



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

**Hansard Verbatim Report**

**No. 11 – October 21, 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 10:00.

**The Chair:** — Good morning. I call to order the Standing Committee on Crown and Central Agencies. The agenda has been distributed. This morning we'll be reviewing the CIC (Crown Investments Corporation of Saskatchewan) 2003 annual reports and annual . . . and related documents, and this afternoon we'll be considering Investment Saskatchewan 2003 annual reports and related documents.

Before we begin, I would like to table three documents: CIC addendum; Provincial Auditor's report re payee disclosure reports; and SaskTel significant transaction. That is so tabled.

We have Mr. Yates filling in for Mr. Sonntag, Mr. Iwanchuk, Mr. McCall, Mr. Weekes, Mr. D'Autremont, Mr. Elhard, and myself here today. And the first item is resumption of CIC 2002-2003 annual report and related documents.

And I would ask the minister to introduce her officials and also acknowledge that Provincial Auditor's staff is here. The private auditor will be here this afternoon at about 2:30.

**Hon. Ms. Atkinson:** — Thank you, Mr. Chair. To my left is Tom Waller, president and CEO (chief executive officer) of CIC. To my right is Blair Swystun, acting chief financial officer. Behind me is John Amundson, the corporate controller; Kathy Buitenhuis, acting senior vice-president, Crown corporation services; and Karen Schmidt, acting executive director of communications. As well, Kathie Maher-Wolbaum is here and she is the government relations person.

**The Chair:** — Okay. With that, we'll open the floor to questions. Any questions? Mr. Elhard.

**Mr. Elhard:** — Thank you. We appreciate the presence of the minister here this morning and her officials from CIC. And we're looking forward to a good discussion this morning and a pretty interesting time, actually.

One of the things I would like to suggest, Mr. Chairman, if possible, before we move any further into the discussion with the officials from CIC and the minister, is a motion that I have advised members of this committee that we as members of the official opposition would like to present to the committee, relating to attendance of ministers at these meetings. I'd like to make just a couple of comments, if I might, prior to introducing the motion. Is that within the realm of acceptance?

As the members of the committee will know, changes to the committee structure and the purpose of the committee and the work of the committee will in many ways be precedent setting as we unfold our activities here over the next number of weeks and years. And every initiative taken by this committee now will in fact set a new standard, or a different standard. The work of the committee on Crowns in the past has been set by precedent and established by previous experiences of the legislature.

And while I note with interest and, I believe, sincerity, the effort of the chairman to secure the attendance of ministers for this meeting today and previously and going forward, I did

think it was important that we have on the record a motion that ministers who are responsible for the Crowns under consideration be in attendance when the committee meets. Now while that might be seen as intrusive to some extent, I would suggest that the rationale for having this motion on the books and accepted by this committee is significant.

First of all, we have the situation where this committee is also obligated to review legislation, to review estimates. This committee has new powers in terms of calling witnesses and holding public hearings. This committee also has now the authority to review regulations. And our responsibility as a committee has grown significantly as a result of the changes to the legislative committee system, and as such we are embarking on a whole new adventure.

And in the past, ministers have found it appropriate, and necessary even, to attend to legislation when it's been considered in the House. They have provided the appropriate political oversight and stickhandling when legislation has been presented for consideration in the House. Ministers have without fail been in attendance when departmental estimates have been considered. And in view of the role of this committee being both of those two areas plus the political oversight to be given to the Crown corporations, I thought that it might be advantageous going forward to have an understanding that ministers be in attendance on a consistent and regular basis when their particular Crowns are up for discussion in front of this committee.

Now, you know, there might be some concern that this is a short-term political manoeuvre, and it might easily be interpreted as that. But I think that taking as much of a non-partisan view of this proposal as I possibly can, this is precedent setting if we accept this motion. It's precedent setting for the future of this committee and the way it will operate in years to come. And without knowing what the outcome of future elections might be, I think it's important to put in place a set of guidelines that will guide the direction and the activities of this committee, whether we have the current government in charge, whether it's another government of another political ilk in the future, or whether it might be some third party. Who knows what the future holds?

But in spite of the hesitancy maybe to view this as anything but a partisan move, I think it actually bodes well for the success of this committee in future years. And having made those comments, I would like to move that we as a committee undertake this motion. And I would be prepared to present the motion to the House . . . or to the committee.

The motion would read as follows. Moved by Wayne Elhard of the constituency of Cypress Hills:

That the minister responsible for each Crown corporation attend all meetings of the Standing Committee on Crown and Central Agencies when the Crown corporation or agency for which the minister is responsible is being considered by the standing committee.

I so move.

**Mr. Yates:** — Thank you, Mr. Chair. I have a number of questions and some concerns about . . .

**The Chair:** — Just one moment till we get the motion.

Okay. It has been moved by Mr. Elhard:

That the minister responsible for each Crown corporation attend all meetings of the Standing Committee on Crown and Central Agencies when the Crown corporation or agency for which the minister is responsible is being considered by the standing committee.

Any discussion on . . . I have Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. As I previously — pardon me — previously started to indicate, I have a number of questions and some concerns about the motion.

One of the initiatives, or one of the reasons for moving to the new committee structure, was to be able to expedite work and be able to do more, to do work in a more timely manner. And a number of the functions that are now the responsibility of policy committees, that were previously responsibility of committees, didn't require the attendance of the minister. And in fact, the work is such that the minister would not be the best person to be there to answer questions necessarily, particularly work around the review of regulations, perhaps review of detail of legislation, that the technical aspects of those types of reviews are better put to officials in a department, those who actually administer those functions on a day-to-day basis.

Also in the Legislative Assembly, if in the issue of estimates, ministers can stand in for ministers and answer questions, so this particular motion as you put it forward wouldn't allow for the substitution of a minister in the case a minister wasn't available. And I have a concern about the availability of functioning of the committee and the availability of ministers in order to get the work done, because ministers also have various other responsibilities. There will indefinitely or definitely be overlaps at times where ministers are not able to be here. And to cancel those meetings then means that we're going to lose valuable time to do the work of the committee. And there are functions that this committee does that the absence of the minister does not necessarily impede the progress of the committee. So I have some concerns.

We're in a relatively new process; I'm not in any way questioning that this is a partisan move or any of those issues. I think we need some time in all these committees, because it will definitely set a precedent, to see the impact of the process and whether or not that it is in fact impeding the ability of the committee to do its work and to move forward. Because if we proceed along that line, it will not just become an issue for this committee, it will become an issue for all committees. And that would significantly change the operation of how the committee works today.

Previously the Crown Corporations Committee did not have the minister attend, as you know, or the Public Accounts Committee, when there were review of those particular departments. And I have a concern that we will not be able to function and complete work because of availability of

schedules.

And so I think we need to, in this new committee structure, give it some time, see how it works, and perhaps review this issue down the road when we have some more experience because . . . And I want to reiterate, I'm not questioning that this is in any way a partisan or a political move. I think we just don't have enough experience at this point to make, you know, that definitive a determination as to its value, I guess.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. I guess I would have to say that I disagree vehemently with Mr. Yates's statements. He says we have no experience in this matter. We certainly do have. Crown Corporations Committee has been an integral part of the legislature of Saskatchewan for decades. We have the experience of that. While the Crown and Central Agencies Committee in itself is new since the session started, since the implementation of the new rules, the existence of the Crown Corporations Committee has been long established in Saskatchewan.

During its history — the ministers and the minister present today will remember this very well — the ministers representing the various Crowns did always be a part of this committee and in answering questions. That only changed when the government brought all of the Crown corporations under one umbrella, CIC. At that time there was one minister appointed to look after the 80-plus Crowns. That minister did not want to attend and did not attend very many of the meetings. And unfortunately, the members of the committee allowed that to happen.

Previous to that, though, the ministers were always present. In the deliberations that established the new committee structure, it was clearly envisioned and stated that the ministers would be a part of this, that the ministers would be present to represent their departments or their Crown corporations, and that is why the ministers have been present up till now, with one exception.

Mr. Yates has also said that one of the goals of the new changes was to expedite the business of the committees. I wonder if he could point out for me where in the reports and the recommendations of the Rules and Procedures Committee, where that was a goal. It was certainly seen as a potential outcome that it would be — the committee structure would allow for a faster proceedings — but never was it a goal. What the goal was, was more accountability and more access by the public.

Removing the ministers from answering questions related to public policy, which is what their role is before this committee, denies the public access, denies the public accountability. And that is what the government seems to be trying to do here, is to speed up the process — expedite was the word that Mr. Yates used — while not allowing the public access and accountability. In our previous meetings the chairman himself even ruled that questions that were being presented by the opposition were out of order because only the minister can answer those questions and the minister wasn't present.

So even in the three meetings that we have had, one of which

the minister was not present, it clearly became visible that this committee could not proceed appropriately with its business because the minister was not here. To try to set an example, to set a precedent that the ministers do not have to be present, is to set the precedent that the ministers and the government does not have to be accountable.

We have certainly seen over the last six years with SPUDCO (Saskatchewan Potato Utility Development Company) that the ministers do need to be held accountable, that the government needs to be held accountable. And when that doesn't happen then the public is misled — purposely misled — as was the case in SPUDCO.

We even had a minister of the Crown, had to stand in the House and apologize for doing that, apologize to the legislature and apologize to the people of Saskatchewan for his actions with a Crown corporation.

So we need to have the ministers here to answer the questions that are put to them by both sides of this committee table — the government and the opposition. To try and divert those questions, to hold them in abeyance, to have the officials sitting here and them responding, sorry that's a policy question I cannot answer, is inappropriate to the actions of this committee.

The role of this committee is not to expedite the process. The role of this committee is to hold the government accountable and give the public access to the information to which they are entitled. To do that, we need to have the minister present to answer the questions at all times.

**The Chair:** — Mr. McCall?

**Mr. McCall:** — I have a point here.

**Mr. Yates:** — Point of order, Mr. Chair.

**The Chair:** — Point of order, Mr. Yates.

**Mr. Yates:** — Mr. Chair, I believe the member used the term purposely misled. That is unparliamentary. It's not permitted. It's impugning motive upon members. And I'd like you to rule whether or not that's appropriate or the member should withdraw those comments.

**The Chair:** — I'll take the matter under advisement and bring back a ruling in a moment.

**Mr. Yates:** — Okay. Thank you very much, Mr. Chair.

**The Chair:** — Or if you want to make a comment on that issue or if you want to make a comment of that issue, but I will bring down a ruling momentarily. Was there anything further you wanted to add, Mr. Yates, before . . .

**Mr. Yates:** — I have comments on some of his comments but no . . .

**The Chair:** — But with regards to the point of order?

**Mr. Yates:** — No, that's . . .

**The Chair:** — On the point of order, Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. Mr. Chairman. The minister rose in the House and apologized for misleading the public of Saskatchewan. It's in *Hansard*; it's incontrovertible. He admitted doing it on purpose. There is no point of order there, Mr. Chairman.

**The Chair:** — As I said, I will rule momentarily. Back to the main debate, I have Mr. McCall.

**Mr. McCall:** — Okay. I appreciate the intent with which this motion is brought forward, but I also have an appreciation for the past practice of the committee. And you know, obviously the member from Cannington has made reference to the longer scope of history. But this is a precedent that will bind our hands. And I guess, you know, you're right to say that this is about accountability. This is about making sure that these corporations are functioning properly and in the best interests of Saskatchewan people. But I can't help but think that at the meeting in question there were a good two, two-and-a-half hours of questions that dealt with the operations of the committee. And to my mind that was a productive use of the committee's time.

Now if it was anything more than a one-time exception around the minister not being there, if this was a prolonged and flagrant flouting of the committee where we witnessed an attitude on the part of the ministers where they don't want to appear before the committee, I would appreciate the . . . you know, maybe perhaps then that motion would be called for. But at this point in time in the committee's functioning, I think that there is a productive use to be had, without a minister present, of the committee's time.

So like I say, I appreciate the intent of the motion that's been brought forward, but at this time I can't support it. I don't preclude support for something like this in the future given more experience of the committee's functioning, but at this point I can't support this motion.

**The Chair:** — Mr. Weekes.

**Mr. Weekes:** — Thank you, Mr. Chair. I'd just like to make a few comments concerning the motion.

I think the members opposite are making the point this is a new committee; that's why we need to kind of feel our way through it to get our feet on the ground. Well that's the very reason why we should have the minister here, because it is a new committee. And as we work through the process, we need the minister here to answer questions and be available.

I think, as my colleague mentioned, it's very important that the minister is here for us to ask them questions because as we've seen in the previous meetings, we've asked a number of questions, were called out of order because they were policy or political questions and the people from the Crown were not able to answer those questions. And quite frankly, as we've seen in the past, the minister's only been here 50 per cent of the time in any case. And I believe it's very important that while we work through this particular new format that the ministers be available and answer the questions that the people of

Saskatchewan are wanting answers to.

**The Chair:** — Okay, any other . . . Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. I would like to respond to some of the comments made by members opposite. We have had a Crown Corporations Committee forever — I happen to agree with that. We have had a process over the last number of years where the minister hasn't been in attendance. We now have a process where the minister's been in attendance.

We had a situation where the minister had a previous engagement. We had two choices then. We can cancel the meeting, which would have been the outcome if the insistence is the minister is there, or we can proceed, and if in future meetings, the minister's there to answer those types of questions that were not able to be answered by officials. We are going to run into this situation repeatedly on committees. And our two options are not to proceed with meetings at certain times or to have the opportunity for ministers to notify us that they can't be there and choose to proceed with the meetings.

We chose to proceed with the last meeting, knowing the minister wouldn't be there. We as a committee make that choice each and every time. We don't have to meet if the minister can't be there, but we as a committee make that choice. And what we're doing by this motion is taking away that ability to proceed with what I thought was quite productive for two and a half hours, dealing with the operations of the Crown Investments Corporation with officials and not being able to have had that two and a half hours of productive time. That was our choice.

So in the interest of expediting getting to the business of the government and the accountability . . . I don't disagree with the accountability issue at all. Ministers will not always be able to be there. And I think that the two and a half hours we spent in our last meeting was quite productive. And those questions that were not able to be answered can be asked on a day like today when the minister is present.

So I can't support the motion. And it's not that I don't . . . If we had a situation where ministers were flagrantly not attending and trying to avoid the process, that'd be a different situation, and then I think this motion would very much be in order. But I think we need to have some experience how it works and for a period of time, and to see whether or not we really have a problem and whether we need to have a motion that in fact could limit the amount of time that we have available to do the work, and for that matter to hold accountable the various operations of the government.

