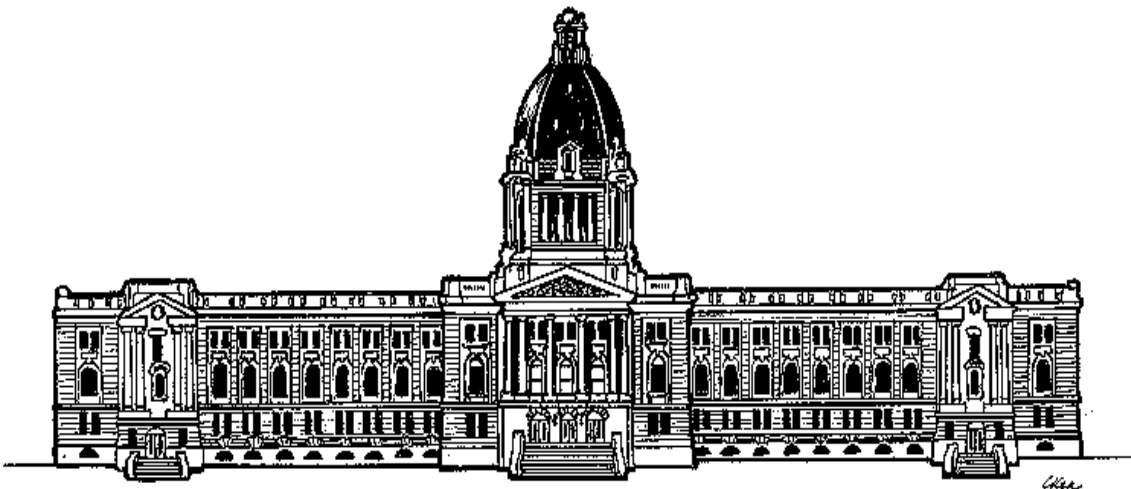




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 10 – September 17, 2004



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
2004**

Mr. Graham Addley, Chair
Saskatoon Sutherland

Mr. Wayne Elhard, Deputy Chair
Cypress Hills

Mr. Dan D'Autremont
Cannington

Mr. Andy Iwanchuk
Saskatoon Fairview

Mr. Warren McCall
Regina Elphinstone-Centre

Hon. Maynard Sonntag
Meadow Lake

Mr. Randy Weekes
Biggar

The committee met at 09:00.

The Chair: — I call the Standing Committee on Crown and Central Agencies to order. The first item before the committee is the report by the Provincial Auditor, and I would welcome Fred to the committee and ask him to begin his . . . Yes, Mr. D'Autremont.

Mr. D'Autremont: — Mr. Chairman, I wonder if we could perhaps deal with an issue that was raised yesterday before we go to the Provincial Auditor.

The Chair: — And what would that issue be?

Mr. D'Autremont: — Yesterday Mr. McCall questioned the veracity of an e-mail transcript that the opposition provided. I wonder if it would be possible — or I guess it is possible — but we're thinking of moving a motion asking Mr. Wright, the past president of SaskPower, to come in and confirm whether or not he sent that e-mail.

The Chair: — Are you making a motion to that effect?

Mr. D'Autremont: — I would like to make a motion to that effect.

The Chair: — Okay. Mr. Yates . . . or Mr. McCall.

Mr. McCall: — Okay. If the committee will remember, I had said that there may in fact be an e-mail. It was just in terms of the evidence that was presented to the committee yesterday. I, myself, have been presented with evidence that there is in fact an e-mail, and I'm satisfied with that. So I don't see there be a need to bring Mr. Wright before the committee, but that . . . that's where I'm at.

Mr. D'Autremont: — Are the government members then accepting that that e-mail that we present is indeed fact?

Mr. Yates: — Yes.

Mr. D'Autremont: — Okay, thank you very much. That would deal with the matter then.

The Chair: — So we have a motion . . .

Mr. D'Autremont: — I withdraw that motion.

The Chair: — Mr. D'Autremont has withdrawn that motion. Thank you, members. Any other business? Okay. We'll go to the Provincial Auditor then.

Mr. Wendel: — Thank you, Mr. Chair. Just to maybe explain a little bit of the process as I understand it, just to make sure everything's up top, one of the arrangements I had with the Chairs of the previous Crown Corporations Committee was that I would attend the meetings when you were reviewing our actual report as opposed to annual reports of the organizations. And so I'm here today to talk about this report, and actually I'm going to have Ed speak to the opening . . . make the opening comments about the report.

One of the things we ask the committee to do is to review the recommendations we have in our report and either concur with them if you agree with us, or disagree with them and say, make a motion that you disagree with them or make your own recommendation as to what you think needs to be done with a particular problem that we bring forward. So I just wanted to point that out.

So after I make the presentation, I understand we'll likely hear from the CIC (Crown Investments Corporation of Saskatchewan) officials as to what they think about what we reported, and then you would have your discussion and then consider our recommendations. So that's my understanding of the process.

And so with that I'll just turn it over to Ed to talk about the actual chapter and then give it back to the Chair.

Mr. Montgomery: — Thank you, Fred. Good morning, Mr. Chair, and committee members. Today I plan to go through the matters we reported to the Legislative Assembly regarding CIC in chapter 7 of our 2004 Report Volume 1.

For the year ended December 31, 2003, CIC complied with its legislation governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for two matters where we reported that clarification of the law was required.

The first matter we reported relates to approvals to buy or sell real property. CIC and most of its subsidiaries need order in council approval to buy or sell real property when the amount exceeds a set limit. During our audit we noted one case where Investment Saskatchewan Inc., a designated subsidiary of CIC, sold real property without obtaining order in council approval.

In our opinion CIC owns all the shares of Investment Saskatchewan, and a subsidiary of a parent company does not have greater powers than its parent. If a parent company could simply incorporate a subsidiary to do something that the parent itself is not permitted to do, it would defeat the purpose of the Legislative Assembly imposing any limitations on the parent.

We reported a similar matter in our 2001 Spring Report. In 2001 we reported that Sask Valley Potato Corporation purchased real property valued at 5 million without order in council approval.

We recommended that the government should clarify the law to require CIC and its Crown corporations to get order in council approval before buying and selling real property through a subsidiary. The Standing Committee of Crown Corporations asked CIC to review its procedures and prepare a report on changing the legislation. CIC has not yet responded to the committee's request.

In addition we noted that CIC and its subsidiaries have varying limits over which they must get approval to buy and sell real property. These limits range from 150,000 to 1 million. Some of the limits are set in Acts, for example The Power Corporation Act, while others are set by order in council, for example CIC. And a few of the Crowns have no limit, for example,

Investment Saskatchewan Inc. and SGI (Saskatchewan Government Insurance). In our opinion CIC and its subsidiaries should be required to get the same approvals unless there is appropriate rationale for the different limits.

In chapter 7 of our 2004 Report Volume 1, we recommend that CIC should review the limits over which CIC and its subsidiaries must get order in council to approve and sell real property, either directly or through a subsidiary and that CIC should seek changes where appropriate.

The second matter we reported relates to the CIC Act and CIC's expenditures for the Our Future is Wide Open advertising campaign. During 2003 and 2002 CIC participated with the Department of Industry and Resources in paying for the advertising campaign. In 2003 CIC paid 2 million of the campaign's costs. CIC management told us these expenditures were necessary for CIC to fulfill its stated mandate of enhancing economic development in Saskatchewan. We also noted that CIC's 2003 annual report states that its mission enhancing Saskatchewan's long-term economic growth and diversification through Crown corporations.

However the CIC Act does not explicitly state that this is CIC's mandate. It is not clear whether making expenditures for the general purpose of enhancing economic development is consistent with CIC's objects and purposes. Accordingly it is not clear whether CIC has the authority to make expenditures related to broad advertising campaigns such as the Our Future is Wide Open campaign.

In chapter 7 of our 2004 report volume 1 we recommend that CIC should ensure its stated mission and its legislation are consistent. We are carrying out further work regarding the expenditures made by the government for the Our Future is Wide Open campaign. We are examining how this program was coordinated by the Department of Industry and Resources and CIC. As part of that work, we are examining whether there is adequate support for payments and what the government obtained for the money it spent. We expect a report on this work this fall.

That ends my comments, except to say we would be pleased to answer any questions from the committee.

The Chair: — We were going to go with Mr. Waller, but he had something . . .

Mr. Elhard: — No, that's fine.

The Chair: — Are you sure? Okay. Mr. Waller.

Mr. Waller: — Thank you, Mr. Chair. First let me indicate to the committee that I have John Amundson, our comptroller sitting with us this morning. With respect to the Provincial Auditor's report there are two recommendations, the first dealing with the requirement of obtaining orders in council to support or authorize sales of real property. We will review the recommendation of the Provincial Auditor and will provide a report to this committee in the future on the steps undertaken.

There is I think some disagreement in terms of legal principles with respect to the authorities given to a parent and that of a

subsidiary. But as a matter of practice, what we will endeavour to do is obtain orders in council to support sales of real property within subsidiaries. I think the one matter referred to was primarily an oversight, but as I say we will establish a practice to ensure that we do obtain orders in council in the future.

With respect to the matter of setting a single dollar limit to obtain orders in council on individual sales, limits have historically been set at different amounts as a result of the different types of businesses that have been engaged in. An acquisition of real property by the Saskatchewan Transportation Company, for example, may well be an unusual occurrence. The acquisition and disposition of real property by SaskPower, which might well include transmission rights, that's an everyday occurrence. And so what . . . as I say, historically there have been different limits set for individual Crown corporations, but we will undertake a review of that and will report back to the committee.

With respect to the second recommendation, let me say two things. First, there was legislation introduced in the spring session that I believe dealt with the concern as to whether CIC's mission and its legislation lined up. That was done not as a matter of law, but in order to clarify the situation, so I believe that we've already dealt with that part of it. In terms of the Wide Open Future campaign, CIC believes that it had the legislative authority to make the expenditures in the prior year, but as I understand, the Provincial Auditor will have a further report on that matter. We can presumably deal with it at that time.

The Chair: — Thank you, Mr. Waller. Any discussion? Mr. Elhard.

Mr. Elhard: — Thank you, Mr. Chairman. Good morning to the officials from the Provincial Auditor's office. I appreciate your attendance here today as well.

The dollar amount that has become sort of the subject of early comments now, does the auditor's office have a dollar figure in mind that they believe would be appropriate to address the sort of uniform benchmark or threshold that they have suggested?

Mr. Wendel: — Mr. Chair, no, we don't have a particular dollar amount in mind. We just notice that there's large amounts for some and smaller amounts. But there's some as low as 150,000, some as high as \$1 million. So we just wondered whether they should explore and see what the reasons were. And if there's valid reasons for that, that would be fine.

Mr. Montgomery: — Just some examples, for example, SaskPower's limit is 150,000 and SaskEnergy's limit is 1 million. There's different, you know . . . And I think we need to look at that and see if they should be consistent. And I think CIC had agreed to, you know . . .