**The Chair:** — Mr. Elhard.

**Mr. Elhard:** — Yes I'd like to just respond with a few additional comments. The motion before the committee today should not be seen as a rebuke of the current minister for CIC. This was not intended to, you know, specifically address her absence. It became apparent as a result of that absence that this kind of situation might arise from time to time in the future; it might occur more frequently than we anticipate.

And the problem frankly becomes one where you don't know

when you go into a meeting whether all of your questions are going to be specifically technical and administrative or whether they're going to touch on policy matters that really the senior civil servants who are here in attendance as part of the process can't answer. And if they aren't able to answer it, then it disrupts the flow of the question and the flow of the information and becomes a situation where there's interruption, and that question has to be raised again at some later date, which in fact might necessitate the minister being here in more times or additional times than might otherwise be required.

You know if we're talking about expediting the process, the way to accomplish that is to have the minister here so that all questions can be answered and so the movement of these reports and these efforts by the committee can move through seamlessly and without interruption or disruption maybe is a better term to use.

So from the standpoint of expediting the work of this committee, the time table and agenda could probably be advantaged by having the minister here.

The other point I might make, in response to the potential conflict of scheduling and the potential inavailability of a minister is that, as I understand it in my conversations with the Chairman, we are going to try and achieve a more clearly established agenda going forward. We've all been playing this sort of by ear because it's a new process and there's a lot of new people involved here, so you know we haven't had a clear process established yet. We're certainly going to try and get a much more effective schedule and agenda established going forward. And ministers will in fact know substantially in advance when the meetings are scheduled.

And unless there is, you know, a huge conflict, certainly calendars I'm sure could be adjusted to accommodate these meetings. And when it comes right down to it, I would suggest that the work of this committee is of the highest priority, or ought to be of the highest priority, of the minister or any minister at that time. And I mean if there's an international conference or a meeting of first ministers or similar types of events of sort of national significance that ministers are obligated to attend, we would have to take that into consideration. But most other events, I think, could probably be rescheduled to accommodate the work of this committee.

And one final comment I'd like to make in that regard is that in this instance we have one minister with oversight for all of CIC, which is an umbrella organization that provides oversight to several other smaller Crowns. But when we get to the individual Crowns, when we get to SaskPower and SaskTel and SaskEnergy and SGI (Saskatchewan Government Insurance) and Investment Saskatchewan, there is a sub-minister or another minister who has direct political responsibility for those particular Crowns. So even though the minister of CIC might not be in attendance for all of those meetings, certainly other ministers would be available, and I think that that would address some of the scheduling problems that conceivably could arise.

So having made those comments, I would just like to reiterate that, being a new committee, establishing a precedent right now is very important. And this is not a motion that is intended to

rebuke or chastise the current minister's non-attendance. It's a motion intended to establish a standard for the operation of this committee for years to come.

**The Chair:** — I just have a couple of comments I'd like to make before recognizing Mr. Weekes. My concern with the motion is not the spirit behind it, in the sense that of course we want the ministers to attend as often as possible. But it does, I guess, under . . . What I'm concerned is that the perception may be left . . . is there's an underlying assumption that ministers don't want to be here and that they somehow want to avoid being here when their Crown corporation is before the committee. And I don't want to send that signal, and I don't believe in my dealings with the Crown corporation ministers that any of them are trying to avoid that. And I think that's a message I don't want to send.

To a certain extent I believe that it is a pre-emptive motion in that it fixes a problem that we haven't had. In fact as one member said, we've had almost perfect attendance except for one incident and that I think it was a worthwhile meeting, except for two or three questions that had to be held over till now. So I guess that's my concern.

The other thing I am concerned about is that it does constrain, potentially, the work of this committee, both as the makeup as it is now and the makeup going forward, in that if we did want to have a meeting to deal with an issue without the minister, we wouldn't be able to do that after this motion. And I can't conceive of a reason why we would want to do that, but I've done enough negotiating and I've been on enough boards to know that you shouldn't tie hands into the future unless you know what the consequences are. And if this motion had been in effect a month ago we would've had no choice but to cancel the meeting when the minister couldn't attend at the last minute. And I think that would've been unfortunate. We can still decide to cancel it if we choose to, as a committee, but this motion would've given us no option but to cancel the meeting.

As I said, I think it does fix a problem that we haven't had to this point, and if we do find into the future that ministers are not able to come, then maybe we could revisit this.

However I think the way we've been scheduling meetings so far in advance, that we've attempted to structure it so that we are in keeping with the ministers' schedules. And the one today, both ministers are coming; the two meetings next week, as of this point the ministers are coming. And you know, I can't envision a reason why the minister wouldn't be here, but in the past there have been cases where when it is only one minister, that the past practice has been that minister is mostly not here.

I think members have said that when there was one minister for each Crown, by and large most ministers were here almost all of the time. But there were cases where for medical reasons the minister couldn't be here and the committee still did their work. So there is that aspect of it.

I think another issue that I think is worthwhile pointing out in that this is different, in that previously the minister was on the Chair of the board of the Crown corporation. That currently is not the case. That does not mean that they are not accountable for their Crown corporation, but to say that it's exactly the same

that it was before, I don't know if that's particularly valid.

So I guess from my . . . to conclude is that I don't disagree with the assumption that I think the meetings work better when the minister is here and there's an expectation that the minister is here, but that we could move all sorts of motions saying that individual members or different people should do or not do certain things before there is a problem. I don't think at this point there is a problem. I think that if it does become a problem, then that's something that this committee should deal with. But at this point I don't think that is. So those are my comments at this point. Mr. Weekes?

**Mr. Weekes:** — Thank you, Mr. Chair. I think the issue is around the accountability of this government to the people of Saskatchewan. As was stated before, ministers did not attend these Crown committee meetings in the old format. And I believe and I think the people of Saskatchewan deserve that the minister is attending the meetings. And if I must say again, when the minister was not available for the meetings that was held very recently, members on this side were stymied in their attempt to get answers to some very important questions because the senior civil servants, or the Chair, deem that they were policy questions and only the minister could answer. So I believe that we have to take that very, very seriously.

And again, while we're working through this process, I believe it's incumbent on the ministers to be here. If at a later date we feel it's not necessary, or by agreement, so be it. But while we're working through this process, I believe it's very important that the minister is here. And what was stated, it's incumbent on the government to have a minister attend the meetings. And if they can't, if the minister responsible can't attend, there is backup ministers that are responsible for these Crowns as well, and they should be able to attend in place of the minister if that minister has personal reasons or medical reasons or other duties, not to attend.

And by not passing this motion we're also setting a precedent that the minister does not need to be in attendance at the meetings and I believe that's the wrong message to send to the people of Saskatchewan.

**The Chair:** — Mr. Iwanchuk.

**Mr. Iwanchuk:** — I would just like to say I agree with the . . . I will probably be voting in opposition to this motion. But I just, in listening to the arguments and Mr. Elhard's arguments on — and he did though make his case where he was putting forward the motion — but I think even in his arguments, as I listened, he used the words, it might and probably. And I think that is at, for me, at the heart of what is causing me some concern. And I have to say that historically I have to listen and believe in terms of what some of the members opposite were saying in terms of attendance.

But as I listen here it does seem one of those motions that we are making assumptions and perhaps tying our hands. So based on those things, I don't really see or hear any compelling arguments at this point in time that would for me, now, say that I would support this motion. However in the future, if something was done and perhaps . . . You know it would be unfortunate I think that we would have to require this kind of

motion because I think anything like this simply tends to bind our hands, and I would like to see us probably work through these things. And I think the issue has been dealt with here and concerns have been raised, and I think we should move on.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you very much. We do have a history on this committee. We have a history now of having had two meetings out of session. Of those two meetings out of session, 50 per cent of the time the minister was in attendance; 50 per cent of the time the minister was not in attendance.

In the deliberations by the Rules and Procedures Committee, determination was made that the ministers would be present for Crown corporations and the other policy field committees to answer questions related to their departments or their Crowns.

And it was interesting, Mr. Chairman, that those deliberations and determinations were made at a time prior to an election when no one knew whom might form the next government. And so the determination was made that the minister should be present, and it would be fair to both sides no matter who formed the government.

But it seems now that the election has been decided, that the government wants to fall back to its old practices under CIC, of the ministers being occasionally present at Crown corporations meetings.

During the session because there were many ministers available, whenever one minister was not present or able to be present, the committee was able to call a different Crown corporation before it or a different piece of legislation before it for consideration, and the ministers were present.

But now that we're out of session and the ministers are not necessarily in the building, the meetings are scheduled significantly in advance. I mean, we've known the time schedule for this meeting approximately two to three weeks; that was the case previously at the other two meetings as well. But one of those days for whatever reason — I have no knowledge as to why the minister was not present — the minister was not at the meeting on one of the two days, so 50 per cent of the time that the committee was sitting. And Mr. Chairman, that's not acceptable to have a 50 per cent ratio of the minister being present.

The minister is present today. Hopefully the minister will be present all day long, and we can go to a one-third absence of the minister.

But I think it needs to be clearly stated by this committee that there is a need for the ministers to be present when their department or Crown is being held accountable by the Crown Corporations Committee. If the minister can't be present on a particular day, that minister needs to inform the committee of such so that the minister can . . . so that the committee can reschedule another Crown corporation or a different piece of legislation to be dealt with before this committee.

We have other work to do besides that one particular Crown corporation represented by that one particular minister. We

have the annual reports of all of the Crown corporations. We have the legislation related to Crowns that goes through the legislature. We have regulations to consider. So there is a lot of work to be dealt with that any number of ministers could participate in, their respective areas, that could be called rather than the minister that is unavailable at that particular point in time. It's a question of that minister informing the committee that they are not able to be present on that particular day and this committee can then reschedule some other business to be dealt with before them.

But the questions that were asked at the last committee hearing that were ruled out of order, that the minister . . . excuse me, that the officials were unable to answer because those were policy matters, now have to be brought back at some later date to be dealt with. Because we also have a technical problem on these issues, that we don't have *Hansard* available to review the questions and the answers that were given.

So I think it's appropriate, Mr. Chairman, that the ministers do be present. If the ministers cannot be present, that this committee then reschedule some other Crown corporation or business to be dealt with, or that the committee not sit on those particular days.

**The Chair:** — Mr. McCall.

**Mr. McCall:** — I'll just be very brief in my comments, Mr. Chair. But I just find it a bit interesting that you know in the meeting under question, or the meeting that prompted this motion, you know the fact that the minister wasn't there somehow enabled . . . There was still two and a half hours of work that were able to be done — you know, two and a half productive hours of work, you know. And it's too bad that we don't have the verbatim in front of us because then we could point out, you know, with very great precision just the amount of questions that the members opposite did ask when there were officials here and the fact that they weren't precluded from asking questions. You know, that the committee's work was . . . we were able to make a productive use of the committee's time.

So again, if this is about productivity, I think that there is a productive use to be made of the committee's time with asking questions of officials, as the members opposite themselves proved for the great part during the meeting under question. In terms of whether or not the minister should be here, of course they should be here. And if that proves to be the rule rather than the exception, then I think we've all stated on our side that we're willing to revisit that occasion but, you know, to get into this kind of precedent setting right now I think is getting a bit ahead of ourselves.

But, you know, I think it's very interesting that the members opposite were able to ask all kinds of questions of the officials in the last meeting under question, only had a couple or three questions that were affected by the minister's lack of attendance, and somehow this is a precedent that we should set the whole of the rest of the committee's work by. So as I said before, I'll be voting against this motion.

**The Chair:** — I have Mr. Yates and then Mr. Elhard.

**Mr. Yates:** — Thank you, Mr. Chair. The members opposite



continue to be concerned about the fact that we can't proceed with work if the minister isn't there. I think that we had a very productive two and a half hours in the last meeting.

It's unfortunate that at times there will be circumstances by which ministers cannot be there. Some of them may be able to be planned ahead; some of them may not. What I will say today is the members opposite could have made a motion of adjournment previously. If at any time that they're concerned they can't do their work because of the fact the minister isn't present, they can make a motion of adjournment and I will make a commitment we'll support it.

**The Chair:** — Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chairman. The discussion has gone on at quite a length here this morning. And I was . . . You know, I'm willing to weigh the arguments and I'm willing to listen to the position of the government members. I think that in view of what indication has been given by the government members — that they are prepared to revisit this issue at such a time as it becomes an issue — is a promise we're going to hold them to. And for that reason, I would call for the question now.

**The Chair:** — Okay, there's been a call for the question. Are the members ready for the question? All those in favour . . . Oh, I'll read the motion. Moved by Mr. Elhard:

That the minister responsible for each Crown corporation attend all meetings of the Standing Committee on Crown and Central Agencies when the Crown corporation or agency for which the minister is responsible is being considered by the standing committee.

All those in favour of the motion? All those opposed? The motion is defeated.

The next item or back to the item before us is the consideration of CIC 2003 annual report and related documents. Welcome to the minister. Do we have any questions or comments for the minister or her officials? Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chairman. Madam Minister, I would just like to ask you at this point what role of oversight did CIC play, and does it continue to play, in the unfolding SPUDCO saga. Can you outline for us the role of CIC and the particular direction it may have given in the way the company handled the SPUDCO affair?

**Hon. Ms. Atkinson:** — What I can say to the members is that when SaskWater made the decision, with the approval of the CIC board and cabinet, to enter into a more significant role in the potato business, we were in a situation where the Lake Diefenbaker development area had about 78,000 acres of irrigation land that was suitable for potatoes. And they determined that about 18,000 acres were available annually, with a four-year rotation, to grow higher value crops such as potatoes. Because at the time, irrigation . . . we had about \$160 million in infrastructure invested, irrigation infrastructure invested in the area, and at the time only about 2,000 acres of higher value potatoes were being produced. Farmers and producers in the area were growing other crops that were not of a higher value nature.

It was clear from government policy in the '70s and the '80s that irrigation development was being promoted but higher value crops were not being promoted in that area. Saskatchewan really didn't have a long-term program to utilize the irrigation infrastructure in the area with an economic development plan. So the notion was that we needed to encourage producers to expand potato production in the area with the view to adding to the value of those potatoes through plants and so on. And if you were to talk to people in the area, particularly people in the REDAs (regional economic development authority), they would have said at the time that there was a huge opportunity to expand production, to expand employment in the area, and to add to economic growth.