Mr. Elhard: — Are you worried about confusion and the possibility of breaching these kinds of provisions because of so many various levels? What is your primary concern in making this recommendation?

Mr. Montgomery: — Our concern is the parent company has a requirement to obtain an order in council for a said limit. And

we have had instances where the subsidiary of a parent has actually purchased or sold real property without any order in council approval. The primary concern from our point of view is we think that the subsidiary cannot have greater powers than the parent.

Mr. Elhard: — So if I would take this interpretation away — correct me if I'm wrong — your concern isn't really so much related to the value that's been established to buy and sell real property. The issue is the legality of whether or not a subsidiary can pursue its business based on values that may or not . . . may be more or less than the parent company. There's a legal question. I think Mr. Waller referred to differences of opinion in terms of legality.

Mr. Wendel: — I think that would be a fair statement, Mr. Chair, that there is a difference of opinion on that.

Our opinion is that if you follow the opinion that a subsidiary could have more authority than its parent, that wouldn't . . . there just seems to be no benefit for the Legislative Assembly to put limits on the parent because all the corporation would do is create a subsidiary and bypass the controls that the Assembly has put on.

But certainly there's legal arguments both ways that . . . It's certainly within the authority of a subsidiary to do what it's done. And I've seen those legal opinions and we're just coming at it from a matter of principle.

Mr. Elhard: — Well it would seem to me that the recommendation to establish a uniform or a benchmark dollar figure is really not the important issue here. It's establishing in law that subsidiaries cannot do more than or be allowed to do more than their parent companies and that might be a more important effort on behalf of this committee or the legislature than trying to find some uniform standard that would benefit everybody. I mean uniformity is going to be tough to achieve given the different kinds of activities the various Crowns are associated with.

And you know, I will accept Mr. Waller's argument that, you know, for STC their needs may be significantly different than SaskPower's, but you wouldn't want a huge opportunity to divest or buy real property for STC that would be comparable to SaskPower's. So you know the other principle I think is something maybe that ought to be pursued.

Mr. Wendel: — Mr. Chair, I can refer you to page 117 of our report. The very first item this committee — or this previous committee — had recommended that the government should clarify the law to require CIC and its Crown corporations to obtain order in council approval before purchasing or selling real property through a subsidiary. So there has been a recommendation to this committee along those lines and that recommendation is still outstanding. That's why it's on this particular list and CIC is to come back to your committee to talk about this.

Mr. Elhard: — Then I take it the ball is in your court, Mr. Waller. What is your anticipated response to the recommendation?

Mr. Waller: — As I indicated, Mr. Chair, before as a matter of policy we are, and indeed have implemented that although a formal policy has not yet been issued. The matter is perhaps more complex than it first appears because it's not just an issue of a Crown corporation and its direct subsidiary, but if you look into some of the other Crown corporations the subsidiary of the Crown corporation may also own real property and there may be varying degrees of ownership as you go down the chain. So it is a somewhat more complex issue than it might first appear.

And if one looks at some of the corporations — Investment Saskatchewan for example — it invests in other entities and one would want to be cautious not to, through the implementation of a statutory provision, inhibit the ability of those corporations in which Investment Saskatchewan acquires an interest from conducting business in the ordinary course.

As I said, we have as a matter of policy implemented this. It has occurred, as I understand it, twice in the last number of years, and in one of those two cases it actually was a subsidiary of a subsidiary. But in the future we will endeavour certainly to ensure that there are orders in council obtained.

Mr. Elhard: — Is there opportunity to make an exception for Investment Saskatchewan, or is that even a practical recommendation? I mean given the issue you just talked about, would it be possible to offer some possible exception to that by Investment Saskatchewan but establish a very clear benchmark for the rest of the grounds?

Mr. Waller: — It would be a complex piece of legislation potentially, in terms of its application. I think that the . . . It may well be one of those areas where if we rigidly adhere to the policy, you will not need to complicate matters through specific legislation.

The Chair: — Any further questions? Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I find it interesting to note that in both cases that the auditor reports, it deals basically with the same entity. It deals with the storage, potato storage — both the purchase and the sale of them. And there has been difficulties with that file from day one. In fact one of the ministers had to apologize for misleading the House on that particular issue.

And so I think that in some of these cases there is a need for disclosure or for order in councils for the sale and purchase. And I noted, Mr. Waller, that when you mentioned these issues, you talked about sale. But I think the auditor's report refers to both purchase and sale, and I think it's important to note that it deals with both sides of that issue, not just the one.

And when Investment Saskatchewan is involved with various corporations, in perhaps holding shares in those rather than a direct equity position where they are, you know, a 50 per cent owner, let's say, and intimately involved in day-to-day management of the corporation, is different than having shares in the corporation, say Cameco shares, where they would . . . Cameco would transact its business as a legitimate entity without having to deal with order in councils. But where CIC or a subsidiary is part of the day-to-day management of a corporation, then I think that an order in council at some level is

appropriate.

And as you pointed out, some corporations, a \$150,000 transaction is a large transaction whereas for other corporations they are a daily occurrence. I think those kind of things can be taken into account. But I think the principle of it though, that at some level CIC and its subsidiaries should get an order in council which makes it public — the transactions that are taking place — what's the difficulty there?

Mr. Waller: — Mr. Chair, in my experience, shares are the equivalent of equity; that's what equity is. I think what the member is talking about is likely situations where the Crown corporation or a subsidiary exercises some degree of control over the management of the business.

What I've said is that we accept that as a matter of practice on a go-forward basis that we will endeavour to obtain orders in council. And I do apologize that I should have made it clear that when . . . That will apply both to purchases and sales.

Mr. D'Autremont: — Mr. Chairman, Mr. Waller, while to endeavour to carry forward with these practice is laudable and welcome, at the end of the day there is nothing that says you have to do them. If for some reason CIC or a subsidiary decides not to seek an order in council, then there is no legal requirement for them to have done so. There may be for CIC but for the subsidiaries there may not be. And I think it should be consistent as the auditor has pointed out what should be, what is there for the parent should apply to the subsidiary corporation as well.

And we've seen evidence of this in the past, where CIC or the individual Crown corporations had to present their annual reports to the board whereas the subsidiaries did not have to. And that distorted the picture of the corporation that was being presented to the board. That was later changed because of concerns raised by the Provincial Auditor, concerns raised at this table by the Crown Corporations Committee, concerns that were raised in the legislature, that the disclosure for the subsidiaries should be as stringent as it is for the parent corporation. And I think this is another example of that — that the rules that apply to CIC should apply as well to CIC's subsidiaries.

Mr. Waller: — Mr. Chair, I think that some of those improvements that the member has noted were actually implemented as a matter of policy rather than statutory provisions. And so I think that this could well be a parallel situation, where we will ensure that orders in council are obtained.

The Chair: — Now we have Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. My question is simple. Since this recommendation was made a year and a half ago or so, have there been any purchases or sales of real property that have not, you know, over the limits, that have not received order in council approval?

Mr. Waller: — Certainly none that we're aware of, no.

Mr. Yates: — Thank you.

The Chair: — Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Just like a clarification on some comments made by Mr. Waller concerning Saskatchewan transportation corporation. And he made reference to the buying of equipment, and I believe he said that that would be an everyday expenditure. And I'm just wondering with the equipment that STC (Saskatchewan Transportation Company) would be purchasing or run into many hundreds of thousands of dollars, and just like to get your comment on that. And I feel that those types of expenditures possibly should fall under the review and also get order in council approval as well.

Mr. Waller: — Mr. Chair, if my earlier comments were directed towards acquisition of equipment, then I apologize. My understanding is that I was addressing issues of real property. The real property is by and large treated as a different category under the legislation than the purchase and sale of equipment.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — I have a question for the auditor. Your recommendation is that CIC should review the limits over which CIC and its subsidiaries must get an order in council. Would not CIC be in the position to implement that as a policy but not in a position they could make a recommendation to Lieutenant Governor in Council to have it in statute? But would not that be the purview of the Lieutenant Governor in Council and cabinet to implement that?

Mr. Montgomery: — I think it's an opportunity for CIC. When we look at the levels, we don't understand, for example, why the level would be different from SaskPower up to SaskEnergy and some of these. We do understand that for some there may not, you know, there may be so many transactions that — for example, for SGI — that, you know, it's too cumbersome to put all of it in there. We're not saying that all of the limits should be the same. We're simply saying that you look through and see whether the limits are appropriate.

Now as to changing them, as I said, some of them are set in a statute and some of them are set by order in council. So there is . . . Once you've done that review, if you need to change any then you'd have to go to the relevant statute or the order in council, depending where the limits are that need to be changed. We think there's just an opportunity there — in addition to the parent-subsidiary issue — there's an opportunity to go through, look to those, make sure they're reasonable. And if there's rationale for different limits, then we're perfectly acceptable with that.

Mr. D'Autremont: — But the responsibility to do the order in councils or to make changes of statute would be that of the government, really. CIC can make a recommendation but the responsibility lies with the government? Okay, thank you.

The Chair: — Just before Mr. Yates, we have two recommendations by the Provincial Auditor which the committee needs to deal with. And it appears to me that the process, it appears to me that the process is that we can either concur with the report and note compliance, concur with the recommendation and note that the department intends to apply, or we can disagree with the recommendation or that sort of

thing. So just to focus where we intend to go with this. Mr. Yates?

Mr. Yates: — Thank you very much, Mr. Chair. I'd like to move on recommendation no. 1 on page 109 that we concur with the recommendation and note progress towards compliance.

The Chair: — Okay.

An Hon. Member: — I'll second that.

The Chair: — I don't believe a second is a required. But we have a motion on the floor. Mr. D'Autremont?

Mr. D'Autremont: — Yes, I have another question in relationship to that.

The Chair: — With regards to the motion?

Mr. D'Autremont: — Yes, it deals with . . . well the issue being raised by the motion.

The Chair: — Okay. Well let's see how it goes. Make sure it's in order.

Mr. D'Autremont: — This recommendation, a similar recommendation came forward in, what was it, 2001? Yes, from the Spring Report of 2001. And, Mr. Waller, you've said that CIC will review this and bring it forward again. I'm just wondering what kind of a timeline, since this was — the third report was tabled on December 9, 2002; we're now at late September 2004, almost two years later — what kind of a timeline your, CIC is looking at to come back with a review, a report on the review of this.

Mr. Waller: — A considerable portion of that work has already been done. It is likely that we will have something that we could present to the committee at your next session scheduled for October.

Mr. D'Autremont: — Okay. Thank you.

The Chair: — Okay. Any further debate on the motion? Okay. The motion is that the committee concurs with the auditor's recommendations and notes that the . . . note progress on the implementation. Recommendation 1, yes. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried.

We now have recommendation no. 2. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would concur with the recommendation and note compliance.

The Chair: — Okay. It's been moved by Mr. Yates that the committee concur with the recommendation and notes compliance. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'm looking at the same issue that Mr. Yates just raised. According to the auditor's

report, in one place it says, on page 109:

Management told us that these expenditures were necessary for CIC to fulfil its stated mandate of enhancing economic development in Saskatchewan.