So the government, along with a number of other proponents of a significant increase in potato production, entered into an arrangement and partnership with citizens in the area to grow the potato industry. CIC's involvement was such that — as you know, SaskWater comes under the auspices of CIC — the board of CIC recommended to cabinet that SaskWater's recommendation to build and lease three storage facilities was to go forward. It was subject to a number of conditions and at the end of the day cabinet approved the go-forward strategy of SaskWater approved by CIC and approved by cabinet.

In terms of the ongoing oversight of CIC, I think it's fair to say that certain portions have been moved to Investment Saskatchewan because we still have some investment in, I think, one shed in that region. And CIC obviously worked . . . As the legal dispute was moving forward in the courts, CIC had some involvement in terms of an oversight arrangement to move the file forward.

**Mr. Elhard:** — Mr. Chairman. Thank you, Minister. The comments just made by the minister certainly put the best face on what has become the worst financial debacle in the history of this province in which the government had its fingers. And the summary we've just heard is a thumbnail sketch of a long and sad story.

But I guess, you know, we've heard bits and pieces about what happened as part of the SPUDCO file. We know that it was allegedly a joint venture. It was supposed to have involved private sector partners; it was supposed to have involved — in fact it did to their detriment — local farmers and investors. It is a story that unfolded in the most sad and unseemly way, resulting in the public admission by the minister in charge that the real facts of the story had been hidden for a least six years. And the minister stood in the House and apologized for misleading the people of the province. The Premier at one time said that he would institute a whole new approach to public investment because of the unsavoury means by which this whole SPUDCO affair had evolved. And all of that has given rise to the official opposition asking for a full-blown public inquiry.

I know the government has resisted that. I know the Minister Responsible for SaskWater has said that that's not necessary, that all the facts are there, that there's been no indication of criminal activity, that nobody profited. But, Madam Minister, there were many, many people who lost: not just the investors, not just the people who had the temerity to believe they could deal with the government and not get burned; the people of the

province have lost as a result of this. The credibility of the Government of Saskatchewan and the people in this province has suffered tremendously because of the way this situation developed and has unfolded to this date.

Thirty-five million dollars and counting, at this point, is the cost of the SPUDCO fiasco to the taxpayers of this province. And we aren't sure that that's going to be the end of it, in spite of the assurances that have been given to the people of the province by the minister in charge and by the Premier. There is a likelihood that there will be other legal undertakings that could add additional costs to the ultimate bill as it relates to SPUDCO.

Thirty-five million dollars, in perspective, is what? Many, many times more than the \$100 million ad scam fiasco that's happening in Ottawa for which the Prime Minister called a public inquiry. There is a very clear need for a public inquiry into the SPUDCO episode and the blotch it has put on the history of this province.

Madam Minister, all of the comments I've made are pretty, pretty tame compared to the anger I felt when I read a paper, a column this morning written by Randy Burton in the *StarPhoenix*. I don't know if you've had time to reference it or not, or have seen it. But just having looked at this story, I was absolutely appalled when I noticed that one of the gentlemen who was involved in the lawsuit against SPUDCO; a gentleman from Lucky Lake whose name I'm not going to refer to directly right now, but it appears in the newspaper. He had this to say:

When the farmers asked for a settlement, they were rebuffed . . .

Listen to this quote in the Randy Burton story of this morning:

"The government lawyers called us just a bunch of dumb farmers and we beat you on GRIP and we'll beat you . . . (on that)."

Madam Minister, does this attitude as expressed by a government lawyer represent the views of your government, and as it relates to the people of this province, not just those who are actively participating in the legal action but those who farm generally?

**Hon. Ms. Atkinson:** — Absolutely not.

**Mr. Elhard:** — Madam Minister, this is an outrage. Who's going to take responsibility for these comments? This is a government lawyer hired by CIC to defend the interests of the government in this lawsuit. This is the same law firm from which you reached to find a new chairman for CIC. This is a law firm that has had long ties to the NDP (New Democratic Party) government. This is a law firm that has a track record of defending NDP interests. And, Madam Minister, I would ask at the very least that if this does not represent the government's attitude towards farmers, that you apologize to every farmer at this morning's committee meeting.

**Hon. Ms. Atkinson:** — First of all, what I can say to the member is that I come from a long line of farmers and my family, in 2005, will celebrate 100 years of our farm. And in fact, the fifth generation is about to go on to my farm. And I

hardly think that my family are a bunch of dumb farmers. So I don't support those comments at all. And many of us in this room come from a farm background, farm roots. And if it was said — I was not in the room — I want to say I am sorry on behalf of all government members because that certainly is not the attitude of this government.

And in fact when the government entered into trying to grow the potato industry in this province, it was about jobs; it was about higher value crops for farmers; it was about using an infrastructure worth about \$160 million in the Lake Diefenbaker area to produce higher value crops that could attract investment, to process that, and to add value in that region. Did we make mistakes? The answer is yes. Were the intentions honourable? The intentions were honourable.

The member speaks about Ottawa. I just want to remind the member of this: the federal Liberals have called a public inquiry into the sponsorship situation. There are, I believe, three individuals that have been charged with fraud in the case of Ottawa. There are some linkages, some speculation because various political parties have standing at those hearings. There have been suggestions made that this was about funding the Liberal Party.

I want to remind the member that there have been several reports done on SPUDCO that are in the public domain. I want to remind the member there has been an RCMP (Royal Canadian Mounted Police) investigation. No charges have been laid. I want to remind the member that the Provincial Auditor has taken a look at this. The Provincial Auditor has not found a smoking gun.

So I would say to the member, while the number is high, the circumstances are quite different. And I think it's unacceptable to suggest in any way, shape, or form that the circumstances here bear any similarity to the circumstances in Ottawa.

**The Chair:** — I have Mr. Yates on the speaking list.

**Mr. Yates:** — Thank you, Mr. Chair. I was going to move to a different subject area of questioning on the CIC annual report.

**The Chair:** — Okay. Did you want to pursue that or shall we go to Mr. Yates?

**Mr. Elhard:** — No, Mr. Chairman, I want to pursue this with the minister. I think this is absolutely essential.

**The Chair:** — I recognize Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chairman. Can the minister assure this committee and the people of this province that there never will be fraud charges laid in this particular instance?

**Hon. Ms. Atkinson:** — Well the RCMP was called in by the Canadian Taxpayers Federation, as I understand. They did an investigation and they have, as I understand it . . . there are no charges that have been laid, no charges pending.

There have been several reports done on this. The Provincial Auditor has engaged in a number of annual reviews. There was a special audit conducted by the Provincial Auditor on

SPUDCO. There was their Spring Report in 2000. There was an Ernst & Young review done on SPUDCO in June 1998. And there was the Perrins report. There have been many, many reports.

There are thousands of pages of documents, reports, transcripts, and so on. At no time has there been any indication that anyone entered into some sort of alleged criminal practice on the part of the provincial government — no time.

**Mr. Elhard:** — Mr. Chairman, the minister alluded to the report by Ernst & Young, which I might comment on again, was a report that was done on this episode but was never made public. The only reason the public had an opportunity to learn about its existence is through the legal action that was taken by the investors. It came out as part of the legal proceedings and that's the only way it became known.

I don't know that . . . If the minister can't assure us that no fraud charges will be laid in the future, I'm not so sure she should express complete confidence that there won't be. There is all kinds of possibilities facing the government yet as a result of this episode. Just listening to the reports of people who were involved in this, they are weighing their options. They are looking at the possibility of additional legal action. And the taxpayers of this province, the citizens of this province could be on the hook yet for millions of dollars.

We have considerable concern with a government that has hired a law firm that has such close ties to the NDP to have undertaken this legal defence on behalf of CIC and the Government of Saskatchewan. We think that there is tremendous potential for abuse of a situation where these kind of relationships exist.

And I'm prepared to ask the minister right now, in view of the ongoing potential legal threat and liability on behalf of the province of Saskatchewan and through CIC, is the minister prepared to sever its ties with its existing law firm and seek legal help elsewhere?

**Hon. Ms. Atkinson:** — Well as the member may know, there are a number of law firms that provide legal advice to various Crown corporations, including CIC. And we don't have a single law firm that would provide advice on every single file that we deal with. We deal with a number of different law firms. In this case it was the determination that the law firm from which Mr. Tom Waller, our present CEO and president of the CIC, came from, was a partner in, that they would be engaged to handle this particular matter.

As the member may know, this was a significant lawsuit with some suggestion that the parties to the lawsuit were interested in a significant amount of money that amounted in the tens of millions of dollars. When you have these kinds of challenges — which are within their democratic right to bring — being made, you want to ensure that you have legal counsel that has the appropriate expertise.

In this case CIC engaged Mr. Zinkhan as our legal counsel and he made a determination, along with others, that we were going to defend ourselves because tens of millions of dollars were on the hook. At the end of the day we're pleased that we were able

to settle this lawsuit without going to trial and we believe that the outcome was fair and reasonable to all the parties.

I want to state clearly that the government has not admitted liability. We were extremely confident in the elements of our defence, but settlement meant in the long term that we could avoid the costs and risks. Because there is always a risk; even if you believe you have a solid case, you have sound legal arguments, there's always a risk when one goes to trial.

I also wanted to state that government admitted in February 2003 that mistakes were made with SPUDCO. We have apologized and we've taken responsibility for those mistakes. I do want to reiterate that we had good intentions. Our intentions, when we became involved in the potato industry, was to achieve positive results for the people of this province. I believe, and we believe, that we have a larger potato industry in the province now and we also have producers that are recognized for their high-quality seed potatoes.

We believe that we're using that \$160 million infrastructure investment in irrigation in a more significant way, but we know we have a long ways to go. We have grown the potato industry in that region from about 2,000 acres to today about 7,000 acres. We believe that it can grow to 18,000 acres and that would allow us to attract a manufacturer to add value to those potatoes.

We also want to make it clear that the government has taken some very significant steps to reduce our risk. We've improved our planning, we have due diligence guidelines, we have third party investment reviews, we have board training, which is important. We've made some significant improvements in governance. We have significant transactions reporting which now comes before this committee. We believe that we have public accountability and we also are in the process of developing a policy regarding subsidiary asset sales. So we think, Mr. Chair, that we've come a long ways since that initial decision in 1996 to enter into growing the potato industry in this province.

**Mr. Elhard:** — Mr. Chairman, Madam Minister, a small-town preacher, country preacher I used to know — knew very well — used to say the road to hell is paved with good intentions. And as I see it, the government claims they had good intentions but that they made life a hell for the investors.

I would like to quote from the story this morning that appeared in the Randy Burton column, where one of the people who, after a six-year fight with the NDP government over his losses in this fiasco, described it as a brutal and often heartless attack from the government. They were attacking the credibility and the character of farm families. And, Madam Minister, you may come from a farm family; many of the members of our House might come from a farm family; but that's precisely the reason why we find the government's lawyer's comments so totally objectionable.

There is no justification to attack people on the basis of what they do. Farmers are as important to this economy and the history of this province as any single group. To say that, you're just a bunch of dumb farmers, and that, you beat you on GRIP and we're going to beat you on this, shows not just the least

regard for these people; it shows a contempt and an arrogance that is unbelievable in this province. And if this is the government's lawyer, then it's time the government severed its relationship with that lawyer and that firm.

**Hon. Ms. Atkinson:** — Just in response to the member. First of all, I've said to the member, if those comments were made neither he nor I nor anyone else in this room were privy to those comments. We don't know the nature of those comments. We have one person's perspective on a conversation that may or may not have taken place.

What I can say to the member is that Mr. Zinkhan is a respected litigator. He's a respected member of the Regina community, of the Saskatchewan bar. He's not here to defend himself. I have not read the article in the Saskatoon *StarPhoenix*. We have one person's perspective on a conversation that may have taken place or it may not have taken place.

I do know this, that when a person is in a position where they have made an investment and they have lost that investment, it is a serious blow to them and it can lead to a number of comments, because we've all had the experience of people who are overcome with anguish as a result of situations in their lives. You and I weren't in that room. We don't know if those comments were made. We have Mr. Burton's article based on what someone said.

So I am not at all, Mr. Elhard, prepared to say today that we are severing our relationship with Mr. Zinkhan based upon a newspaper article when I know, having experienced the press at various times in my 18 years, that sometimes what's reported in the press is not reflective of what actually happened.

**The Chair:** — Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. I'd like to move on to a new area of questioning. I'd like to, Mr. Chair, go to the NewGrade Energy Inc., one of CIC's many areas of operation, and ask a number of questions based on events, I guess, since the 2003 Report came out. I'd like to have some understanding what the impact of the increased price of oil today would have on potential profits in NewGrade Energy and returns to the province, and also the increased value of the Canadian dollar, if that will have any impact on potential profits and returns to the province, and for that matter, an increase in the value of our asset, Mr. Chair.

**Mr. Swystun:** — Mr. Chairman, with respect to the impact of the price of oil on the profitability of CIC's investment in NewGrade, the NewGrade heavy oil upgrader earns profits based on the differential between the price of heavy crude oil, which is the feedstock, and the synthetic reconstituted crude oil product, which is the output of the plant. What that essentially means is that the plant makes profits based on a differential between the prices of heavy oil and light crude oil.

Certainly to the extent that the recent increase in global oil prices has also resulted in an improvement in heavy and light crude oil price differentials, that definitely has benefited the profitability of NewGrade. And indications to this point are that the fiscal year which is about to end for NewGrade at the end of this month, October 31, will be an exceptionally strong year

earnings-wise as a result both of the strong price differentials as well as the strong throughput through the plant this year.

With respect to the member's question concerning the impact of the strengthening Canadian dollar on the operations of the plant, certainly the plant does . . . Because oil is priced in US (United States) dollars, the impact of the Canadian dollar does have an impact, or the change rather in the Canadian dollar does have an impact on the profitability. The impact however relates to the notion that NewGrade borrows its . . . a portion of its borrowings in US dollars as a form of hedge against changes in the exchange value of the Canadian dollar relative to the US dollar and in fact as the Canadian dollar declines, that has a beneficial effect on the price differential that I was referring to, and vice versa.

So the recent rise in the Canadian dollar does not in fact necessarily contribute to the improved results of NewGrade. However, as I indicated, we do in fact expect that 2003 will be an exceptionally strong year because heavy and light crude oil price differentials are in fact extremely favourable.