And that was the expenditure of \$2 million for the Future is Wide Open campaign.

On page 110 of the report, it says:

CIC's 2003 Annual Report states that its mission includes enhancing Saskatchewan's long-term economic growth and diversification through Crown corporations.

One of them says that it's enhancing economic development in Saskatchewan and the other says enhancing long-term economic growth and diversification through the Crown corporations, which are very similar statements but not quite the same thing. I wonder if the auditor has an opinion on that difference, the one being fairly broad — enhancing economic development — and the other one is doing it through the Crown corporations. Does that include advertising, as in this particular case, which is being paid for by the Crown corporations but is not being done through the Crown corporations?

Mr. Wendel: — Mr. Chair, I don't think there'd be any particular difference to what we intended when we wrote this. This meant the same thing, what appears on page 109 and what appears on page 110. We didn't intend to signify a difference.

The Chair: — Mr. Elhard.

Mr. Elhard: — I noticed in your report on page 110 regarding the Future is Wide Open campaign, you're saying here that your work will continue and that as part of your work you're going to examine whether or not there is adequate support for payments and what the government obtained for the money it spent. How are you going to do that? I used to sell radio advertising. I know the challenge I had as a salesman proving this kind of thing. How is the auditor going to do that?

Mr. Wendel: — Mr. Chair, what we will be looking for is what does the government agencies have on their records as to what support they had for the payments they made. Did they have proper invoices? Did they know what they bought? As to whether or not the advertising was successful, is that what you're getting to?

Mr. Elhard: — How do you judge the results?

Mr. Wendel: — We will not judge the results. We'll be looking to say, have they, do they have information to know whether this has been successful? Are they tracking it? As to whether a program's successful or what it does, that I think is a matter of policy. I think people need to know what the results were and one person will argue that was good results and somebody will argue that's not very good results, and I think that's a matter for legislators and the public to debate, not me to form a judgment on that. But I will look to see what is there, that they do have information.

Mr. Elhard: — It's not the role of your office to suggest

benchmarks by which the success or failure of that may be judged?

Mr. Wendel: — I think they should have measures to know, and I think they should tell you what those measures are. And they should have their own targets as to what they think is sufficient, and that's what should come forward to this committee. And I mean that with respect to all services that they offer, not just this particular one.

I mean it's important to know what it is you're trying to achieve, how you're going to measure that, and what targets you've got. And I think corporations are moving in that direction. They've made substantial progress telling you what they're trying to achieve, and they've set up some targets. I don't know what the results are here. I haven't seen the work that's done yet; it still has to go over my desk.

Mr. Elhard: — Are you satisfied that the legislation that was introduced and passed this spring in response to your recommendation meets the objectives?

Mr. Montgomery: — Yes.

The Chair: — I take that as a yes, just to make sure that it's on the record. Okay, thank you. I have Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Just your final comments from the auditor, that we will report our findings in a future report concerning Our Future is Wide Open campaign, could you give us a timeline of when that will be completed?

Mr. Wendel: — The timeline is to have it in our Fall Report Volume 3, which will be released late November, early December.

Mr. Weekes: — Thank you.

The Chair: — Okay. Oh, Mr. D'Autremont.

Mr. D'Autremont: — Yes, I'd like to ask Mr. Waller the same question I asked the auditor dealing with the difference between . . . In your vision statement for CIC it says, ". . . and is a leader in facilitating economic growth." And your mission is, "enhance Saskatchewan's long-term economic growth and diversification through Crown corporations."

Does this partnership with the department — which one was it now? — Industry and Resources, with the Future is Wide Open campaign, meet that requirement of economic growth diversification through Crown corporations?

Mr. Waller: — Well we believe it does. But the other complicating factor is that, is during the year to which this report relates, this calendar year 2003, that Investment Saskatchewan was established as a separate entity. And as a result of that, the mission of CIC was changed to the more narrow mission that you focused on. So part of the explanation for that may well have been the change in the mission of CIC itself during 2003.

Mr. D'Autremont: — Would it not have been possible for the government to obtain the same financial support from CIC by

increasing the dividend from CIC by the \$2 million and having done the entire advertising campaign through Industry and Resources? Is this just not a manner in which to hold off the notification of the expenditures from the legislature for a year? Rather than it appearing in the budget for the 2003 year, it now appears in the Crown corporations' annual reports at the end of 2003 rather than at the beginning where it would have been under the budget process of the government and the departments of Industry and Resources.

Mr. Waller: — Well certainly it remains an option for government to ask the Crown Investments Corporation to declare a special dividend, and so long as we meet the tests that are applied to the declaration of dividends, there is some ability to respond. And indeed in the current year we have responded in that fashion by declaring a special dividend, the purpose of which is to assist in the 2005 celebrations.

In terms of the balance of your question, I think I'm likely the wrong person to put that to.

Mr. D'Autremont: — Well the minister isn't here today to ask that question to so you're the person on the hot seat.

In reality what this is, is simply another form of taxation. But the taxation is not applied broadly and generally to taxpayers in this province, rather it's applied to the ratepayers of CIC and its subsidiaries. Now they may be very much the same people but they don't reflect the same ability generally to pay that is built into the tax structure of the province. And I view this simply as the government using the Crown corporations, CIC, as a taxation vehicle to do something that should have been done through the General Revenue Fund, through the departments, through taxation.

Now some of that money can have arrived in the General Revenue Fund through dividends from the Crown corporations but that would have been stated then in the budget initially, through the dividend that was prescribed in the budget. But this was additional to it and then shows up later in the books of the Crown corporation certainly, but didn't show up in the budget initially for the General Revenue Fund for the year.

And I think it was simply a method of diverting knowledge of the Future is Wide Open campaign and the actual cost of that campaign to a later date. And I believe that it's the wrong way for CIC to be involved in these kind of adventures, but rather it should be done through the General Revenue Fund and through the dividends paid by CIC to the General Revenue Fund, if that's what the government decides to utilize those monies for, rather than through CIC directly.

The Chair: — Just before I go to Mr. McCall, we do have a motion before the committee and I would ask that the comments be related to the motion. We will have an opportunity to discuss wide-ranging matters with CIC following the dealing with these recommendations. So I would ask members to bring their comments directly to the question before the floor, before the committee. Mr. McCall.

Mr. McCall: — I take your advice into good account, Mr. Chair, and I will hold my fire for now.

The Chair: — Okay. Did you have something you wanted to add, Mr. Yates, relative to the committee?

Mr. Yates: — Mr. Chair, my comments were going to be asking the relevancy of the previous comments made by the member opposite to the motion on the floor.

The Chair: — How very prescient of you.

Any other discussion on the motion before the committee? Okay. All those who agreed . . . All those in favour of the motion? Is that agreed? That is carried.

Thank you, members, and thank you, Mr. Wendel, for presenting those two recommendations.

The next item or to resume the discussion or the business before the committee is the annual report of CIC and any other questions that members may have either for the Provincial Auditor or Mr. Waller. Mr. Elhard, and then . . . Actually we should go with Mr. McCall because he did back off on that. Mr. McCall.

Mr. McCall: — I guess, just in listening to the comments previously of Mr. D'Autremont, it's always sort of interesting to consider the fees that people pay for their services under the Crown corporations as . . . I'm always interested to hear people refer to that as a matter of being indirect taxation. And I guess, you know, how you would assess that is by one, comparing how . . . what rates we pay here in Saskatchewan for these services and how they compare to the rest of the country. And then two, you know, if these utilities were be providing . . . being provided by somebody else, say a private utility, where would those dividends then go if not to general revenue?

So I guess, Mr. Waller, if you could give us some idea as to where we stack up in a general sense in terms of the rates we pay in Saskatchewan for the utilities that are held as part of CIC's holdings. And then in terms of, you know, if something like SaskPower was say in private hands, where would the dividend go from SaskPower if it was to be privatized.

Mr. Waller: — In terms of the overall cost of utility rates, at the present time we are the second lowest in Canada behind only the province of Manitoba according to our calculations.

With respect to a privatized SaskPower, the benefits of ownership would accrue to its shareholders, which is to say that any dividends declared by SaskPower would be to its shareholders if it was a widely held, publicly traded corporation or the modern . . . A modern investment vehicle is some of these energy trusts that were mentioned yesterday, and in that case the revenues of the corporation would be distributed to the holders of units in the trust.

Mr. McCall: — So just to recap then. We have a fairly decent level of . . . In terms of the fees that we charge for these services through our utilities, we stack up very well in a national sense, and those dividends go into the general revenues to offset or to defray the cost of public services and provide jobs for Saskatchewan people and keep those head offices in Saskatchewan.

Mr. Waller: — All four of those points are correct.

Mr. McCall: — Thank you.

The Chair: — Okay, Mr. Elhard.

Mr. Elhard: — Thank you. I think we're going to want to come back to the subject matter that's been opened by Mr. McCall, but not just yet.

I do have some more questions for the Provincial Auditor's office. And if I may, I'm going to take the liberty to go back to the reports of 2003 because I don't even know if we actually covered those in their entirety.

But I was looking through volume 1 of the 2003 Report, and this is germane to a rather lengthy discussion we had with the minister and the officials from CIC concerning the importance of having third party participants, people who are providing advice to CIC as third party specialists or experts whose information may be jeopardized, whose professionalism or whose ability to do their job might be jeopardized by having the information that they provide to CIC become public knowledge. And I think it was suggested that we wouldn't want that to happen for the very reason that third party specialists wouldn't want to participate if they knew their recommendations would become public.

But if I look on page 179 of volume 1, 2003 Report, something jumped out at me from the auditor's report at that time where it says — and I think it's a discussion on this very issue — that the government need to be accountable for their spending and their initiatives, their investments, and so forth and that we want a process that ensures, and I'm quoting here:

. . . public business is made public (this is from the auditor's report) unless disclosure impairs personal privacy or the economic interests of the Government or a third party.

I highlighted the next sentence, however. It says:

Where public disclosure would impair those economic interests, it is important that legislators still receive the necessary information, but in private (in camera), to hold the Government accountable.

Now having highlighted that, I think that sentence actually addresses specifically the concerns that were raised yesterday in terms of third party advice to government agencies. And you know, we dismissed the concerns where that advice is not taken and the government doesn't act on it. But if I understand this correctly, the auditor's office is suggesting that where third party advice is taken, it's important for this committee at the very least, if not the broader public, to have access to that information and that in order to safeguard sort of the integrity of the advice or the sources from which the advice comes, that information could be, ought to be, provided to this committee in an in camera session. Is that . . . am I reading you correctly and is that the focus of this particular comment in that report, do you recall?

Mr. Yates: — I'd like to ask if those chapters being referred to

have been previously dealt with by this committee, and they have. Why are we returning to information and recommendations voted on by previous committees? And what's the appropriateness of that?