**Mr. Yates:** — Thank you, Mr. Chair. Just a couple of follow-up questions. Do we have any outlook as to the profitability in dollars of NewGrade in this fiscal year, and what might be a dividend or return to the province?

**Mr. Swystun:** — Mr. Chairman, in 2003, CIC's 50 per cent share of earnings from NewGrade was \$32.3 million and NewGrade returned a dividend to CIC as well. And I don't have that figure in front of me at the moment.

What I would expect for 2003 is that results would be stronger than we . . . were experienced in 2003, both with respect to CIC's share of earnings and dividends. However the NewGrade fiscal year is not yet complete and the dividends paid will depend on final year-end results.

**Mr. Yates:** — Thank you, Mr. Chair. If I could be permitted a couple of additional questions around NewGrade? Are there any anticipated improvements, upgrades, additions as a result of the strong position of NewGrade? Bringing on any additional capacity or expansion in the next . . .

**Mr. Waller:** — NewGrade is one of those investments where there is a constant investment required in order to maintain the facility. So on an annual basis there will be significant dollars invested. There's no plans at the present time to increase the capacity of the facility.

Just to add to what Mr. Swystun said, in 19 . . . or in 2003 the amount received from NewGrade was 25.8 million, and it is expected in the current year it will be more than 40 million.

**Mr. Yates:** — Thank you very much. Those are my questions on NewGrade, Mr. Chair.

**The Chair:** — Okay, I have Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. I would like to return to the issue of SPUDCO. And I can certainly understand why the government members would want to sweep this disaster under the table, but I think that there are a

considerable number of questions that still need to be dealt with on this issue.

The statements made by the lawyer representing the government, the law firm . . . from the law firm of Olive, Waller, and Zinkhan, I think does, as my colleague said, express what seems to be the government's and its representatives total contempt for agriculture.

**Mr. McCall:** — Point of order.

**The Chair:** — I have a point of order by . . .

**Mr. McCall:** — I've had the opportunity to review the article being referenced by the members opposite. And it says, and I quote:

“The government lawyers called us (just) a bunch of dumb farmers and we beat you on GRIP and we'll beat you at this.”

Now as the minister said, those remarks are reprehensible. But in terms of it being attributed to anyone other than just this amorphous, vague, government lawyers, that's not the case. So I find it interesting that the members opposite have tried to attribute it directly to one individual. And I find this reminiscent of the time in the House when the member from Canora-Pelly tried to impugn the reputation of the present CEO of Olive, Waller, Zinkhan, and . . . or of CIC.

So unless the members opposite have more specific information in terms of who said this — because we'd like to know as well — I would suggest that they quit throwing it around like it's Holy Writ. Because it most certainly, from what I think anyone would read from this article is . . . the exact attribution of it is just not there. So I'd appreciate it if the members opposite stopped using it like it was.

**The Chair:** — Mr. D'Autremont, do you have anything to say on the point of order?

**Mr. D'Autremont:** — Mr. Chairman, Mr. Zinkhan, Fred Zinkhan, was the lead lawyer for, I believe, for the government on this particular issue representing the law firm of Olive, Waller, and Zinkhan. He was the chief spokesperson for the government on . . . and this particular law case. If it's not Mr. Zinkhan that was speaking on behalf of the government, perhaps the minister could clarify who were the lawyers that were speaking for the government on this particular issue.

**The Chair:** — Okay, I'm just going to rule on the point of order. I believe that the members who moved the point of order is making points that should be made in a matter of debate. However it does raise another issue that we do need to be careful of questioning motives of individuals or debate . . . discuss individuals that do not have an ability to come and defend themselves at this Chair . . . at this committee. So I would say that I would rule the point of order is not well taken but the matter of debate would proceed in the morning, or throughout the morning. So I would ask Mr. D'Autremont to use caution in his comments with the matters that I did just discuss.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. Well that leads to another interesting observation that perhaps a public inquiry would allow the representatives of the law firms involved in this, and of the government, to clearly state their position and their words that they used in dealing with this particular issue.

But the words that were attributed to the government lawyers, Mr. Speaker, by a Mr. Bob Tullis from Lucky Lake, that the government lawyers referred to them as a bunch of dumb farmers, I think does speak of the contempt that the government representatives had for the entire group of investors and to the entire agriculture producers of this province.

And, Madam Minister, you stated that you were a farmer, in fact . . . or a farm family at least. Those people were your neighbours. They were from about 50 miles away from where you were born and raised. I'm sure that you and your family knew a good many of these people.

And what have you done to investigate whether or not the government representatives on this particular case made these statements? What have you done to ensure that if they made these statements, that they are reprimanded, that they suffer some consequences of having made these? Or what — if you have investigated these concerns — what results have you found?

**Hon. Ms. Atkinson:** — First of all, Mr. D'Autremont, I've just become aware of this article. This is the first time to my knowledge that I have heard of these comments. But I just want to make this point because once again it comes to how one interprets information contained in a newspaper article. And I want to read the entire quote from Mr. Tullis, the farmer from Lucky Lake. He says, and I quote:

“The government lawyers called us just a bunch of dumb farmers and we beat you on GRIP and we'll beat you at this. So you know what that did to me? I reached in my pocket and (I) pulled out the money for a lawsuit. I said we're going to fight you. And we did.”

Now as I understand it, Mr. Zinkhan got involved in this in about 2000. I'm not clear from Mr. Tullis's remarks. Did this information come prior, and so . . . as they were getting ready to do the lawsuit? Was it as a result of trying to get a settlement before they launched the lawsuit?

I'm not exactly clear who the government lawyers might have been. I do know that there were Justice department lawyers involved. I do know that Mr. Zinkhan was involved. By the way, Mr. Zinkhan is also a farmer. So I do know that there were others involved.

So, I guess, I would not want to make the assumption based upon a newspaper article that in fact Mr. Tullis was referring to Mr. Zinkhan. He may have been referring to people prior to the lawsuit being launched because it kind of sounds like that. You know, it sounds from his comments that they were trying to get something done before they launched the lawsuit and they couldn't, they were being treated poorly, and so he put his money into the lawsuit. Mr. Zinkhan was not hired or retained by the government until Judith River Farms launched the

lawsuit.

So I guess what I'm trying to say, Mr. D'Autremont, is that I, based on this article, can't say with any kind of certainty that Mr. Tullis was referring to Mr. Zinkhan. I have not . . . I don't know which lawyers he was referring to. I don't know if he was talking about people at SaskWater and thought they were lawyers; I'm simply not sure.

**Mr. D'Autremont:** — Well, Madam Minister, obviously you have access to the records of CIC and SaskWater, which we do not have. Will you look into this affair to determine when it happened and who was there on behalf of the government — whether they were lawyers, whether they were staff people from some . . . from one of the departments from CIC — and report back to this committee prior to our next meeting?

**Hon. Ms. Atkinson:** — I will attempt to find out what exactly took place.

You know, I also want to make this point that it may be Mr. Tullis's interpretation of a situation, but it may not be what was said. And I think we've all had . . . also had that experience, Mr. D'Autremont, when we've entered into a conversation or been in a room, when we thought we heard a particular set of statements made that in fact actually weren't said; it was how we interpreted them. So I'm not at all prepared today to say this did in fact take place, but I will endeavour to try and find out what took place.

And I will say this, regardless of the facts, regardless of the interpretation, I would not want any citizen in this province to believe that my colleagues on the government side think that people who work their hearts and souls out in the area of agriculture or farming are a bunch of dumb farmers. Because I would say, given the change, the dramatic change that's taken place in agriculture in the last 15 years, and to have survived those changes with all of the elements of the weather, it's taken a great deal of skill and business acronym to do that, and that's not something that's done by a bunch of dumb farmers.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. Madam Minister, so you're . . . Are you saying then that those who did not survive the last 15 years of tough economic times in rural Saskatchewan were a bunch of dumb farmers?

**Hon. Ms. Atkinson:** — No, I'm not saying that. I'm not saying that, Mr. D'Autremont.

**Mr. D'Autremont:** — Well that's . . .

**Hon. Ms. Atkinson:** — What I am . . . See, that's how . . . You see, once again . . . I guess you've just made my point. You've just made my point that, you know, sometimes when we hear something and we make . . . we interpret it in a particular way. I'm not saying that. I am saying that people who've survived — obviously Mr. Tullis has with a great deal of difficulty — that he has been able to do that, along with thousands of other people in this province, because they are very skilled and they have business acronym. They are not dumb. And I would not want you to interpret my comments in any way, shape, or form that those that didn't survive were dumb. And that's just what you've done. And you've made my point.

**Mr. D'Autremont:** — Well, Madam Minister, you're the one who said that those that survived were not dumb farmers. By implication those that did not survive were. You could have said . . . you could have phrased it differently and simply said that agriculture producers in general are not dumb. But you phrased it in a manner that only those that survived were not dumb. So you, Madam Minister, are the one who made the implication, not I.

Well let's deal with an issue that does indeed relate to the law firm of Olive, Waller, and Zinkhan. Last fall prior to the election, the government's law firm, Olive, Waller, and Zinkhan filed a countersuit and complaint that the plaintiffs in the lawsuit and the Saskatchewan Party had an arrangement that if the Saskatchewan Party won the election, that the SPUDCO case would be settled. I wonder if you can present any evidence to support that allegation that was made before the courts.

**Hon. Ms. Atkinson:** — What I can say to the member is that when the lawsuit was settled, all of the issues around the lawsuit, including the counterclaim, were settled. And I am not in a position to talk about that because anything I might say could lead to events that we believe that we've settled.

**Mr. D'Autremont:** — Well again, Madam Minister, that just simply leads us back to the position for the need for a public inquiry into the issue — that the government and its lawyers throw out allegations, throw out accusations, and then provide no evidence to support those accusations or allegations. It's certainly relatively easy to make an accusation if you never ever have to back that up.

So is the government prepared to admit, as they have . . . The minister says they haven't admitted to anything in the court case. Well I think there are 8.4 million admissions. That's the money that was paid by the government to the plaintiff to settle the court case.

Is the government prepared to admit that there was no basis for their allegations or accusations in relationship to an agreement or arrangement between the plaintiffs and the Saskatchewan Party?

**Hon. Ms. Atkinson:** — What I can say to the member is that my understanding is that this was not part of the counterclaim, that it was part of the champerty and maintenance and that was dealt with prior to, I believe, last October 2003.

I also want to say to Mr. D'Autremont that, because we have settled this lawsuit, I can't talk about this.

**Mr. D'Autremont:** — Well, Madam Minister, again another reason why we need a public inquiry into this particular issue. Those allegations were absolutely false. The government has presented absolutely no evidence in support of this, and the minister is right when she said that this was raised prior to October last year.

And fact is, it was raised in 2003 just before or during the provincial election in which, and it's my belief, the government was simply trying to use the court system for its political aims rather than dealing with the issues surrounding SPUDCO and the scandal involved there. This was a politically motivated

allegation and had nothing to do in fact with the court case as evidenced by the lack of any — any — evidence whatsoever being presented by the lawyers even though they made the statements.

And so, Madam Minister, I think there again needs to be another apology issued to the plaintiffs and to the Saskatchewan Party for an attempt to use the courts for a smear campaign totally unrelated to the court case but simply related to the provincial election.

**Hon. Ms. Atkinson:** — What I can say to the member is that it was the intention to launch a vigorous defence because tens of millions of dollars were at stake, and a vigorous defence was launched. As the member know, the judge threw out the champerty and maintenance prior to the election, as I understand it.

So the difficulty that I have, Mr. D'Autremont, is that it's very difficult to talk about the counterclaim and our defence because we don't want to have any further lawsuits. So I am being very, very careful.

What I can say to you is that we have settled this lawsuit without going to trial. We settled it for, I believe, \$7.9 million, not 8.4. I believe it's 7.9 million — much less than the tens of millions of dollars that the proponents were looking for.

**Mr. D'Autremont:** — Well, Madam Minister, if there are further lawsuits it will be because the government continues to be at fault on this particular issue. And the government has been at fault for misleading the public and the legislature on this from almost the beginning.

**The Chair:** — Mr. D'Autremont, I just want to intervene on that comment. Two issues: one, that those comments have already been made; a point of order has been raised. I said I would review them, and I have done that, and I was waiting to just before 12 to bring down my ruling. So the first point, it would be inappropriate, unparliamentary to refer back to a matter that we have already had a point of order raised on; and secondly, I will rule on that at this time, that a member cannot do indirectly what is not permitted directly. And I would rule that the language that he just now is using and was using previously is parliamentary and to caution him and all members to watch their comments on that issue so that language would be considered parliamentary.

**Mr. D'Autremont:** — Is parliamentary?

**The Chair:** — Is unparliamentary.

**Mr. D'Autremont:** — Okay. Well thank you, Mr. Chairman. In relation to this issue a minister of the Crown rose in the House and apologized for misleading the House on this particular issue.

**The Chair:** — Mr. D'Autremont, I've already made a ruling on that, that a member cannot do indirectly what is not permitted directly and misleading the House is not parliamentary language and I would ask the member to use caution in his questions.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. The minister rose in the House and apologized in relationship to the SPUDCO debacle. Acceptable?

**The Chair:** — I'm still sitting here.

**Mr. D'Autremont:** — So clearly the government in settling this case felt that they were not in a strong enough position to win the case, or else they would've continued. So why pay out \$7.9 million if you believe your case is strong enough to win? They didn't. The government didn't proceed with that. They settled.

So, Madam Minister, there clearly is a reason here because you cannot answer the questions. Also the allegations that were made in the maintenance of the case that there was an agreement between the plaintiffs and the Saskatchewan Party were not directly related to the SPUDCO case itself, they were related to the fabrication of an arrangement to be dealt with later. What evidence do you have that such an arrangement was in place? If you have no evidence that such an arrangement was in place, will you apologize for having insinuated that there was such an arrangement?

**The Chair:** — Just before the minister answers the question, the committee generally has quite a bit of latitude as to referring in the first person to the person that is, the minister that is present. But I think given the circumstances, I would ask comments to be directed to the Chair, and through the Chair.

**Mr. D'Autremont:** — Mr. Chairman, will the minister apologize to the plaintiffs, to the Saskatchewan Party, and to the people of Saskatchewan for insinuating that there was an arrangement in place, or provide evidence that there was such an arrangement?