The Chair: — I think it's working. I take the member's interjection. It's any matter that the committee decides to review — even if it has been reviewed by prior committees — is in order if that's what the committee wishes to do. So at this point the committee has not expressed a desire not to look at that, and so it is in order for these questions at this point. If we decide to curtail the discussion, then that would have to be achieved by motion and an expression of the majority of the committee, which has not occurred at this point. So I rule that the question is in order.

Mr. Wendel: — Yes, Mr. Chair. I don't have that report in front of me but if I'm going from memory here, and yes, my memory is that that dealt with payee information, getting information out as to who received money from Crown corporations and how much they received. And we were putting out what we thought should be publicly disclosed. Now the committee discussed this matter and came up with what they wanted to have in the way of disclosure. And they . . . I understand that information was tabled yesterday.

Now we have still got some concerns with that information that was tabled yesterday, and we'll be making a report to your committee telling you what we think about what's been presented. We think it's a very good first step, and one of the things we promised this committee was we would monitor that and make sure that over the next year or two everything got off properly and . . . because it's a new process. And then we would end up with the right, you know, good information coming forward.

So I expect to have something before you in two weeks. But we were suggesting in camera disclosure here because in the event there was good and valid reasons for not disclosing something, that the corporations decide they have good and valid reasons and it would seem to impair economic interests, then this committee would then have the right. Now the previous committee discussed this and decided against that, so that's where that stands.

Mr. Elhard: — So I would assume from your comments that you still have some concerns with it. Would you continue to recommend going forward that this kind of capability be assumed by this committee?

Mr. Wendel: — I think what I'd like to do is now that we actually have some disclosure . . . And I think we were looking for some way around this business of what evidence needs to be presented to prove economic harm, okay, and I haven't been presented any at this time. And I'd like to just work through the process, and if we still think this should be the case, I'll certainly come back to this committee.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you. In the 2004 Report on some of the issues that have already been raised here, I have a question for Mr. Waller. The September 12, 2003, Investment

Saskatchewan sold a potato storage facility for \$900,000 and that was the issue that was raised about the lack of an order in council.

I'm just wondering who was responsible for that sale? When did CIC become privileged to the information related to that? And when . . . If that was passed on to the minister, when did that happen?

Mr. Waller: — Mr. Chair, we'll have to undertake to look into that. I don't have those answers at hand now.

Mr. D'Autremont: — If you could bring that back perhaps to our next set of meetings in October.

Mr. Waller: — We should be able to do that, Mr. Chair. Yes.

Mr. D'Autremont: — Okay, thank you.

The Chair: — Any further questions? Mr. Elhard.

Mr. Elhard: — I just want a brief response. I'm looking on page 117, 118, 119 on the outstanding recommendations being made. If I looked at the summary correctly, we've got five of the recommendations that have not been implemented, three that are partially implemented. Can you comment on the need to get some of this stuff happening a little more appropriately and timely? Is there some urgency from your position or perspective?

Mr. Wendel: — Mr. Chair, on these recommendations, this would be as the information we had available to us last spring. Now I can't tell you whether some of these have now been corrected. But yes, they certainly are important recommendations. Any recommendations of this committee are important, and they should be dealt with in a timely way.

Mr. Elhard: — Are they important just on the basis of principle, or are there urgencies associated with them?

The Chair: — If I could just interject, members, the business before the committee is the review of the annual report for Crown Investments Corporation. Some of the recommendations that we're talking about is . . . I don't know if officials in the Provincial Auditor's are actually prepared to deal with those further recommendations here today. They were not advised that that's what they were expected to do, so perhaps we should . . .

Mr. Elhard: — Move on.

The Chair: — Move on to some other matters that . . . I mean, unless Mr. Wendel wanted to give an answer to that.

Mr. Wendel: — Well before I would comment on urgency, I'd like to look at each particular one . . .

Mr. Elhard: — Sure.

Mr. Wendel: — Since some would be more urgent than others.

The Chair: — Okay.

Mr. Wendel: — Yes.

Mr. Elhard: — Well then I could ask the same question of Mr. Waller. I think that, you know, part of CIC's obligations are to respond to the recommendations of the auditor and I notice that . . . well, I'll make the same notice that there's more that have not been implemented than those that have.

And I'd like to know from CIC's perspective what we can expect from the organization in response to these recommendations and how timely and how fully compliant might CIC's response be.

Mr. Waller: — I think, Mr. Chair, that we've already dealt with those recommendations that apply directly to CIC. And I think if we were to attempt to prioritize them, perhaps the most important one would be the public disclosure payee information. At least that's the one that has occupied the most time of our office and that of the Provincial Auditor so that I think that the committee now has that information and the Provincial Auditor has indicated that, as I understand it, he views this as the first step in a process that may be ongoing for some time. We've, I think, dealt to the satisfaction of the Provincial Auditor with the issue of the legislative authority to make certain expenditures. We've indicated that in respect to the policy or the recommendations on requiring order in council approval on purchases and sales of real property, that that is being implemented as a matter of policy.

The next recommendation, 11.4, those issues have been dealt with by the implementation of a policy and insofar as we're aware, there's been 100 per cent compliance with the policy since the committee's recommendation.

We can't speak to those issues that relate to SaskPower today, but certainly we can obtain that information so that if the committee wishes when we return in October to get an update on it, we'll be able to respond to it. Or as an alternative, you can raise that with SaskPower when that corporation comes before the committee.

And I think most of the remaining issues are either not CIC-related issues or they apply . . . Well they're simply not CIC issues.

Mr. Elhard: — I think the committee is appreciative of the extra accountability provided by CIC in the release of this information, the statistical information, regarding expenditures made by the Crowns and so forth. It is a good step forward in terms of public accountability for public dollars. And I don't think that, you know, this type of thing would have happened without the express desire to see it happen by this committee and its various forms in the years previous.

And it goes, I think it goes very much to the issue of accountability and transparency that we talked about yesterday, the demand of the public for more information. It's certainly true in the private sector; it's going to be even more true in the public sector. And there are some unique challenges in terms of public sector investment and expenditure, but nevertheless that doesn't undermine the public's serious right to have this kind of information.

So you know, what has been provided I think we're grateful for. There are some concerns you know. We looked at the salaries that were paid to senior public services . . . servants rather, and what we found is, compared to the report from a year ago the numbers are bigger but there's not a lot more detail. And I think we have some questions about that that we'd like to pursue with you this morning if my colleague would be allowed that opportunity.

The Chair: — Members, we're getting close to the time for a recess. Would it be appropriate for members if we take that break now? Is that agreed? Okay, we'll recess until 10:25 sharp. Thank you.

The committee recessed for a period of time.

The Chair: — Thank you, members. We will reconvene the committee, the Standing Committee on Crown and Central Agencies. From discussions I understand that we will now narrow our focus to the Crown and . . . Order. Order. Order . . . the Crown Investment Corporation annual report 2003. And before we re-continue on that aspect, I understand Mr. Waller has a comment that he'd like to make.

Mr. Waller: — Thank you, Mr. Chair. There was a question asked yesterday as to the date of the CIC board meeting to fix the dividend. And I can advise the committee that the date was February 19, 2004.

The other matter that the minister undertook to look into yesterday was release of CIC's dividend policy. I have copies of the policy to file with the committee today. I would simply ask you to note that that is an internal document that was not widely circulated, and its purpose was to provide guidance and advice to Chairs, CEOs (chief executive officer), and chief financial officers of individual Crown corporations and to provide guidance to the CIC board and its executive. But we will have and do have copies of the policy for filing with the committee.

The Chair: — I'm just advised that once a document has been tabled it does become a public document.

Mr. Waller: — That's not an issue. I just simply wanted to make sure that members of the committee understand that that was prepared as an internal document. Generally speaking those kinds of policies have not been circulated widely in the past, although there was one other policy dealing with a different subject matter that was tendered before the committee some years ago.

The Chair: — Okay. Thank you, Mr. Waller. Mr. Elhard.

Mr. Elhard: — On behalf of those of us from the official opposition, we want to express our appreciation for your quick response to the request for access to this policy.

I think it's an important part of the record that this committee has worked to achieve, you know, considerable transparency. I think this is an indication of the success of that effort and I hope it's just the beginning of much more good work we can do toward that end. But we appreciate your response and your willingness to share it with us, and we'll look forward to reading it. Thank you.

The Chair: — Open the floor to any general questions on the annual report. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. On page 120, dealing with the recommendation for payee information from the report, at the centre of the page, employee remuneration, it says:

A list of all employees and the amounts (that) they were paid for salaries, and other expenses with a minimum threshold of \$50,000 . . .

Mr. Waller, first I wonder if you could give a definition for us that CIC is using for the term salaries.

Mr. Waller: — Perhaps I'll turn that over to our controller and he can provide you with the definition used.

Mr. Amundson: — The definition used for salaries was amounts T4'd during the year. So that would include salary, benefits, car allowances — any amounts that were T4'd including taxable benefits.

Mr. D'Autremont: — Okay, thank you. To the Provincial Auditor: what's your definition of the word salaries?

Mr. Montgomery: — It's the same.

Mr. D'Autremont: — Okay, thank you.

Mr. Waller: — For clarification, when we're talking salaries, we're talking base salary plus overtime pay and all other types of payments made.

Mr. D'Autremont: — That was where I was going with my next question. I wonder if you could give us the list of all those kind of items that are included in those amounts under remuneration in the information you provided us yesterday on salaries. What base amounts and what other things as well that are included in those numbers.

Mr. Waller: — Do you want me to itemize them at this point?

Mr. D'Autremont: — If you could, that would be fine.

Mr. Waller: — Okay. There is some variation from corporation to corporation since not all benefit plans for executives are identical among the corporations. Also there are some differences among individual collective agreements among the corporation. And the material that has been disclosed discloses all employees receiving \$50,000 or more in terms of the total remuneration, so there are a number of in-scope employees included within the list.

But they would include regular or base salary; overtime; to the extent that an individual has received vehicle and mileage allowance or payments, that would be included. There is a cost in there of any health care or flexible spending programs; vacation pay paid out in cash would be included in that; pension payments. If there was any kind of a bonus plan in effect, they would be included within the number. And then there would be miscellaneous taxable benefits. If the employer subsidizes parking, for example, that's a taxable benefit. And the employer's contribution towards health coverage plans or vision

care drug costs, those would all be included.

Mr. D'Autremont: — Thank you. When we look at the numbers, well the numbers are bigger than what they were in 2002. Looking at the report that was prepared, we see that the salaries or the remunerations are larger, significantly larger than what were reported in 2002. But it doesn't really give us any additional information other than the larger numbers. Because the way it's being reported is it doesn't give us such things as bonuses or, you know, how much taxable benefit accrued to the employee for vehicle usage, etc.

Since I wasn't sitting on the committee I wasn't privy to the committee's discussions prior to this. I'm not sure what the committee envisioned in this reporting. But when I read the amount, when I look at a definition for salaries, it doesn't . . . the *Oxford Dictionary* definition doesn't include all of those things that you have listed. It may include some, but not all. The definition in the *Oxford Dictionary* for salary is, a fixed pay for regular work usually paid every two weeks or monthly. So for regular work. So overtime would be in addition to that. Bonuses would be in addition to that.

I would think that it would be beneficial to the committee and to the public to see some of those things broke out more. I recognize that that may entail more work for CIC in the preparation of this. But I think it would give a clearer picture to the public as to what these remunerations are for — the base salary, which is what was reported in 2002, and then the additional remunerations to an employee, such as the pension and the bonuses and other miscellaneous taxable benefits such as a vehicle or a health plan, or you know, those kind of things.

Has CIC given consideration to providing that kind of information or a greater breakdown of the information that has been provided?

The Chair: — Just before Mr. Waller replies, just so that I'm clear, the Provincial Auditor had a recommendation which the CIC has complied with, and the committee has expressed that we concur with and note that it has been complied with. So I just wanted to make sure that that's . . . so what you're asking for is an expansion on the recommendation, or clarification on the recommendation. So, you know, if Mr. Waller undertakes to do further, it's going beyond what was recommended by the Provincial Auditor. And I think that would need to be an expression of the whole committee.

Anyway, I'll just recognize Mr. Waller and then Mr. Yates.

Mr. Waller: — Thank you, Mr. Chair. It was our understanding that we had responded to the request of the committee. Officials within CIC had a number of discussions with the Provincial Auditor's office, and we did not understand in this area that what we were tendering was anything other than what the committee had asked for.

I think it's also consistent with the disclosure that is provided for members of executive government in the, I think it's referred to as the blue book. And my understanding of the principles underlying the request is that the view previously expressed by the Provincial Auditor, among other things, was that there should be consistency in terms of the standard of

disclosure involving Crown corporations and executive government.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. As a member on the committee when we passed the motion that we did and the resolution on this issue, it is as Mr. Waller has explained. We wanted to see employees in the Crown corporations, their remuneration looked at in the same way as executive government employees. And that's what we have today.

To go beyond that, we would then have to have a very thorough discussion with officials both in the Crowns and, I think, in executive government because it would move into that direction. As to the costs of all the additional work to prepare documents that broke everything out, and is that cost . . . is the end result for cost a value that we'd want to see expensed. And then even the Provincial Auditor's office may well have some opinion on that because that would be significant work — significant work — when you're talking in the neighbourhood of some 25 to 30,000 employees between the Crowns and executive government.

It's not all on the . . . it would require far more work because there's T4 slips to break down some of this, and with each collective agreement being different and each Crown being different and so on and so forth, it is very significant work. In my previous work having worked with these numbers, I can tell you that the government cannot lay their hands on these numbers very easily. It takes significant work.

The Chair: — Mr. Elhard.

Mr. Elhard: — Just to be clear, I don't think we're disputing the figures that you gave us or the compliance of CIC with the recommendations of the auditor's office. There's no doubt that that's been complied with and that you did what was asked of you. So that's not in dispute.

I guess we're just wondering whether we have any additional information. As a result of the new format, do we have any additional information? No, the numbers are just bigger in terms of some of the areas. And if we're looking at trying to provide the transparency that we've talked about that's been requested, it might be beneficial — and I agree it would be subject to a lot more debate around this table — but we're just suggesting that possibly it would be an appropriate thing to consider, that some breakdown be made available that goes beyond the, you know, the sum of the figures that we've got here.

And how that can be accomplished and whether there is a cost benefit to that remains to be decided, I suppose. But it's a suggestion that we thought might be worthwhile pursuing.

The Chair: — Any further questions concerning the annual report? Mr. Elhard.

Mr. Elhard: — Well I think there were some issues that came out of the presentation from the overhead yesterday that I'd like to pursue with the individuals from CIC.

We talked about a variety of things, but something that was mentioned and we never were able to pursue yesterday . . . There was an indication, and I don't have my summary, but there was an indication that the value of debt that CIC carried was transferred to Investment Saskatchewan. Would you elaborate on that and indicate how much that debt might have been?

Mr. Swystun: — Mr. Chairman, before Investment Saskatchewan was spun off as a separate company, investing activities were undertaken directly by CIC, primarily through the corporate entity CIC Industrial Interests Inc., which subsequently was simply renamed Investment Saskatchewan and designated as a subsidiary Crown corporation at that time.

The approach taken to financing investments held by CIC, now by Investment Saskatchewan, has been to target to maintain a level of debt that is self-supporting. And by that I mean where an investment portfolio like Investment Saskatchewan has debt, the objective is to have an underlying asset or assets that are available both to service the interest on that debt as well as to eventually retire that debt. So the strategy has been to avoid situations where equity investments, which by their nature tend to be somewhat higher in risk than loans and which tend to have less predictable cash flows than do loans, finance solely from internally generated funds.

So in keeping with that objective, CIC as it proceeded with asset sales through the latter part of the '90s and the earlier part of this decade, CIC worked towards matching the level of debt with the level of assets that would be available to service and to retire that debt. When that situation existed, we described the debt as being self-supporting. CIC had debt in 2002 and continuing on into 2003, up to the point when Investment Saskatchewan was spun off. At that point, when the assets were transferred to Investment Saskatchewan, the underlying debt associated with those assets, which was slightly under \$16 million, was transferred. So the debt basically followed the assets or the investments that the debt was financing.

Mr. Elhard: — So there was no change in the value, just the way it was designated and the location.

Mr. Swystun: — Exactly.

Mr. Elhard: — The matter of Investment Saskatchewan — would you describe for me again exactly the relationship to CIC and how it's going to operate. Just for clarity's sake, I want a description of that relationship again.

Mr. Waller: — Investment Saskatchewan is a subsidiary of the Crown Investments Corporation, a designated subsidiary under the provisions of The Crown Corporations Act.

Prior to its creation as a separate entity, CIC was staffed by employees . . . sorry, CIC Industrial Interests Inc., as it was then called, was staffed by employees of CIC and it had no separate corporate existence. Its directors weren't members of the public in the same way that directors of individual Crown corporations are members of the public.

At the present time, Investment Saskatchewan has its own board of directors and that consists of a number of individuals

whose background is primarily in the investment area. It has a mandate to make investments that are likely to show a commercial rate of return and it is not subject to controls at the CIC board to the same extent perhaps as even most of the other Crown corporations.

For example, the Board of Directors of Investment Saskatchewan have the authority to approve loans of up to \$30 million without resort to either CIC board or cabinet approval. So it functions as a separate entity whose mission it is to act as an equity . . . as a source of equity capital and thereby provide assistance in the development of the provincial economy, but it is focusing on those investments that will show a commercial rate of return.

Mr. Elhard: — And their first challenge will be to handle or take care, responsibility of that \$16 million debt. Is that right? I mean we've transferred that obligation to them.

Mr. Waller: — We've transferred something in the order of \$600 million in assets and with the transfer of assets also went the transfer of debt that was less than \$16 million.

Mr. Elhard: — Just for the record, I used the term we; it's editorial. We're not taking any credit for that or any of the flak for it. That was a decision made by the current government. Have you got any expectations, any . . . Have you outlined any specific challenges or achievements or goals that you want to see Investment Saskatchewan reach? Have you laid out for them a mandate of expectation?

Mr. Waller: — Investment Saskatchewan is part of the same governance model as are the other nine corporations that fit within CIC's jurisdiction at the moment. So it is subject to the same planning process, the same strategic development process. It has a balanced scorecard and will be expected, within the context of that kind of review, to provide returns to the province through CIC.

Mr. Elhard: — You're talking primarily about governance and operations, but have you got financial goals for them? Have you established that type of an objective?

Mr. Waller: — Part of the balanced scorecard is financial goals.

Mr. Elhard: — Okay, can you tell us what that goal is?

Mr. Swystun: — We don't have the detailed information with us today, and you may wish to question Investment Saskatchewan at the committee if it's on your agenda. I can tell you in general that the financial objectives that have been set are primarily to invest on a commercial basis, as Mr. Waller had indicated.

There is also an existing portfolio of investments, some of what have been undertaken in the past primarily for public policy purposes as opposed to being undertaken solely for commercial returns. And the result of investing on that basis does sometimes mean that the rate of return would be somewhat lower than would otherwise be expected when investing solely on a commercial basis. But there are return targets that are established both with respect to the management of the existing

portfolio of investments as well as going forward as new investments would be undertaken.

A second area of financial performance that would be closely monitored would be the question of whether the debt that was transferred to Investment Saskatchewan is maintained at this self-supporting level that I described. And what constitutes a self-supporting level of debt for Investment Saskatchewan may change over time as the composition of its investment portfolio changes over time.

As loans held by Investment Saskatchewan mature, if they're not replaced with new loans that would meet this definition that I just described, the expectation would be that the proceeds from a maturing loan would be used to pay down debt.

And then finally a third area of financial performance that would be monitored, as is the case with the commercial utility Crown corporations, is in the area of delivering a return back to the holding company by way of dividends.

Now Investment Saskatchewan as an investment portfolio is different than an operating company. Its returns tend to be much less predictable in nature because the returns are achieved as, not only as investments earn profits, but the investee company must be in a position to pay dividends to Investment Saskatchewan. And the same kind of capital allocation process that I described yesterday as it relates to the operating Crown corporations would apply equally to Investment Saskatchewan. The difference being that rather than investing in capital assets that are owned directly by the Crown corporation like a transmission asset or a generation asset at SaskPower, in the case of Investment Saskatchewan, it's an investment in some company.

So the third area of financial performance that's monitored is the dividend aspect. And as I indicated, that's monitored in the context of the unique nature of Investment Saskatchewan's operations as a company that's investing in investments that tend to be in general relatively illiquid in nature, or in other words they're not like your portfolio of investments that are held in your RRSP (Registered Retirement Savings Plan) that can be sold openly on the stock market.

So there's some unique aspects to Investment Saskatchewan's operations that would dictate that while the concepts of the dividend policy that was described yesterday would apply in general, the specific application would be somewhat unique.

Mr. Elhard: — You indicated that the expected return on investment for Investment Saskatchewan may be lower than might otherwise be assumed in an investment fund because of the types of investments and the different policy priorities that are trying to be accomplished through Investment Saskatchewan, which leads me to ask about return on investment.

You know there is a . . . I was looking through the SaskPower report and I think that it indicated that there was a 13 per cent, roughly, 13 per cent return on investment. Is that the kind of benchmark we're trying to achieve with our, generally our utility Crowns? Is that a commonly accepted standard and is it realistic?

Mr. Waller: — There's no single rate of return expected on the whole of that portfolio because of the different nature of it. As Mr. Swystun indicated, there's a group of assets within the portfolio that are not expected to show a commercial rate of return because they were public policy investments to some extent. A fairly significant portion of Investment Saskatchewan's assets are the province's investment in Crown Life and that is in essentially a wind-down mode. So there is . . . there's some expectation of the return of the province's investment and a profit over some range of times. On a go-forward basis, the balance of the portfolio will be expected to show in general terms an economic rate of return which for a venture capital corporation will be above 12 per cent.

Mr. Elhard: — Sorry, what percentage?