**Hon. Ms. Atkinson:** — Well, Mr. D'Autremont, this was, as you know, a very complex case that involved thousands and thousands and thousands and thousands of pieces of paper, thousands of documents. There were documents, as I understand, it that came from SaskWater, CIC. There were documents that came from the people who launched the counterclaim. And those thousands and thousands and thousands of documents were gone through and looked at.

As well, Mr. Chair, the proponents to the lawsuit were alleging . . . they were serious allegations, very serious allegations, and claims for damages which were estimated to be in excess of \$100 million. So you have to launch a significant and vigorous defence. In fact, government has a duty to do that. As well, you need to know that there were extensive questions and extensive undertakings that were taken on during this whole process.

What I can say to the member is that we felt it reasonable to launch a vigorous defence. And we did. We did launch a vigorous defence and when we got to the point where it appeared as though negotiations could be undertaken in a more justifiable way, practical way, that's what happened.

Negotiations were undertaken by the parties at the pretrial. There appeared to be a willingness to move down in terms of the amount of money that was being requested, as I said earlier, over \$100 million and we were able to settle for 7.9 million.

Now we could have gone forward. Obviously the government believes that we have a case. A lot of work was done in getting ready to go to trial. We believe we were ready to defend ourselves on this matter. We thought we had a good chance of winning, but in any kind of court case you may win or you may not.

At the end of the day, given the risk of not winning, we believed that a settlement would avoid further legal costs, further time of the courts, obviously, and the risks of going to trial. And we had a situation where the parties to the lawsuit seemed prepared to settle, which they did.

**The Chair:** — Members, time is growing short on this matter and I have Mr. Weekes and Mr. Yates on the speakers list. So Mr. Weekes for half the time, and then Mr. Yates for the other half.

**Mr. Weekes:** — Thank you, Mr. Chair. I'd just like to go back to this so-called agreement that the government laid out during the election campaign. Could she give us or tell us how much paper evidence there was between the plaintiff and the Sask Party concerning their allegations of an agreement?

**Hon. Ms. Atkinson:** — Well as the members may know, there were thousands and thousands of pages of documentation that both parties exchanged with each other. My understanding is that the information was gone through, and based on the information the lawyer acting on behalf of the province decided to launch a counterclaim, but as . . . or pardon me, the champerty and maintenance.

But as I said earlier, we're pleased to say that all of that has been settled with the settlement of the lawsuit. There is no longer a counterclaim. The lawsuit has been settled. We were able to do that without going to trial and we believe that the outcome has been fair and reasonable.

**Mr. Weekes:** — Thank you, Mr. Chair. Again the lawyers claim there was very specific information. I mean, is there specific paper trail concerning those allegations that you know of?

**Hon. Ms. Atkinson:** — My understanding is when the lawyer launched the counterclaim that those documents were filed with the court. I don't have them here. I haven't seen them. But they are available to the public if you'd like to get them, Mr. Chair.

**Mr. Weekes:** — Thank you, Mr. Chair. Mr. Lautermilch had to apologize to the House for the SPUDCO debacle, and earlier on the minister apologized for the comments made concerning government lawyers calling us:

. . . a bunch of dumb farmers and we beat you on GRIP and we'll beat you at this.

I would like to ask Mr. Waller, the president of CIC, which is a senior partner in Olive Waller Zinkhan & Waller and still holds a major equity position and still receives equity benefits from that law firm that the government employs on these matters, I would like the president of CIC if he would also apologize for those remarks on behalf of CIC and also on behalf of his law firm?

**Hon. Ms. Atkinson:** — Well you know, Mr. Chair, we have an opposition that is just dying to make an issue out of an article that appeared in the Randy Burton column in *The StarPhoenix*.

As I said earlier, Mr. Chair, we don't know who Mr. Tullis was referring to. I could interpret those comments as comments that were made prior to the lawsuit even being launched because he was talking about reaching into his pocket to get money for the lawsuit and prior to Mr. Zinkhan being hired.

I believe that what the opposition here is trying to do is not get to the bottom of anything. What they are trying to do is besmirch people's reputations based upon an article in the Saskatoon *StarPhoenix* dated October 21, I believe, 2004. And they're trying to stretch it into Mr. Zinkhan. They're trying to stretch it into Mr. Waller, and they have no basis for that. And when they have basis for it, when they have a sworn affidavit from Mr. Tullis that it was Mr. Zinkhan, then we'll talk. But they don't have any basis for this at this moment.

And I find it unacceptable, Mr. Chair, that the opposition would lower themselves to this depth to suggest that Mr. Waller who, by the way, is . . . We have a letter explaining very clearly what Mr. Waller can and can't do as the president and CEO of CIC, given that his former law firm does still have some files, which I'm prepared to table. And so I think, Mr. Chair, that it's time to rule this kind of questioning out of order until we have some kind of information that is reliable.

**Mr. Weekes:** — Mr. Chair, the minister has already apologized earlier in this particular session, and all I'm asking is for Mr. Waller, who is president of CIC, to do the same.

**Hon. Ms. Atkinson:** — Well, Mr. Chair, Mr. Waller was not an employee of CIC at the time. I have apologized. I said, if this was said, I apologize. We don't know who said it or if it was said. But if it was said, I apologize. Mr. Waller has nothing to apologize for. And I think that the member's request is totally inappropriate, and it just speaks to the level that he's prepared to stoop to in order to make I don't know what point.

**Mr. Weekes:** — Thank you, Mr. . . .

**The Chair:** — Order. I indicated about 12 minutes ago that Mr. Weekes had half the time and Mr. Yates had the other half, and Mr. Weekes has already used more than that half. So I recognize Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. My questions are going to be about the development of a potato industry in Saskatchewan. And I'd like some clarification from officials or from the minister about what the initial purpose for the endeavour was. And it was my belief — and it started long before any of us that are sitting here, with the exception of one member, were elected — but it was to grow a potato industry in Saskatchewan.

My understanding is we built a number of potato storage facilities. And my question today is: are those potato storage facilities being used by producers, and is it a viable asset being used for the continued operation of a potato industry in Saskatchewan? Have in fact farmers in the Diefenbaker area enriched and added the value of their operations by continuing



to farm potatoes? Has the value of the potato cash crop gone up since the government made an investment in trying to grow a potato industry?

Because I think there's one very important point that's being missed here. The intent was to grow a potato industry. Governments invest in many, many different types of industries as industry indicates it needs the support of government. This was about helping farmers. It was about helping farmers.

So I'd ask the minister whether or not in fact we have grown the value of the potato crop, whether or not the potato storage facilities built are being utilized by potato farmers today, and whether or not those farmers that are growing potatoes today are better off as a result of the investment.

**Hon. Ms. Atkinson:** — What I can say to the member of the specifics of his latter comment, that Investment Saskatchewan can provide the information in terms of the utilization of the storage sheds. But what I can also say to the member is that there are about 73,000 acres in the Lake Diefenbaker development area that would be suitable for higher value crops such as potatoes. And in 1996, at the time of the decision to develop the potato industry, there were about 2,000 acres of potatoes in that region.

And as you know, potatoes gain a higher price for an acre of potatoes than an acre of wheat or barley or traditional crops. So what we were interested in doing was greatly expanding the potato industry in order to have higher value crops.

And if you look at Saskatchewan relative to Manitoba and Alberta, the value that comes off of an acre of land is lower than the value that comes off an acre of land in those other two jurisdictions, and it's because we have traditionally been, we've been involved in grains.

So as part of the agricultural strategy, particularly with changes to the Crow, grain handling and transportation, we thought there was a significant opportunity to expand the potato industry, perhaps attract a chip plant to the region where we could begin to add value to our production.

We knew that government policy — certainly in the '70s and '80s under the NDP government, Blakeney government and Devine government — was to promote irrigation development, but there really was no long-term economic development strategy for that region, particularly when it came to higher value crops such as potatoes, vegetables, and so on. So we didn't really have a long-term strategy to use irrigation in the province, so the idea behind this was to greatly expand economic development opportunities in the region. And I think in fairness we had some proponents who had some capital, but they didn't have the kind of capital required, particularly when it came to refrigeration and the storage bins. And that's why SaskWater decided to get in, in a strategic alliance with these other people to grow the industry.

Well as I said earlier, the actual endeavour that SaskWater undertook was not successful. But the industry has grown in that area. Those bins that were constructed are still there; they are being utilized. We now see about 7,000 acres of production capacity in that region as described by the Department of

Agriculture and Food; those are their numbers. And I think they're reliable numbers because they keep track of what's being grown in the province.

So we think that there's still an opportunity there to expand higher value crops in the region. Certainly if you're speaking to the economic development people in the Outlook area and the region, they think that there is an opportunity to significantly grow that region of the province with higher value crops.

**The Chair:** — Thank you, members, and thank the minister and her officials. It's past the time that we had prior agreed to break — from 12 until 1 — so this committee stands recessed until 1 p.m.

**Hon. Ms. Atkinson:** — Mr. Chair, can I table the strategic plan for the Crown sector that we said we would have for the committee members during the last session of this committee?

**The Chair:** — Yes, you may. And this committee now stands recessed until 1 p.m.

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

**The Chair:** — Order. Call to order, or bring back into order the Standing Committee on Crown and Central Agencies. The next item before the committee is the consideration of Investment Saskatchewan 2003 Annual Report and related documents. We will be sitting until approximately 4 p.m., and it's planned that at approximately 2:30 we'll have a short recess if that's acceptable to the members. And I would recognize the minister to introduce his officials.

**Hon. Mr. Cline:** — Thank you very much, Mr. Chair, and good afternoon to you and to the members of your committee and the officials who are here. And I am the Minister Responsible for Investment Saskatchewan which is a relatively new organization, so we do want to present some information to you. I'll be speaking briefly, and then I'm going to turn it over to Janet Wightman, who is the president and CEO of Investment Saskatchewan — the first president.

And with me also is Ms. Laurie Powers, who is the CFO (chief financial officer) of Investment Saskatchewan. And also behind me are several Investment Saskatchewan officials, namely Heather Forbes, the director of investments; Guy Roy, another director of investments; Heather Collins, the manager of investments; and Ladette Fuchs, the manager of corporate services.

Investment Saskatchewan recorded . . .

**The Chair:** — Sorry, Minister, I jumped ahead. First off I wanted to indicate that Mr. Toth is chitting in for Mr. Weekes this afternoon. And based on our agenda, we were wanting you to introduce your officials. We would then go to the Provincial Auditor to make his brief overview, and then if you wanted to take your . . . if that's appropriate.

**Hon. Mr. Cline:** — Sure.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. I would like to raise an issue outstanding from this morning's discussion. During this morning's discussion the minister indicated that there were things that she could not answer because the individuals involved were not present to be able to respond to those questions. Therefore I believe it's important that this committee make an attempt to have the individuals or corporations involved come before this committee to be able to answer those questions on the record for this committee. Therefore I'd like to make the following motion:

That the Standing Committee of Crown and Central Agencies summon Mr. Fred Zinkhan of the law firm Olive Waller Zinkhan & Waller and any other lawyers of that law firm, as well as any previous lawyers and/or law firms related to the SPUDCO case and the subsequent lawsuit, to answer questions and provide evidence required by this committee.

**The Chair:** — Could I have the motion? It's moved by Mr. D'Autremont:

That the Standing Committee on Crown and Central Agencies summon Mr. Fred Zinkhan of the law firm Olive, Waller and . . .

**A Member:** — Waller.

**The Chair:** — I'll take that as intended.

. . . and Waller and other lawyers of that law firm, as well as any previous lawyers and/or law firms related to SPUDCO and the subsequent lawsuit, to answer questions and provide evidence required by this committee.

Mr. Yates.

**Mr. Yates:** — I'll move to table the motion, Mr. Chair.

**The Chair:** — It has been moved to table the motion. Is that . . . All those in favour? All those opposed? The motion is tabled. Mr. Elhard.

**Mr. Elhard:** — If the members of the government side of the committee find that motion too broad, I would like to comment on things that were said by the minister this morning indicating that she was not in a position to answer some of the questions, that Mr. Zinkhan needed to be here to defend himself, and in the halls outside indicated that he in fact would be made available or making himself available to answer questions and respond to some of the things that were said this morning in this committee.

So I have a motion that is more specific than the one presented. And I would like to, would like to get to that motion after I give a little further explanation as to the justification for the motion.

This morning we asked several questions related to SPUDCO that the minister said was, that the minister said were impossible for her to answer because of the agreement that stands in place as part of the settlement. The fact of the matter is that we have been assured by the Minister Responsible for SaskWater, Mr. Prebble, that all questions would be answered

by either the process of this committee or in the legislature itself. And seeing that that hasn't happened and seeing that there are some very interesting allegations and maybe bizarre allegations that have been made by the law firm that represented CIC in the SPUDCO affair, that we really need to attend to our business of calling Mr. Zinkhan as a witness to this committee.

In a newspaper article going back to last spring I believe it was, early May, lawyers representing CIC said that they had evidence collected by government lawyers that would alter the public perception that the NDP was responsible for what was then a mere \$28 million loss of taxpayers' money and that the evidence was so compelling that it would be filed in court as a measure of countersuit.

Mr. Zinkhan in that particular newspaper article is quoted as saying that he didn't dream the evidence up, that it was hard and fast. And in fact the NDP government decided to use that new evidence allegedly dug up by their law firm, of which Mr. Zinkhan is a partner and the lead counsel, to launch a counterclaim against potato investors.

The counterclaims alleged that potato investors and their accounting firm circulated false and misleading financial information and that they negligently and wilfully misrepresented the economic potential of the SPUDCO deal much to the apparent chagrin of the provincial government.

Now if these allegations were true, we would challenge the Minister Responsible for SaskWater or CIC or Mr. Zinkhan to present the evidence. Apparently he doesn't have it or apparently it was so unconvincing, non-convincing that the trial judge didn't see any merit in it, and yet he said publicly that this evidence would alter the public perception that the NDP was responsible for what was then a \$28 million loss.

Mr. Zinkhan has evidence. I suggest to this particular committee that if he had the evidence, he should have presented it to the court; if he didn't present it to the court, then he should present it to this committee. And it's an important part of the questions that need answering in this process. And if this committee is serious about its responsibility and work, then it would welcome an opportunity to invite Mr. Zinkhan here as a witness.

And I would narrow the previous motion down, if that's acceptable. I would move:

That the Standing Committee on Crown and Central Agencies call Fred Zinkhan of the law firm Olive Waller Zinkhan & Waller to appear before the committee to answer questions with regard to the SPUDCO lawsuit.