Mr. Waller: — Above 12 per cent.

Mr. Elhard: — About 12? Above?

Mr. Waller: — Above.

Mr. Elhard: — Was the rate of return for SaskPower that I indicated, what your understanding is, about 13 per cent?

Mr. Swystun: — SaskPower targets to achieve a return on equity of 10 per cent. Now that's under average operating conditions, and in any given year conditions are virtually never average. Performance will be somewhat higher or somewhat lower based on the inherent business risks. Last year was a low water year, high natural gas prices. And as I think some of the members observed yesterday, the operating profit, setting aside this non-cash foreign currency gain, there was some discussion about the operating profits were in the neighbourhood of about \$70 million. So the return on equity for SaskPower last year, if you like, would have been considerably above the 10 per cent target. However that's not unusual given that couple of years prior when there was another year of low hydro generation experienced, the earnings were considerably lower. And the return on equity that would be realized in any given year would reflect that.

Mr. Elhard: — So the higher return on investment that is reported in SaskPower's annual report is also directly related to the \$113 million paper profit on currency exchange.

Mr. Swystun: — Well the net income in any given year is reflected on the income statement for the corporation. And the financial statements are prepared by management of SaskPower in accordance with generally accepted accounting principles so . . . And then of course they're subject to audit by SaskPower's auditors as well as review by the Office of the Provincial Auditor.

And as I understand it, SaskPower received a clean audit opinion on its financial statements. So the fact that a portion of the profits reflected a non-cash currency gain is reflective of the way in which generally accepted accounting principles measure income.

Mr. Elhard: — This is a pretty good indication that the generally accepted accounting principles don't necessarily reflect realism sometimes. The fact that the paper profit of that

magnitude could result in a significantly higher rate of return would also suggest that SaskPower's rate of return could be substantially under the norm for the next three or four years and still appear to be just about on the 10 per cent target.

So I guess, you know, while the generally accepted accounting principles might have been achieved, the picture that paints is unrealistic and unfortunately creates an impression that may not be substantiated by the facts.

And I just wanted to determine that because, you know, I understand that utilities generally see a 10 per cent rate of return as pretty good. If SaskPower was going to perform at 13 per cent, that's tremendous; but if it's going to perform at 6 or 7 per cent from years hence and still have an average of 10 per cent, we're not seeing the real situation.

Tell me, if you would, the rate of return that is anticipated at SaskEnergy and the other major investments?

Mr. Swystun: — Each Crown corporation has a return-on-equity target that is established through a process of benchmarking in the respective industries. And in most if not all cases, those return targets I believe are disclosed in the annual reports of those Crown corporations.

However, going from memory here, in addition to SaskPower's return-on-equity target of 10 per cent, SaskEnergy also has a long-term return-on-equity target of 10 per cent as well.

SaskTel, which is subject to regulation by the CRTC (Canadian Radio-television and Telecommunications Commission), uses the CRTC's benchmarked return-on-equity calculation implicit in its regulatory calculations, which I believe is in the neighbourhood of about eleven and a half per cent.

And SGI CANADA uses a somewhat different indicator because it does not have debt. It uses an indicator that's common in the insurance industry, which is the net risk ratio and that is simply a ratio that calculates claims liabilities or, more correctly, it calculates premiums earned in a given year in relation to shareholders' equity. Premiums earned in a given year are used as a proxy for claims liabilities because the liabilities would tend to fluctuate from year to year.

So it's an indicator of the adequacy of equity capitalization and the target there is just simply a number. It's a target of 2.5. In that context, a lower number indicates stronger financial health and a higher number indicates less financial flexibility. So there are targets established for each of the Crowns that I just mentioned.

Mr. Elhard: — If I remember correct, the current rate of SGI is 1.6. Is that right? Is that the right figure?

Mr. Swystun: — The net risk ratio?

Mr. Elhard: — Yes. Sorry?

Mr. Swystun: — No, I don't believe so.

The Chair: — Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Just a somewhat general question to the auditor's office concerning doing the audit, in this case with CIC and the Minister Responsible for CIC — how forthcoming and timely is the CIC and the minister in supplying information to your office, and is there any room for improvement in that area?

Mr. Montgomery: — Actually, as I mentioned yesterday, we enjoyed an excellent relationship with CIC. They are forthcoming. We don't always agree with CIC, but that's the nature of the Provincial Auditor and government. But we have no complaints whatever with the co-operation we've had from CIC.

Mr. Weekes: — Has that been an improvement from previous years?

Mr. Montgomery: — During my time it has been a very good relationship and that would be over the last five, six, or seven years. Like any client, personalities change and whatever. There are times when, you know, we don't have as good a relationship. However, we do enjoy a very good relationship and have done for some time.

Mr. Weekes: — If you could just, maybe just briefly describe the process. I assume, I mean, everyone knows that this audit is taking place. Do you supply a list of questions to the particular area and is there a timeline set down when you want this information back?

Mr. Montgomery: — We audit our work . . . Basically the appointed auditor of CIC is KPMG and Bruce Willis is here from them. We operate using an approach that was evolved from a task force between CIC representatives and our office and representatives of the Crown corporations where we sort of . . . protocol was arrived at as how to do our audits. And essentially the direct field work on most audits is done by the appointed auditor.

We also are involved in any matters that are of significance with regards of accounting or internal control. We'll attend all those meetings. We attend all the audit committee meetings, we read the board minutes. So we did like a supervisory type of role similar to . . . almost an identical role to that of Bruce in terms of reviewing the work of the people who work for KPMG.

In addition, for CIC we have a slightly different relationship in that we do some work directly on investments. We decided there . . . A few years back we did the audit directly of CIC and when it changed to an appointed auditor situation we decided we would like to continue our direct role in looking at the investments because we felt that was a risk to the public. And we do that work together with KPMG.

Mr. Weekes: — A question to the appointed auditor is, do you see any room for improvement in the process or the timelines as far as getting the information and doing your work?

Mr. Willis: — As we mentioned before, as well we enjoy an excellent relationship with management and the board. All our questions and co-operation is almost immediate when we're there. There's no delays. We work right in the office of CIC

when we conduct our audit, so we usually get immediate responses to our questions or a one- or two-day turnaround to the information. So I really don't think we could expect much more under the circumstances. We've never had any issue from that point of view.

Mr. Weekes: — Okay, thank you.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you. To Mr. Waller. I'm interested in CIC's involvement in the new wind generation corporation — I can't think of the name of it right now — just wondering what CIC's involvement with that is.

Mr. Waller: — We have no direct involvement in that corporation. It's being done through Saskatchewan Power Corporation. In the area of wind power, investments by SaskPower in generation facilities are subject to review and in most cases approval by the CIC board, so we do see the investment proposals.

Mr. D'Autremont: — So CIC then doesn't have any direct financial involvement. It's done through the subsidiary, SaskPower.

Mr. Waller: — That's correct. Yes.

Mr. D'Autremont: — The wind generation corporation is a subsidiary of SaskPower.

Mr. Waller: — Yes.

Mr. D'Autremont: — Okay. I just . . . That's what I was . . . I wasn't sure if CIC had any direct involvement or not.

A different line of questioning but along the same theme though is, I'm wondering what CIC's role and involvement is in long-term planning and development for the economic growth in Saskatchewan in the areas of energy generation, distribution, and sale, be that SaskPower, be that SaskEnergy, be that wind, be that any other form. I'm wondering what role, if any, CIC is playing in that.

Mr. Waller: — Part of the strategic planning process, the model that's utilized, involves the Crown Investments Corporation and its board setting out the overarching model, the planning document, and from that the strategic plans of the individual Crown corporations flow out. So as a holding company we see in a general way the development of those kinds of industries. CIC also has a role in communicating to individual Crown corporations government priorities, so that if when power is a priority of government, we as the holding company ensure that that is understood and reflected in the planning of, in this case, SaskPower.

We do not at this point in time do the deals, if I can put it that way. We're not the organization responsible for putting together the actual enterprises that you've referred to.

Mr. D'Autremont: — So CIC wouldn't be looking at the North American continent as an economic potential for the various Crowns under CIC — SaskPower, SaskEnergy, etc. —

in terms of what may be the long-term needs of North America for energy consumption and what role Saskatchewan could play in that?

Mr. Waller: — Well in a general way that's part of the strategic planning exercise that a holding company does do. It tries to look at those kinds of things. But on an individual basis, on an industry basis, that's done more at the level of the corporations that are actually involved in that business.

Mr. D'Autremont: — So has CIC then given any direction to any of the Crown corporations to take a look at what potential economic growth there may be for Saskatchewan in dealing with the needs of energy, continent wide?

Mr. Waller: — If I can just have a moment.

The answer to the specific question is no, we haven't given any direction in that way.

SaskPower does look at North American demand for electrical energy and it is part of the North American grid system. There's a system of interconnection between virtually all of the power companies in North America. And there are some limitations on the facilities that we have here in terms of providing electrical energy elsewhere.

But in a general sense, the planning in that area is focused primarily within SaskPower.

Mr. D'Autremont: — So while you have the overarching direction, strategic goals, there hasn't been any specific discussion then with any of the Crown corporations to take a look at the potential opportunities that are available. That's being left up to the individual corporations themselves to look at that if they so wish. Is that correct?

Mr. Waller: — Well as I said, it's part of the strategic planning exercise that the holding company goes through because . . . when you're getting into investments that will involve capital allocation and those kinds of things.

But as a holding company, we don't have the expertise to look into specific opportunities in electrical generation or in the telephone industry. That is left to the operating companies where the expertise is housed.

Mr. D'Autremont: — So if one of the corporations came forward with a proposal to try to seize an opportunity continent wide, what role would CIC play in that?

Mr. Waller: — That would be the kind of investment that would involve a third party review. The Crown Investments Corporation staff would work with the staff of the individual holding company as it prepared to bring that kind of a recommendation forward. The CIC board would review it, both the recommendation from the individual subsidiary corporation, and the third party advice or analysis, and would then provide a recommendation to cabinet.

Mr. D'Autremont: — Okay, thank you. If cabinet came forward with a recommendation and the Crown corporation involved — a recommendation to proceed in some manner of

fashion or another — and the Crown corporation came back and said no, this would not be an appropriate role for the Crown corporation, what role does CIC then play within that venue? Or if a Crown corporation came forward with a proposal and Lieutenant Governor in Council or cabinet said this is not . . . does not meet with our objectives and strategic goals, again, what role does CIC play in that?

Mr. Waller: — Part of the role that the Crown Investments Corporation plays is to provide advice to the Crown Management Board, and through that board to cabinet. So that in the examples that you have given, if cabinet wished to proceed in a particular direction and the advice that came back from a Crown corporation was such that that isn't appropriate, we would certainly be involved in communicating that back to cabinet. And if . . . the process would work in reverse as well; I mean, that's simply part of our role.