**The Chair:** — Members, I'm looking at the two motions, the current motion and the previous motion, and I, as Chair, I see very little difference. And so the matter has already been dealt with by the committee, so I'd rule that out of order.

Oh, Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chairman. I understand your ruling, and I accept your ruling. I disagree, unfortunately, but that's I guess the reality of the circumstances . . .

**The Chair:** — If I could just advise the member here, rulings are not debatable and should not be commented upon so . . .

**Mr. Elhard:** — As a matter of fact I'm going to move on to another motion.

**The Chair:** — Just to advise members, and I've given a great deal of latitude of making the speeches before the motion, I would advise you can have a short preamble, make the motion, and then make your comments after the motion.

I recognize Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chairman. The fact of the matter is that we have been assured that answers will be given in this committee. As a result of our experience this morning, answers are less than forthcoming; they're unavailable. And in fact the minister indicated that questions could not be answered because of the agreement terms, the settlement terms that were imposed on the participants.

There were also indications from the minister that possible additional lawsuits could be forthcoming if she commented. In view of the minister's own statements today, in the committee and outside in the hall to the media, I have the following motion:

That the Standing Committee on Crown and Central Agencies recommend to the legislature that a full and independent public inquiry, pursuant to The Public Inquiries Act, be held into the actions of the government with regard to the failure of SPUDCO that resulted in the loss of \$28 million, and subsequently the payment of an additional \$7.9 million to settle a lawsuit related to the SPUDCO affair.

**The Chair:** — It has been moved by Mr. Elhard:

That the Standing Committee on Crown and Central Agencies recommend to the legislature that a full and independent public inquiry, pursuant to The Public Inquiries Act, be held into the actions of the government with regard to the failure of SPUDCO that resulted in the loss of \$28 million, and subsequently the payment of an additional \$7.9 million to settle a lawsuit related to the SPUDCO affair.

Mr. Yates.

**Mr. Yates:** — I move to table.

**The Chair:** — Mr. Yates has moved to table. All those in favour? All those opposed? The motion is tabled.

Any other interventions at this time? Okay, back to our agenda which was . . . the minister's just concluded introducing his officials. I would recognize the Office of the Provincial Auditor to provide an overview of their review.

**Mr. Martens:** — Thank you. With me today is Ed Montgomery. He is the deputy provincial auditor responsible for the audit of the Investment Saskatchewan and I'll ask him to provide a brief comment on our audit for the 2003 year.

**Mr. Montgomery:** — Thank you, Andrew. Mr. Chair, with regard to Investment Saskatchewan my comments are going to be very brief. First of all we found the financial statements included in Investment Saskatchewan's 2003 annual report to be reliable and have reported on that to the Legislative Assembly. Also, Investment Saskatchewan had adequate rules and procedures to safeguard public resources and it complied with legislation governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Therefore, we have no recommendations on these matters that require the attention of this committee. In carrying out our work, we work together with the appointed auditor, KPMG, and we received excellent co-operation from KPMG and also from the management of Investment Saskatchewan. KPMG, as mentioned earlier, have an out-of-town commitment. They hope to be here around 2:30. They have told me they agree with my opening comments and they have nothing further to add to those comments. With that I'd like to say we would be pleased to answer any further questions of the committee. Thank you, Mr. Chair.

**The Chair:** — Unless there is further questions for the Provincial Auditor's office, I refer back to the minister for his opening comments. And I understand there is a PowerPoint presentation to follow as well.

**Hon. Mr. Cline:** — Yes, Mr. Chair, and members. First of all I'd like to thank the Provincial Auditor's office for the work they do in auditing Investment Saskatchewan. And of course I am very pleased to hear that it's been a clean audit opinion with no further comments necessary and that we'd like to continue that record of course going into the future, and I'm sure that we will.

Because this is a new organization, I intend to make a few brief remarks of an introductory nature to the committee, if the committee agrees. And then Ms. Wightman wishes to supplement that with a PowerPoint presentation as you indicated, Mr. Chair.

So Investment Saskatchewan recorded positive results in 2003, including net income of \$7.5 million, and growth in assets of \$32.7 million. Investment Saskatchewan posted these positive results despite turmoil in the Canadian livestock and meat industries related to BSE (bovine spongiform encephalopathy), the negative impacts of the rising Canadian dollar and lower interest revenues. Equity earnings from larger investments — in particular, Saferco and Meadow Lake OSB (oriented strand board) project — helped to offset these challenges in 2003.

The corporation has accomplished a great deal since the Premier announced the appointment of a private sector board in September 2003. The board and management have established the governance structure of the new, independent board including all committees of the board, restructured the corporation, re-branded the organization, enhanced its involvement and exposure within the national venture capital community, and recruited and hired key executive including the CEO and the CFO who are both here with me today.

Investment Saskatchewan looks forward to an exceptional year.

At June 30, the corporation had year-to-date earnings of \$22.6 million, improved cash flows, strong portfolio performance. And the change to an equity-based capital structure provides Investment Saskatchewan with considerable financial flexibility for the future.

In 2005, Investment Saskatchewan board will seek out private sector management of its assets and begin to build a pool of private and public sector capital to further expand the Saskatchewan economy.

I'm confident that the future direction of Investment Saskatchewan is in good hands. The strength of its knowledgeable board and the acumen of its management are a strong team which now has the opportunity to demonstrate over the next months how it can achieve the task of economic growth mandated to it.

At this time I'd like to ask the Chair, you Mr. Chair, to permit the officials to begin their short presentation. Thank you.

**The Chair:** — Unless members have an opposition to that, proceed with your PowerPoint.

**Hon. Mr. Cline:** — And no, we have not taken over Sanyo.

**Ms. Wightman:** — Thank you very much, Mr. Chair, members of the committee. Thank you for the opportunity to appear today. I'm going to follow on the minister's comments just ever so briefly, and try and take you through a presentation that describes some of the work at Investment Saskatchewan.

As you heard, Investment Saskatchewan was created in August 2003 and announced by the Premier in September. The private sector board of directors was put in place with a certain set of defined powers and authorities, and in fact were challenged to achieve the vision that came from the advisory council that CIC had put in place, and which had done a review of portfolio management options that led to recommendations which the government in large part accepted.

The board undertook a couple of key initiatives, certainly the search for not only my own position but also the other executive officers. What we refer to as the corporatization of Investment Saskatchewan . . . and what I mean by that is that previously the investment group was a division within CIC, and so of course there wasn't a corporate infrastructure in place. The mid-office and back-office functions, if you will, were provided for Investment Saskatchewan by CIC so that corporate structure had to be established. And the board undertook an issuance of an RFP (request for proposal) to find potential partners who might work with Investment Saskatchewan on a go-forward basis.

In terms of the current status, when I arrived in May of this year, all of the staff in fact were still staff of CIC. Since that time, those staff have been transferred to Investment Saskatchewan as employees. We have, as you know, recruited both myself and Laurie Powers as the CFO, and we are in process, and have been for a while, of recruiting the senior VP (vice-president) investments who would act as a chief investment officer internally.

We've established separation from Crown Investments Corp, and by this I mean some of the more physical separation. We've established stand-alone facilities for the organization, an accounting, a finance department, and human resource functions, etc., and have created stand-alone IT (information technology) systems, again separated from CIC. And the management of these systems has been outsourced through an RFP process to a third party provider here in town.

As you I'm sure would be aware, we are in the performance planning cycle as would be all of the Crowns, and we've established a new approach to business development, and I'll touch on that a little bit later on. As well, we're in process of establishing some of the corporate policies, infrastructure, rigour and due diligence policies for investments, HR (human resources) policies, and things like that.

The next slide . . . this is not very legible from your seats I can see now. We do have copies of the presentation though to table after. This slide is an illustration of our investment holdings. The top line, simply put, are our direct investments or wholly owned subs, and the lines below would be the operational entities that would be related to each of the holding companies.

Same kind of slide, but this is a slide that refers only to the funds that Investment Saskatchewan invests in. So the previous slide was for our direct investments. This is for what we refer to as our fund to funds, where we invest dollars in funds to capture niche portions of the market.

I'll bring you up to date on the 2003 performance of the organization net earnings on a non-consolidated basis. As you can see from the bars on the right-hand side, in '03 we ended the year with \$7.5 million of net earnings, compared to the prior year where we had 11.6 million. That unfavourable variance of roughly \$4 million . . . there is detail provided for you to explain that, favourable variances which are offset of course by unfavourable variances.

On the favourable variance side, we had a higher investee earnings from some our portfolio companies. We had higher recoveries on the portfolio and lower provisions taken on equity investments. For example, in 2002 there was \$3 million of provisions, and in 2003 we had \$3.8 million recovery. On the unfavourable variance side we had lower interest from HARO. In fact in 2003 we had no interest payments from HARO; that was deferred. And in 2002 we had \$8 million interest payments, so you can see that there would be an impact there. And as well there was a small loss on the sale of investments in '03 versus a gain in '02.

In terms of the performance of some of our major investments, when we speak about our major investments, we're typically talking about the six that you would see on this slide. HARO as you can see showed no improvement or no performance in '03 because, as I referred to, their interest payment was deferred. Saskferco, relatively stable — the yellow bar indicates 2003, and the blue bar indicates '02 — continues to make a significant contribution. Meadow Lake Pulp results improved in '03 relative to '02 because of some strong prices and strong sales. Meadow Lake oriented strand board had very positive performance in '03 primarily due to the record prices that are in place for strand board. Centennial Foods made a small

contribution to earnings versus a loss in 2002, and Big Sky Farms which you see on the far right showing a small loss for the last year as well as 2002 due to the difficulty in the hog markets.

These major investments, these six major investments, have carrying value totalling 580 million at the end of 2003, and they make up 95 per cent of the assets in the total portfolio.

Some of the major investment activity in 2003. The first line item shows you the loan disbursements. These typically are loan disbursements less than \$1 million, and they total 5.4 million.

The next investments listed are direct investments: 5 million to Prairie Ventures Fund; 3 to Foragen Technologies investment fund; 3.8 to Meadow Lake OSB; 3 to Meadow Lake Pulp; 2.2 to the Genex Swine Group; 2 to Pangaea Systems Inc.; 1.4 to Western Life Sciences Fund; and a million dollars each to PCF and WTC which are funds that hold the small portfolio. Those would be the investments of less than \$3 million.

And the last line is the equity investments which are less than a million dollars. And for that there is a total of 3 million, coming to a total of about 30 million . . . \$30.8 million.

In terms of the loans and investments exited or resolved in 2003, five were paid out in full, five ceased operations, and any loss was taken as provision in either 2003 or in fact prior to that.

When we look at the impact that the investments have had on the province, we'll see that in 2003, the investees in our portfolio represent about 5,246 jobs in the province. And if we look over a five-year period, we'll see that we've been able to successfully leverage the investments directly by Investment Saskatchewan and of course formerly CIC III (Crown Investments Corporation of Saskatchewan Industrial Interests Inc.) to encourage to private capital in those investments as well.

So 94 million of new investments resulting in a corresponding 284 million of private capital. And in terms of our investments in funds, 95 million by Investment Saskatchewan and 157 million of private funds investing alongside.

The chart on the right gives you a representation of what our portfolio represents in the province: about 3 billion in assets, about 3 billion in revenues, a billion in terms of Saskatchewan content purchases, and about 200 million of capital expenditures.

Now at this point, 2003 seems like an awfully long time and certainly predates my arrival with the organization, so I'll give you just a couple of slides to bring you up to date on the performance as of the end of the second quarter.

On a non-consolidated basis and of course unaudited, some of the general highlights you will see here. As the minister mentioned, we have net earnings to the end of June of 22.6 million versus a loss of 4.2 million in the same period last year.

We have seen a HARO loan repayment of 29.2 million in 2004;

a repayment of a loan to Mitchell's Gourmet Foods of 9.5 million; sale of the shares that were held in SGI; and conversion of the due to CIC funds converted to share capital of 190 million. We've seen an increase in cash position of 35 million on a non-consolidated basis, and of course as I mentioned on the last slide, our six major investments have significantly improved contributions to earnings compared to the same period in the prior year.

And if we look at a summary snapshot of the non-consolidated income statement for the first two quarters, you can see the top line in 2004. We have total revenue of 27 million approximately versus a loss of 4.2 in 2003 and total expenses of 3.3 in this fiscal year. You see no expenses for 2003 because at that time of course the group was a division of CIC, and CIC would have held the expenses. And finally the net earnings, which we referred to — 22.6, which represents a favourable variance against prior year of 26.8 million.

And that, Mr. Chair, is my presentation. Thank you very much.

**The Chair:** — Thank you very much for that presentation, and I understand we have copies available. And so I will open the floor to any questions or comments. I have Mr. Toth.

**Mr. Toth:** — Thank you, Mr. Chairman. Welcome to the minister and your officials; pleased to have you here today.

I was particularly interested in our new president and CFO. I don't know if there's any . . . if you can give us a little bit of a background of where they've come from and the . . . I'm not sure what you can share in the applications that were made. But the reason I'm interested is because, Mr. Minister, in the annual report . . . and last year you've got . . . I forget what we have for directors here; I think there's eight directors. And I look over the list of directors, and it gives us a bit of background of each one of the directors. And I think that the group of directors that you've put in place, in fact I know some of them personally, you've got a fairly qualified group. And it's always interesting to know about some of the leadership of our Crowns and indeed Investment Saskatchewan, as it's certainly a new direction that the province is moving in. And I believe when you made the announcement last year, I made the comment well we'll see, the proof will be in the pudding.

But I also did acknowledge that I think it's . . . this move I personally believe, and certainly our party isn't opposed to a move where government in some ways and in many ways is actually moving aside and recognizing that there are individuals within our province, the business community and other, that certainly have a good handle and knowledge of investments and how to manage investments. And I can't say, other than the fact that I think personally that this move is an excellent move, and I guess as we get into some discussion we'll see how well it's going. Now I know it's been a short period of time, the indications are that it's been actually working quite well and we trust will work well into the future.

And no doubt, Mr. Minister, you're aware as well of the paper put forward by the Leader of the Opposition, Mr. Wall, and his vision for the future. And a lot of similarities in many regards to inviting shareholders and stakeholders in the province of Saskatchewan to actually take leadership in investment rather

than just the direct political route. And that's why we have in the past complimented you for this move.

And having said that, I'd just like to have . . . maybe open it up for a response before we move further.

**Hon. Mr. Cline:** — Yes, well thank you, through you, Mr. Chair, to Mr. Toth for those observations. And yes we have put in place a very distinguished board of directors and the idea has been indeed to obtain advice from other parties in terms of how to manage the government's portfolio of investments. And also moving forward if the government should invest in other enterprises of a significant or large nature we want to make sure that we have the very best advice available and I think that this board helps a great deal.

And Mr. Toth is correct that we too believe that we should reach out to others in the community for advice about policies, about investing, and it's something we already do in a very large way. We frequently talk to the mining executives, the oil and gas executives, people representing other sectors. And indeed we're bringing everyone together in an economic summit in January for that very purpose.

So we're well down the road of putting in place systems to consult people in Saskatchewan because we respect the abilities and views of people around the province. And to that extent, I think that we're in agreement. And so I'm glad that also the opposition is in agreement with widening the circle, if you will.

In response to Mr. Toth's specific question, I would be pleased to ask Ms. Wightman and Ms. Powers to perhaps provide their resumés which we could table with your committee so that you have a complete resumé of them as officials. They have very distinguished backgrounds, certainly suited for their positions. And I'll ask them, since we don't have their resumés in front of us at the moment, but I'll ask Ms. Wightman to comment on her background leading up to this position. And then I'll do likewise with respect to Ms. Powers.

**Ms. Wightman:** — Thank you, Mr. Minister. Thanks for the opportunity. I come most recently from Farm Credit Canada, which is headquartered here in Regina as you know, where I was chief operating officer. I've been with Farm Credit for 10 years prior to moving over. As chief operating officer, I was responsible for a \$10 billion portfolio of term debt to the agricultural sector, as well had started up Farm Credit Ventures, which is a small venture capital or private equity fund at Farm Credit.

Prior to that position of chief operating officer, I held a number of senior management positions there: vice-president of agri-business eastern operations, vice-president of HR administration and business process re-engineering.

I'm one of those folks who moved to Saskatchewan 10 years ago with a two-year plan, thinking we were here for two years, and we have since chosen to make Regina our home. Prior to being in Regina, I was with a small federal government agency, Grain Transportation Agency is what it was called, and prior to that, worked for a cabinet minister in Ottawa and worked for a national Native organization for several years as well.

So that would be the briefest summary. And we're certainly happy to table resumés, and I'll pass over to Ms. Powers.

**Ms. Powers:** — Thank you very much. As recently as a month ago, I was the chief financial officer with Information Services Corporation and had been their chief financial officer for about four and a half years. Prior to coming to ISC (Information Services Corporation), I worked in the private industry with a company by the name of National Alfalfa, which was a private start-up.

In addition, I was with Saskatchewan Crop Insurance as their executive director of finance for four years. And I went to Sask Crop Insurance, which was in my hometown, after I did a stay at Deloitte & Touche and received my chartered accountant designation.

So the bulk of my experience has been in start-ups, both in the private sector as well as in government and Crown experience. Thank you.

**Mr. Toth:** — Thank you very much. And I'd like to welcome you both. And I'm sure that for Ms. Wightman, I'm . . . what she's dealing with in Investment Saskatchewan may not be somewhat, at times, not much different than FCC (Farm Credit Canada), especially given the current state of the agricultural community.

And we all know what investing in . . . or making investments is like and the current atmosphere, unfortunately. I think most of us would like to be on the positive end but there are times when there are negatives show up. And they hope that in the long run we do have positives. But I think as we look at Saskatchewan, and I think that's where we're all coming from, this province is truly a province of such vast resource and opportunity.

And as a party we've talked a lot about that. And the number of years that I've had the privilege of being invited to serve as a member of this Assembly, I have to be honest, I've found it frustrating at times. As we've seen, we seem to be stagnated; many times really failing to effectively move ahead and taking advantage of the resources we have to build our province. And as a result as taxpayers, we've ended up having to carry a lot of the load.

And I would trust that this move to Investment Saskatchewan and bringing outside sources for some good, positive input, in looking at investment opportunities we can now begin to look at how we begin to develop. And as you indicated earlier, Mr. Minister, encourage investment in the province of Saskatchewan.

Like it's fine for government to get involved in investment. However I don't know if government does a very good job in investments. And I think at times, Mr. Minister, over the past number of years we've seen how well government has moved in some of the investment opportunities. Like quite possibly different individuals felt we're real positive — or should have been — pushed toward those investment opportunities. And as a result today, the taxpayers end up covering those losses.

What I'm seeing you moving to in Investment Saskatchewan, is

as I've indicated earlier, looking towards people outside of government bringing forward some of their expertise to offer some positive input into investment opportunities. And as well there's no doubt in my mind that as we bring some of that private and outside input in that the investment community, I trust and I kind of believe, will begin to look more positively at Saskatchewan as they look at investing dollars. And I think you indicated that one of your roles is to try and lever private investment. And I would have to say I would encourage you in that, because no doubt that's the direction that we have talked about for an awful long time.

I do not believe the taxpayers should always be on the hook. I believe that there are individuals who view Saskatchewan as a place they'd like to invest, have really felt limited, and unfortunately maybe the most recent incident or situation with SaskPower in southwestern Saskatchewan is a good example. Like there are individuals that believe in this province.

And I've had the privilege recently of sitting down with a couple RMs (rural municipality) and a company out of Ontario looking at the potential wind power in eastern Saskatchewan. In the meantime we've also now brought in some First Nations community. And we'll find out as we move ahead if the studies indicate that there is the potential, whether or not SaskPower's willing to work with us. I hope SaskPower's at the table because they have the grid system to move the power around the province.

And maybe that's where Investment Saskatchewan comes into play as well, as looking at how we can take that private investment, those opportunities, and harness them so that the taxpayers of Saskatchewan receive the benefit. I think, Mr. Minister, that's the important thing.

First of all, I'd like to ask, Mr. Minister, in regards to Investment Saskatchewan, what leverage or what control, if you would, is the government going to hold over Investment . . . Or is Investment Saskatchewan going to be limited by political interference in opportunities that might be brought to their attention that would be avenues that they should be pursuing? Or are you, Mr. Minister, as I think you may have indicated, actually as government going to back away in some of these . . . (inaudible) . . . and actually let this board of governors and the directors actually move forward in encouraging investment in the province?

**Hon. Mr. Cline:** — Through you, Mr. Chair, I thank Mr. Toth for the question, which is a very good question. And I want to say I'm going to answer the question, then I want to comment on some of the other things Mr. Toth has said in the interest of dialogue.

I want to say yes, the intent is that this is a board that is insulated from government. Government has decided that this board should be able to decide whether investments that we now own in Saskatchewan — these are outside the major Crown utilities, it's an investment portfolio that goes beyond those — but they should have the right to divest of those if they see fit and if there's a willing buyer at a fair price. They should have the right to reinvest those proceeds in other economic development measures, accessing other investment capital as Mr. Toth indicates. And they should have the right to invest out

of the funds that they have at their disposal which may revolve through the corporation from year to year.

So the idea is that they will be independent. These decisions will not be made politically. And of course what this does is respond to some of the criticism of failed investments that we've had.

And so I think that, generally speaking, we're in agreement with the point of view of both sides of the legislature. The New Democrats and the Saskatchewan Party, I think, are in agreement with this general approach.

And what this also means, I must caution both sides of the legislature also, is that sometimes there are things that we want Investment Saskatchewan to do or that Mr. Toth mentions one particular project he's interested in. He may be interested in something, I may be interested in something, someone else may be interested in something, but Investment Saskatchewan will make the decision.

They may decide that they think that this investment as proposed by myself or Mr. Toth or someone else has merit. But equally, they may decide that they don't think it does. And we will have to support their independence and that means that we will have to be prepared not always to have them do what we want them to do and that goes for all of us.

I do want to say that Mr. Toth made the observation that no one believes the taxpayer should always be on the hook for investment and I certainly agree with that and I think we all do. The reality is in Saskatchewan every year, I don't have the number in front of me, but I believe there's about \$6 billion of investment in various capital business projects around the province. That would not come in the main from government. That comes from the private sector and the vast majority of investment in business activity in this province comes from the private sector.

What we have had historically in Saskatchewan, and it is not unique to Saskatchewan, is sometimes the government, governments of all political stripes . . . One can think of Mr. Devine investing in Meadow Lake pulp mill or Saferco or this government has invested in the OSB Tolko plant at Meadow Lake, and so on. Governments of all political stripes have made investments in business. It's not an unusual thing.

Indeed if one looked at Alberta, one of the reasons they have a major meat-packing industry there, which we don't, is that Peter Lougheed in the 1970s invested a great deal of Alberta money in accessing meat-packing capability for the province of Alberta.

Now my point is simply that it's very easy to say that government should never be involved in business. And generally, by the way, my view is it would be preferable, outside of our major Crown utilities, that that be the case. But I would remind everyone that many of the enterprises we have today we do have because government has played a role in them. And examples would be IPSCO in Regina, which started out with government money. It no longer has and that's fine; it's a private enterprise.

Mitchell's Gourmet Foods in Saskatoon, many times the government has participated to keep that going, and there's 1,700 people employed there. The Tolko plant in Meadow Lake, one of the world's largest oriented strand board plants, employing hundreds of people in Meadow Lake. And the list goes on. Saferco fertilizer, which Mr. Devine invested in along with Cargill — a very successful enterprise.

My point is not — please understand me — that I believe that government should be the main investor in the economy. That's not my point. I agree that we should have a level of due diligence but we must remember that many of the successful enterprises we have in this province, and also it's true across the country, have had some kind of government involvement.

Now what we need to do — which we're doing — is to say that with the creation of Investment Saskatchewan, when we make major large investments of a public nature that we have a layer of due diligence where we bring good people from the private sector in to give us advice. And I'm pleased that both sides of the legislature agree that that is the right approach. Thank you.

**Mr. Toth:** — Thank you, Mr. Chair. Mr. Minister, just a quick follow-up in regards to the comment about the group that I've been working with trying to bring some folks together. It's not that they're looking for money down the road from Investment Saskatchewan, and if I indicated that, that certainly wasn't . . . All they're doing right now is doing the research to see about the viability. And from what I understand their intent is to try and move ahead on their own. If they can show it's viable it's just a matter of once they . . . if the potential is there and they install a wind generator, they have one problem, that's transmission. And we know who has the transmission lines.

And we're trusting that we'll be able to cross that hurdle quite effectively, especially in view of the needs that SaskPower has and not just within this province but elsewhere as far as the demand in our community for power.

Mr. Minister, when you implemented Investment Saskatchewan, you moved a number of Crown corporations from CIC III to Investment Saskatchewan. Prior to the move, how many Crown corporations, organizations do we still have in the province of Saskatchewan that would come under CIC's authority? Do you have that?

**Hon. Mr. Cline:** — I'm not sure that I'm understanding the question completely. Is Mr. Toth asking what is the number of Crown corporations there are in Saskatchewan?

**Mr. Toth:** — Correct.

**Hon. Mr. Cline:** — Okay. I believe there are approximately 80 Crown corporations in Saskatchewan. And that hasn't been affected really one way or the other, I don't think, by the creation of Investment Saskatchewan.

**Mr. Toth:** — Mr. Minister, 80, I believe that's a number that I'm familiar with. But I was just going through some information here and I thought might have access to more of that. And then that's why I was quite surprised, because the number of companies that you've moved under CIC are nowhere near the 80. And I guess the question comes to the

movement or the companies that you brought under CIC. Were those . . . What criteria did you follow when you moved those companies under the operations of CIC?

**Hon. Mr. Cline:** — Okay. Well I should clarify that . . .

**Mr. Toth:** — Or Investment Saskatchewan.

**Hon. Mr. Cline:** — Yes. Okay. It is not . . . I think the reason for the confusion is the question suggests that there may have been Crown corporations that have been transferred to be under the auspices of Investment Saskatchewan. That is not the case. There are no Crown corporations that have been transferred to be under Investment Saskatchewan.

There are investments that CIC III had made. It, itself, is a Crown corporation. It invested in various companies. But as an example, I mean, it has invested in some private companies — I'm trying to get the list in front of me — but for example it has an investment in Saferco Products Inc., a 49 per cent investment. That was an investment that was held by CIC III; that was a Crown corporation which I believe was a subsidiary of the Crown Investments Corporation.

Now when Investment Saskatchewan was created, the investments of CIC III, which include, you know, Saferco, that investment was transferred to Investment Saskatchewan. But that's a private company, or at least a partnership between CIC and Cargill. And the responsibility for our investment in that private company was transferred from the Crown Investments Corporation to Investment Saskatchewan. But I don't believe there were any Crown corporations that were transferred. And there is a list, Mr. Chair, of the direct investments of Investment Saskatchewan in the material that has been provided to you. It's this chart that is included with the material.

And Investment Saskatchewan has 13 direct investments, and then it also invests in certain funds, which I think are also listed in the material on the next page, which funds then invest in various enterprises. And the idea being, for example, Investment Saskatchewan owns part of a company called Primaxis Technology Ventures Inc.; they have a 7.2 per cent interest. And that company in turn would be lending money to probably advanced technology companies, and we own 7 per cent of that fund.

But the . . . I'm sorry for any confusion, but we have not transferred any Crown corporations to Investment Saskatchewan. What it has done is taken away from one Crown corporation, being CIC III, responsibility for managing a number of investments, 13 direct investments and some investments that are managed by . . . or some funds, and they have taken over the management of those for the reason I indicated before — that the ideas that the management of those investments which the government has invested in over the years should have the benefit of a more private sector model of directors, which we've referred to. So that is what has been done. Thank you.

**Mr. Toth:** — Mr. Minister, prior to the rollovers of CIC III and its net worth at the time of the rollover, can you give us a list of the investments that CIC III had prior to that rollover? Were there more investment opportunities in CIC III outside of the



ones that were rolled over?

**Hon. Mr. Cline:** — My understanding is that the investments that were in CIC III are the same investments which we've identified in this material as being the investments of Investment Saskatchewan. There's one page that has the direct investments listed. And then there is . . . there are a variety of smaller investments that I don't think are listed here that are under the management of two fund managers. And I think what we should do is — this is all public information — but I think we should undertake to list those specifically and provide them to you, Mr. Chair, and copies for all the members of the committee. And that would be an easy thing to do.