Mr. D'Autremont: — Okay, thank you. On another issue, under the Crown sector strategic plan that CIC is involved with, the Premier during the last election campaign made the comment that we have or would have the lowest utility rate package. What role does CIC play in that? Does that become part of CIC's strategic goals and how does CIC involve itself in attaining that if that is one of CIC's goals?

Mr. Waller: — Since that is a government priority, that becomes one of CIC's objectives, and in the planning processes for coming years that objective will be incorporated into the balanced scorecard approach. In practical terms, what we do as the holding company is we monitor the operations of Crown corporations from that perspective and we work with the Crown corporations — in that sense, a coordinating role — to achieve the objective.

The Chair: — Mr. Elhard.

Mr. Elhard: — I guess the mechanics of how that promise is going to work is of interest to us today. And I think in the presentation yesterday it was alluded to, that CIC will actually be the watchdog or the guardian of that promise to make sure that fulfillment becomes a reality.

And, you know, I attended every one of the annual report presentations by the four major Crown agencies and invariably the question of how they would fit in to this promise of the lowest bundle was part of the media questioning. And if I recall, without exception, there was a general consensus among the presidents of the four major Crowns that they tried to produce the best quality product at the most reasonable price and they weren't really that concerned about the promise. It didn't make much . . . It didn't really make much impact in the way they were going to do business.

And so now we have a situation where, you know, SaskPower has indicated a need and the government has approved a significant increase in rates. So how is the average 9 per cent increase in SaskPower's rates going to be addressed by CIC in terms of meeting this promise? Would CIC go to the other Crown corporations and say, well SaskPower is in for a big increase; it's going to hurt the capability of this government to meet their promise; you're going to have to hold the line? Is that the kind of position that CIC would have to take in this

regard?

Mr. Waller: — We are at the present time looking at what steps may be required in order to meet the objective. There's not been any decisions made as to the precise fashion or manner in which we will proceed.

Mr. Elhard: — So are you saying that you're uncertain about your role in the fulfillment of that promise or that the decision hasn't been made yet?

Mr. Waller: — Well, no. In terms of the role to be played by the Crown Investments Corporation, there's certainty there. We will play the dual role that I'd indicated before, which is to monitor the performance and to coordinate the activities of the subsidiary corporations in furtherance of obtaining the objective.

What I indicated is not yet concluded, is what steps may be required in order to achieve the objective of having the lowest cost bundle. I think I indicated earlier today that our analysis suggests that at the present time we're in . . . we're not the lowest, we're the second lowest behind the province of Manitoba.

Part of the difficulties, if I can put it that way, the practical difficulties that we face is that a lot of the determinants of what the position is going to be will be dependent on usage in November and December, and that is temperature related. That's also, the beginning of November, is the start of the gas-year cycle, when the new gas supply contracts generally kick in. So there will be some work to be done as we near the end of the calendar year.

Mr. Elhard: — Is CIC monitoring the progress, the success of this promise, on a daily or monthly basis? Are you doing that kind of monitoring?

Mr. Waller: — I'm not sure that it would be accurate to say that we're doing it on a daily basis. We're certainly doing it on a periodic basis and on a frequent basis.

Mr. Elhard: — I'm not trying to pin you with the political problem on this particular promise; there's plenty of that responsibility to go around.

But you know when I look at the situation, we had the second lowest rates according to the criteria evaluated by an outside consultant, and it looks like going forward we're probably going to continue to have the second lowest rates or maybe worse. Other provinces, particularly our closest competitor, Manitoba, is going to be challenged by many of the same things we're challenged by.

Going forward with a significant rate increase for SaskPower and a fairly significant rate increase for SGI that will likely come into effect early in the new year and with natural gas costs and so forth, you know, at record levels, and our dependency on natural gas given the, you know, the low water levels and so forth for heat and electrical generation, this promise is going to be particularly difficult to keep.

And so I guess what I'm wondering is, you're not going to be

able to wait; CIC's not going to be able to wait to kind of make this redress or rebalancing of the various utility costs very late in the game because it's going to make achieving the promise that much more difficult. So we're about, you know, well, halfway through the year. You don't have a lot of time to rejig the figures to make that promise a reality. What are you doing?

Mr. Waller: — Well as I indicated, what we're doing is we're monitoring the position that we currently occupy, and we are exploring all possible options to ensure that the objective is achieved. And we won't know until a little later in the year what might have to be done and exactly how the objective may be achieved.

Mr. Elhard: — Will you make the final decision as to what has to be done, or is that going to be the responsibility of the cabinet or your board of management?

Mr. Waller: — I certainly won't make the final decision. That I can provide some certainty on. I think ultimately it will be a decision involving both the Crown Management Board and cabinet.

Mr. Elhard: — Okay. You know, the fact of the matter is that the challenge for the government of the day and for CIC in its role as the agency that has to oversee the implementation of the promise is that the promise and the best financial factors — the best financial condition for the Crowns — are mutually exclusive. You know, to make a promise that we're going to have the lowest rates in the country really puts a set of pretty tight handcuffs on the Crowns and their financial efficacy. There is almost a mutually exclusive set of goals there that make it very difficult for the promise to be realized without jeopardizing to some extent the financial capability and strength for the future of the Crown corporations.

Would you or your financial people care to respond to that?

The Chair: — I'm not sure that that's a fair question given that the minister's not here. The minister is generally, is . . . responds to political and public policy questions, and my reading of the question is the government has made this policy, do you think it's a good one? And I don't think that type of a question would be in order or fair to officials to comment on. I think that's fair to ask the political master, which would be the minister, but I'm not sure that that would be fair.

If the member wanted to rephrase the question to get at a point that he is trying to get at, that would be appropriate. But as to commenting on whether a particular policy is appropriate or not, I don't think that's really fair to the officials.

Mr. Elhard: — Well I'll defer to the Chair's judgment on that. I'm not asking whether it's a good policy, I'm asking whether it's possible.

The Chair: — That's appropriate.

Mr. Elhard: — There we go.

Mr. Waller: — We are looking at ways of achieving the government's objective while, at the same time, ensuring that the Crown corporations will continue to meet the standards and

the debt ratios and the return criteria that have been set for them. It clearly will represent a challenge, but it's a matter of balancing. And that's what we're looking at and will be looking at over the next two months.

Mr. Elhard: — When it comes to evaluating the financial impact on the Crowns that are involved in the keeping of the promise or the trying to keep the promise, can you envision CIC management saying, I'm sorry we're just not prepared to accept the consequences of this decision; it's just too onerous; the implications are too great on our individual Crown entities?

Mr. Waller: — Well ultimately, that's a policy choice for government to make. I mean the officials within the Crown Investments Corporation and the individual Crown corporations will provide what they consider to be the best advice in the circumstances that exist at the time. But as I say, it's ultimately a policy decision for government.

Mr. Elhard: — I guess fulfilling the promise or going forward with the promise is a policy decision. But what I want to know is, do you think that the CIC management and the subsidiary management would at some point say this can't be done? And if they did, would you take that message to the political people?

Mr. Waller: — That was my view.

The Chair: — Sorry, I just want to interject. I'm not sure I'm quite understanding the question. But my original ruling that, you know, we don't want . . . it wouldn't be appropriate or fair to ask an official to comment on the veracity of a particular government policy. I think that would be under the area of the minister. So perhaps the member wants to clarify the question so that it falls within that guideline. Because my interpretation of what the member's saying is that, you know, if the policy is so bad that, you know, he won't injure something because of following through of . . . Help me out, if the member wants to.

Mr. Elhard: — Well I just look at the reality of business and the fact that businesses require you know a certain level of financial significance to achieve their bottom line goals. And in this case, you know, we have to have strong financial performance from these Crowns in order for them to provide the services that are expected of them by the people of the province. The political promise and the policy issues will bring that capability into some areas of significant challenge.

Now maybe I don't understand the role of the CIC management — not the board, not the political masters, but the people who actually manage the day-to-day affairs of the holding company. And maybe I don't understand the role of the people who head up the individual Crown subsidiaries, but it seems to me that at some point those people could say our . . . the financial well-being, the health of our corporation is at risk if we meet this promise.

They're looking out for the welfare and the health of their particular Crown, the financial health of the Crown. And they might say that this is at risk, keeping the promise will put our financial affairs at risk; it will make us less tenable going forward; it'll make us less profitable; it won't allow us to make the kinds of investment and infrastructure and so forth that we want to make.

Would CIC board . . . I'm sorry, the CIC management, be in a position to say to their political masters, would they take the position, that we cannot do this because it will jeopardize the long-term health of our Crown?

The Chair: — I'm going to rule that question out of order. It is a legitimate line of question with the minister here. The minister is not here, so I would just rule that that line of questioning is out of order until the minister has come back.

I have Mr. Iwanchuk, who has been waiting very patiently, so I'll move to Mr. Iwanchuk at this point.

Mr. Iwanchuk: — I guess I was only going to comment on where the questions were going. And obviously which I will not ask that question, do a commentary, and say that we would accept the responsibility and definitely are up to the challenge. But just to make comment that those are the kind of discussions that would take place.

And I would just like to leave that we probably would have asked Mr. Waller whether he thought that the government was up to the challenge of doing this in just the opposite which I would imagine, after hearing the Chair, would have been out of order. So that was simply my only comment here.

But I think in my being patient and waiting, I think the issue has somewhat been resolved. So thank you very much.

The Chair: — Okay. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'd like to go back to the presentation that was presented yesterday to the committee, dealing with the payee disclosure and amounts not disclosed and deal with the exclusions that were in place. And that was on page 17.

You list SGI broker remuneration and reinsurance contracts are excluded, SaskEnergy's gas supply contracts, SaskPower's power purchase agreements, and SaskTel's dealer arrangements.

I don't think I would have a problem with the exclusions on SaskEnergy's gas supply contracts because that's done in the open marketplace, and you're competing against everybody else that's in the market, and hopefully you're getting the best possible contracts there. If you aren't, your consumers will certainly let you know about that — not yours, CIC's, but SaskEnergy's consumers.

The same with SaskPower's purchase agreements. I think that argument holds true there, that it's a competitive environment and therefore you may have specific contracts that are different than what someone else may get as well under their negotiations.

But I do have a question on SGI's broker remuneration and on SaskTel's dealer arrangements. Would those not be more internal operations, or in the case of SGI broker remunerations, are there variances there that the other brokers would not know about, that they have negotiated individually with SGI?

Mr. Waller: — In general terms, both of those exclusions

relate to services that are offered in a competitive environment.

In respect to the broker remuneration and reinsurance contracts, if SGI were to disclose that information, it might well allow its competitors in the fire and casualty business to understand both the amounts paid to brokers but also to calculate the volume of business, and could using that kind of information, pick off some of the brokers that fit within SGI's system of brokers. And so that, as I understand it in a general way, is the concern in respect to that one.

Mr. D'Autremont: — So this is a concern not so much with the individual brokers of SGI, knowing what the broker down the road may be receiving as far as his remuneration is concerned, but rather that competitive corporation — Wawanesa, Co-operators, or whomever — may be able to determine the volume of business that SGI is doing based on the amount of remuneration being given to an individual broker?

Mr. Waller: — Well I think it's actually the function of both because if I'm a broker and I know what kind of income my competitor across the street is getting, that's information that I would find helpful in my strategic planning and would simply give me an advantage.

Mr. D'Autremont: — I'm not sure how that would work with . . . internally within SGI between two individual brokers. Does not the SGI insurance package sell for a fixed rate, or is it a variable rate that the broker can provide fire insurance on my house at rate A or, if I'm a better negotiator, he can provide it at rate B or at rate C? So I mean, the fact that he may have a good client base and reflect the volume of business he does, how would that impact his ability to attract or not attract customers?

Mr. Waller: — I think your question really goes . . . it's an underwriting issue. And while I might guess at the correct answer, I think what I should do is either undertake to look at that, or that's a question that can much more easily be answered by SGI. But I'm at wishes of the Chair in terms of which of those options to pursue.

The Chair: — It's the wishes of the committee; if they're prepared to wait for SGI, which I think is on the agenda, we can do that.

Mr. D'Autremont: — Yes, I can certainly pursue this with SGI. But the disclosure, now let's go to the process of this. In making that determination for disclosure, was it CIC that made the determination that these, all four of these, should not be disclosed, or were these the recommendations from those individual corporations?

Mr. Waller: — Well it's our understanding that this was discussed by the committee last year and these categories in the discussion, although an issue is whether it's . . . was not reflected in the actual motion of the committee, but was discussed at the committee last year. And our understanding was that the committee recognized that these would be classifications that would properly be excluded.

In terms of the process followed, the Crown Investments Corporation played a role in coordinating and gathering the information so that we could bring it to the committee today.

But the decisions on individual exclusions were made at the level of the specific subsidiary.

Mr. D'Autremont: — I'll perhaps pursue this with the corporations in question and see what their reasoning was for these exclusions in those particular cases. And the reinsurance one, I can certainly understand that one as being excluded as well because again you're into a competitive marketplace. And I'm just not quite so confident with a competitive marketplace internally within SGI and SaskTel on their dealers and brokers.

The Chair: — Any other questions? Mr. Elhard.

Mr. Elhard: — I want to refer to yesterday's presentation one more time. I made a fair number of notes as the screens were passing, and one of things I noticed was that CIC took a writedown for losses incurred by SaskTel's investments in Retx, in Persona — those were losses that were accrued in 2003 — and Austar losses in 2002. I take it that, from the presentation yesterday, that CIC took those losses as part of their writedown. Did not SaskTel already take those losses into consideration?

Mr. Waller: — That appears as part of a consolidated financial statement which is . . .

Mr. Elhard: — Okay.

Mr. Waller: — Essentially a statement that takes into account what happens at the subsidiary Crown corporation. So they're actually reflected in both financial statements.

Mr. Elhard: — Okay. I just wasn't sure about that. You know, I didn't know if that was a double entry or a transference. But it just seemed logical that SaskTel would have taken them already so . . .

Mr. Waller: — And it did.

Mr. Elhard: — Okay. Good.

The other thing I want to get to, and it's getting late in the morning, but you talked about strategic directions. Do you outline specifics as to your strategic directions? Do you make them part of the annual report? I don't remember seeing them, but when you talk about strategic directions as part of CIC's sort of mandate and effort, could you detail what those strategic directions might be?

Mr. Waller: — There is a document that could be tendered with the committee, which is the document that sets out the strategic direction of the Crown corporations over a number of years. And if the committee would wish us to do so, we can tender that at the opening of the next session.

Mr. Elhard: — Is the document primarily an historical document, or does it talk about where we are going from here?

Mr. Waller: — It's a forward-looking document.

Mr. Elhard: — If it's possible to have the document tendered, I think that would be valuable. It would provide us as a committee with important information, and I'm sure that it

would be well received.

Mr. Waller: — The other area that you could look at is some of that is outlined in pages 8, 9, and 10 of the annual report which deals with 2003 and 2004.

Mr. Elhard: — You've indicated that some of the strategic directions are here. Is there information that your document includes that is not part of this, that we ought to maybe have access to as a supplement to the information that's in this public statement?

Mr. Waller: — The other document that I referred to does contain more detail. These are the highest level of the objectives, so in my mind it would be for the committee to decide whether this is sufficient or whether you want the greater detail.

Mr. Elhard: — Well I think that this is good as far as it goes, but you know, as part of the process to try and maintain and encourage the openness and accountability, it might be valuable for the committee to have the entire document at its disposal. And I would move that that be made available to the committee.

The Chair: — We can proceed by a motion if you wish, or it could be just noted that Mr. Waller has agreed to provide the information and there's no dissenting opinions on that. Would that be appropriate Mr. Elhard?

Mr. Elhard: — Sure.

The Chair: — That's your understanding Mr. Waller?

Mr. Waller: — Okay, sure.

Mr. Elhard: — You know, the balanced scorecard is an interesting management tool, it's an accountability tool that's been devised and implemented rather successfully in all sorts of jurisdictions and throughout industry as well. And I'm interested in this, but I guess one of the things I'm not completely clear on is how we get to these scores that are represented in the balanced scorecard. What's the methodology and how is this achieved?

Mr. Waller: — Well the scorecard itself is the outcome of a series of discussions that involve CIC and the executive of the Crown corporation boards of Crown corporations and then the respective CIC board and the Crown corporation board, so the balanced scorecard itself is the outcome of that process, and it involves review and discussion analysis and that's essentially how it's developed.

Mr. Elhard: — The concept of the format of a balanced scorecard as I indicated, you know, widely used. But do you, does each corporation factor in its own information? Does it establish . . . Does the management of each corporation and the management of CIC establish its own information, or are there generally accepted industry approved standards that are targets for these types of exercises?

Mr. Waller: — Well I think Mr. Swystun has indicated examples of industry targets that are included, and that's in the financial area. So I mean the balanced scorecard reflects the —

for an individual Crown corporation — reflects the government's overall strategic plan as developed by the Crown Investments Corporation. Plus it then incorporates the objectives of the specific Crown corporations, so it's a combination of both.

Mr. Elhard: — Okay. So in terms of the public purpose scorecard that you've implemented here or printed here, those standards, those objectives, those measurements and targets are things that CIC brought to this exercise.

Mr. Waller: — Yes, by and large those reflect government policies or government objectives.

Mr. Elhard: — Okay. There was another little item that kind of jumped out on me when we were viewing the presentation yesterday, and it talked about the umbrella plan to guide all subsidiaries. Can you tell us a little more about that umbrella plan?

Mr. Waller: — That's the CIC strategic plan that we've just spent some time talking about that's outlined here. It's the umbrella plan under which the individual Crown corporations then develop their own scorecards. And it will be outlined in somewhat greater detail in the document that we'll provide to the committee in October.

Mr. Elhard: — I have no further questions.

The Chair: — Do you have any . . .

Mr. Yates: — I'll defer.

The Chair: — Okay, Mr. D'Autremont, did you have any further questions?

Mr. D'Autremont: — Yes I do, a couple more questions on the balanced scorecard. A couple of places you say that the surveys that would be conducted were deferred because of the election. Is there a specific time of the year that you normally conduct these surveys, or so in fact in 2003 they would have conflicted with the election? Or how does that work? Are they done on a regular basis? You say every two years, but are they done at the same time of the year on a regular basis? If so, what time of the year would that be at?

Mr. Waller: — Could you just clarify which surveys you're talking about?

Mr. D'Autremont: — Okay, that was under the leadership score. There was a deferral and as well under the customer and stakeholder scorecards.

Mr. Waller: — There is a routine, systematic survey process that's put in place. It ordinarily is done in the fall, and that's why with last fall's election, it didn't proceed.

Mr. D'Autremont: — Okay. So you will be conducting that survey then imminently?

Mr. Waller: — Yes.

Mr. D'Autremont: — Under the customer and stakeholder

scorecard, and perhaps the information you will be providing us with as the broader detail would have answered this for me, but under capital pension and benefits as a corporate strategic objectives, and it says measurements and targets, client base retention. Are there clients within CIC's purview that would have choices as to where they go for their capital pension and benefits?

Mr. Swystun: — Mr. Chairman, yes indeed that's the case. For the most part the clients of the capital pension and benefits plan are Crown corporations, but they do also serve other client employers. And those employers would indeed have the choice whether to participate in the plans offered by the capital pension and benefits administration or other service providers.

Mr. D'Autremont: — Okay, thank you. Under the 2003 results for that same capital and pension benefits, it said outperformed the benchmarks. Those benchmarks are set by whom?

Mr. Swystun: — Mr. Chairman, that measure, target, and result refers to primarily pension plan investment portfolios. And as is the case typically with pension plan investment portfolios, there are investment return targets that are set both for the portfolio on an overall basis, but also with respect to different asset classes. So there would be a performance benchmark. Say, for example, that the investment portfolio's Canadian stock portfolio might be expected to do better than the Canadian stock market as a whole. And there is a whole series of benchmarks that would be established that collectively would culminate in this very brief and admittedly not very descriptive explanation.

What this is saying is the portfolio would be expected to do better than the benchmarks that were established, and in general it would be to do better than the market as a whole.

Mr. D'Autremont: — Thank you. Under innovation and growth scorecard, measures and targets, it talks about the voluntary wellness program and that the average employee sick days of four days. Then under the 2003 results, it's 5.6 days. Your target was four, and your results were 5.6. Has CIC been looking into why this has occurred, or have the subsidiaries of CIC, your Crown corporations, have they been looking into why their employees are taking more sick leave than what your targets are?

Mr. Waller: — That is a CIC target so that that relates to the staff within CIC, not the subsidiaries. And we've instituted a wellness program to try and deal with that particular issue.

Mr. D'Autremont: — What kind of a wellness program have you established, and what kind of participation are you getting from your employees on that, and when was it implemented?

Mr. Swystun: — Mr. Chairman, I don't recall when the program was implemented. I think it's been in place for at least a year. The purpose of the program is to improve employee awareness of the importance of wellness and the role that it plays, not only in terms of health but also in terms of productivity and overall well-being.

It's got a number of different components. It's involved employee fitness testing. There is a program whereby employees attend learn-at-lunch presentations. They can learn

about various aspects of what constitutes wellness. And there's various other promotional aspects to maintain a high level of employee awareness. I don't have any statistics but the employee participation has been quite high.

The Chair: — Members, I think that would be a well-placed point to conclude the discussions for today. I just wanted to thank the officials for their answers and thank the Office of the Provincial Auditor and KPMG for their input, and also to thank members for being here today.

Just some housekeeping. The upcoming meetings will be coordinated with the Chair and the Vice-Chair, but just to give a heads-up to members, it appears that the October 20 meeting will need to be cancelled due to conflicting schedules. And so we would likely reconvene on the 21st and then again on the 27th, 28th. But that will be determined and will be sent around by the end of next week if Mr. Elhard and I can get together before then.

Do we have a motion to adjourn? Moved by Mr. Yates to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried.

The committee adjourned at 11:59.