But to make a long story short, I don't believe there's anything that CIC III had under its responsibility that has not been transferred to Investment Saskatchewan. In other words, there were a group of investments there. Some of them may have already been in the hands of some small fund managers because they were very small, but whatever they had has been transferred over to Investment Saskatchewan. So the list should be exactly the same. But if I'm incorrect in any way because there's some small matter that we've overlooked, then we will provide you with that information.

But it's basically we took the portfolio of CIC III and transferred it over to Investment Saskatchewan. So it went from the board, if you will, of the Crown Investments Corporation — which is six cabinet ministers, I think — over to a board which is the private sector people that have been identified.

**Mr. Toth:** — Thank you, Mr. Minister. And I guess that that's what I was looking for, is what the total holdings of CIC were and whether or not they were as you've explained. And I take it as being every one because there's a list here that that's all that CIC III was responsible for. And it's now responsible for . . . or Investment Saskatchewan is now responsible for those holdings.

Do you have . . . there's in this list of the Investment Saskatchewan annual report, it has a book value as of December 31, '03. I'm wondering, Mr. Minister, if you could give us a book . . . the book value or the value of these investment portfolios prior to the rollover to Investment Saskatchewan. Do you have that information or . . .

**Hon. Mr. Cline:** — I'll ask Ms. Wightman to comment. My guess is that there wouldn't be too much difference because the report is for December 31, 2003. But those assets were transferred to Investment Saskatchewan in the fall of 2003, so I don't think there would be any significant difference with respect to the annual report for 2003 because you're really dealing with the very same time period. The end of the calendar year, which was the date for the report for 2003, was only a number of weeks since the transfer. So I don't think there would be any material difference, but I'll ask Ms. Wightman to comment and also I think she can comment on the fact that I think there's an indication that the value may have improved since then. But I'll ask her to comment. Thank you.

**Ms. Wightman:** — Thank you, Minister. In fact, the minister's comments of course are accurate. The timing was such that the value when it was transferred to Investment Saskatchewan was

as stated in the annual report. There has been some appreciation. We do valuations a couple of times a year and look at whether or not the value of those investments has increased, so for the most part there is some slight increase over what we refer to as book value.

What you'll see in the annual report in total, I think, is 608 million — perhaps I'm off a couple of million or so — and so that would have represented the value under CIC III and as it was transferred to Investment Saskatchewan.

The numbers I referred to in my presentation when I spoke about the portfolio value of 580 million, that was for those six very large investments. And again, that was at the end of the year and the timing was such that it was very close, so there would have been no significant change in that.

**Mr. Toth:** — Okay. Thank you for those comments and the . . . As far as the investment values we have here and the investment opportunities, now the unfortunate part is we're dealing with the year '03 and if I'm not mistaken, most of '03 is a short period of time. I believe it was, if I'm not mistaken, was August or so when you announced it and then the official beginnings of Investment Saskatchewan was later, later in the year which would mean we really don't have a large portion of the year to deal with as far as how well Investment Saskatchewan has been, how well the portfolio has been working, outside of moving into 2004 which we haven't quite got to yet. Actually we're into, but as far as an annual report on it.

Maybe I could just have you comment, Mr. Minister, as far as this move to Investment Saskatchewan and the potential that I believe it does . . . will have down the road, in the short period of time would you have to say that it has been in your mind the right move? As we've indicated earlier, I think this is certainly the way to go. And what's transpired to date, how well has Investment Saskatchewan been doing and in view of working for the people of Saskatchewan?

**Hon. Mr. Cline:** — Well I think quite well. The comment is correct that the results for the year 2003 really reflect the work of the people at CIC III. And then it was simply carried on for a few months by Investment Saskatchewan.

Now Ms. Wightman has indicated in her presentation that for the first six months ending June 30, that the net earnings of the portfolio are \$22.6 million; whereas in 2003, at the same time, they had a loss of \$4.2 million. So there's a significant turnaround there.

Now it needs to be pointed out that most of these things happened as a result of arrangements that had already been made by CIC III. I think it's a fair comment. And so CIC III also, if it would have continued, I would guess would have had similar results. But nevertheless we can see that Investment Saskatchewan has good results for the first six months of 2004 and we hope that that will continue obviously for the rest of the year and beyond.

But I would make this observation that really what we're doing is doing something that looks to the future. They've been mainly busy at Investment Saskatchewan getting themselves

organized as a new company to prepare themselves to do the work that needs to be done to manage investments and perhaps — well not perhaps — definitely to make new investments, different investments as time goes on, which will help grow the economy. And as Mr. Toth referred to, trying to partner up with the private sector to bring private sector capital as well. That's a very major part of our mandate.

But what we've done essentially, which is the difference, is to say that on a go-forward basis, CIC III had a pretty good track record actually. But there were some mistakes that were identified in terms of some government investments and we've tried to put in place a system that says we have another layer of due diligence. We have this private sector board that will advise as to large, significant investments that the public might be involved in and that's the principle that is there. And so I think we've got the right process in place. I think we've taken steps to try to avoid problems in the future and we'll move forward on that basis. Thank you.

**Mr. Toth:** — Thank you, Mr. Minister. A follow-up before . . . I see other members would like to entertain some questions as well.

But having just listened to your comments, as you've indicated and as I see here too, we're really dealing with such a short period of time that it's difficult to get a handle as to what the real potential is. I know there are real opportunities out there.

And even for the board of directors, so far basically they've been managing a number of investments that they were handed. And as we can see, whether or not it was their due diligence that moved from 4.2 loss to 22.3, I guess is a question because of that short period of time. Obviously the economic activities in the last while probably have abetted this or aided this turnaround, which is certainly a positive for the people of Saskatchewan.

In view of the changes, this short period of time, what involvement had the board of directors had as this company begins to move forward, outside of trying to put the corporation in place, get its head office in place and its officers in place? What involvement have these board of directors had as far as coming forward with recommendations as to how the company will operate and operate into the future and come up with investment opportunities?

**Hon. Mr. Cline:** — Thank you, through you to Mr. Toth, for that question. I think it's a very good question and I'm going to ask Ms. Wightman to comment.

On this particular aspect, part of the mandate, obviously, is to have good management of government investments. Part of the mandate is to have this layer of due diligence in, if there are new, large, significant investments being made. And part of it is to try to build more private sector capital in Saskatchewan, a fund whereby we would have more money that could be invested in enterprises in this province.

And Ms. Wightman, I think, could give some useful information to the committee about how it is we propose to do that. Not just to have us through Investment Saskatchewan invest public money, but how it is we think that we may be able

to attract a pool of private money that we could then see being invested in Saskatchewan businesses. So I'll ask her to comment both on that aspect, and Mr. Toth has also asked sort of what, you know, what has the board of directors been doing to do to bring this about. Thank you.

**Ms. Wightman:** — Thank you, Mr. Minister. So I'll start with a discussion about attracting private sector capital. What you'll find in the private equity industry is that capital is where the players are. In this industry there is a view that you have to be within a couple of hours of your holdings, of your investments.

If you look at the statistics, Saskatchewan has been relatively underserved in this market. We've seen just less than 2 per cent of the total investments in the country made in Saskatchewan. Part of that is because the players, for the most part, are in Toronto. I mean, you'll find some in Calgary and Vancouver, but for the most part the industry is in Toronto, and you do get to a very basic issue of, out of sight, out of mind. The industry doesn't particularly know what goes on in Saskatchewan and they don't know what the opportunities are.

The challenge that we have focused on is raising the awareness of that industry in general as to who we are, what role we can play, and what industries and what sectors in Saskatchewan are those of opportunities. The reaction that we have received so far has been very positive and other investors are interested in investing shoulder to shoulder or investing alongside with us if we're investing, and particularly when they feel that there is a local partner like Investment Saskatchewan who has access to the right kind of expertise about the local markets and who would serve as a partner.

So there is opportunity there for private capital investments. As well there is a great deal of interest — and this is a bit of a longer-term issue — there is a great deal of interest in a lot of the funds to get into the alternative asset class, which is private equity. So some of the major pension fund holdings, for example, have called to say, tell us who you are, what do you do, because prior to the establishment of Investment Saskatchewan the work of CIC III really has been unknown in the industry itself.

So we intend to raise profile and start partnering with some investors on an individual basis, and on a longer term perhaps be able to attract them to invest in a fund that might also invest in some of the larger projects in the province.

With respect to the second portion of the question, which was the involvement of the board of directors, this board has been delegated the authority to make investment decisions and all of the sort of decisions that go with investments. So any decision that we have made since the establishment of Investment Saskatchewan, whether it's about restructuring a current investment, or follow-on financing, or protective disbursements, or even changes in our approach to managing a particular investment, we take that to the investment committee of our board which is chaired by Don Black, who is the CEO of Greystone Investments.

Also on that committee is Bob Reid, formerly of BC (British Columbia) gas transmission; Ray McKay of Kitsaki Development in Saskatchewan; Susan Milburn out of

Saskatoon; and Anne Parker here locally in Regina.

So those folks make literally our . . . In a very hands-on role, we will bring a proposal forward to that committee of the board. That committee will recommend the decision to the full board, and the full board participates then in ratifying that decision.

**The Chair:** — Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. Some of my questions you've just answered. I was going to start my questions around where do we see getting private sector capital involvement, and how would we go about that? I have some questions to follow-up on that.

Could you give us some feeling as to where the board feels we'll be able to go and seek partners in building that investment pool and the types of investors that are looking to come here and for what reasons, and perhaps some of the . . . if there are any things that we can do to support that?

And secondly, I'd like some comment on security regulatory reform and what role that may play in these funds and investment portfolio down the road.

**Ms. Wightman:** — I'll start with the first part of your question. The investors who I've spoken to in the last five months or so, who are interested in coming to this province, it's a very unanimous interest and it's for the very same reason. Essentially the investment industry and the markets in Ontario, Quebec, they're pretty much tapped, and everybody is looking for deal flow. When I say everybody, I mean the investment firms.

So they look forward to an opportunity to diversify in their own portfolios by moving out of that sort of core area of the country where most of the investment activity happens. By moving into the Prairies, they know that they'd get not only a geographic diversification, but they also get an industry diversification as well. So there is interest in sort of coming out west, so to speak.

In terms of the regulatory reform, we have not seen impact yet on the type of work that Investment Saskatchewan is doing and certainly just monitoring to see when the impact and what the impact is going to be.

**Mr. Yates:** — Thank you. Mr. Chair, I have a couple of follow-up questions. When we're looking for potential investment in the province, can you indicate for us what types of target investment that Investment Saskatchewan and private sector capital pools would be looking for in Saskatchewan, and what our strengths and perhaps weaknesses would be, and what the potential is to value add to some of our already strong sectors in Saskatchewan and perhaps get world leaders within the market participating in our economy — what role that Investment Saskatchewan can play in those types of initiatives?

**Ms. Wightman:** — Thank you. I'll start with the industries that we think are the most attractive in the province. There are industries, and as you would know as well as I — forestry, natural resources, energy and gas, ag value-added, the technologies. Those are industries where the province either has a natural advantage or has built an advantage. And of course

you can think of some of the ag-biotech work in Saskatoon. Those are industries where we have an advantage and those are the industries where we believe it's most appropriate to target. We certainly would look at investments in other industries, but in terms of targeting our efforts it's going to be to those particular industries.

The strengths in the province we have, there are in any area strengths and weaknesses. Some of the strengths that we have here would be around access to transportation. So we certainly are well positioned to be able to access North American markets and not just local markets.

We also have a very reliable workforce. And by that I know that we tend to always speak about the exporting that we do of our people. The people who are here in the labour force typically want to stay here. If you look at the statistics, the average tenure in jobs in Saskatchewan is at the highest in terms of the rest of the country. So for organizations, that's a huge part of their costs and they are interested in going to locations where they have reasonable and reliable access to workforce. The cost structure is reasonable depending, of course, it depends on the industry in which you are.

The other thing that is quite attractive to the investment industry is that the values of the companies — not just in Saskatchewan, but I would say Manitoba, Saskatchewan as well — are relatively lower. So from an investment company's point of view you can buy in at a lower multiple value than if you were looking at the companies that would be under great demand in say, in Ontario or Quebec.

You touched on a point that we talk about often and that's how to encourage some of the world-class . . . the world leaders in the various sectors to Saskatchewan, and that is part of a new business development strategy that we are putting in place. And that is to approach some of the more successful companies in certain sectors, those companies who would be of a size where they would be looking to expand. And if in their particular industry it makes sense, is to talk to these folks about considering Saskatchewan if they are looking as a place to expand. And with the availability of capital that we would bring to the table and the capital that they would bring, along with other investors perhaps, we're hoping that we might be able to interest some of those, as has been done in the past over, you know, a large number of years in some cases. And Saskferco is an example of that.

**The Chair:** — I have Mr. Elhard and then Mr. McCall.

**Mr. Elhard:** — Thank you, Mr. Chairman. I'd like to pursue some of the topics that Ms. Wightman just addressed. You were talking about the strengths of investment opportunities in Saskatchewan relative to transportation, labour force stability, and values basically of purchases that might be made. What are some of the weaknesses you have to address?

**Ms. Wightman:** — I'd say the weakness is that it's a relatively small province so, of course, so while you have a workforce . . . Depending on your industry, you have a workforce. But it is a relatively small province so with that comes some of a smaller degree of access — whether it's airline access, some of that cost infrastructure. So access to large local markets is going to be an

impediment. But certain companies don't need that immediate access to a large local market. They're looking at services perhaps that don't require transportation or don't require face-to-face relationships with their markets.

So that's some of the side that we have to sort of speak to potential partners about, to show them that where they have certain perceptions in mind about the weaknesses, that there's also corresponding strengths.

**Mr. Elhard:** — Is that the only weakness you have to overcome? Is there . . . I don't want to lead you . . .

**Ms. Wightman:** — Yes. No, no.

**Mr. Elhard:** — . . . but we hear anecdotally that there is a perception problem that has to be overcome in terms of whether or not this is a good place to invest. There are ideas circulating — not just in the country but internationally — that we don't invite investment here. And I noticed earlier that you said that Investment Saskatchewan is trying to raise the profile of the organization. I'd like you to comment about what it is, what strategies you're using to achieve that raising of profile.

**Hon. Mr. Cline:** — Mr. Chair, before I ask Ms. Wightman to comment I'd like to make a few observations about the question.

Certainly there are always false perceptions about our province which we're trying to overcome. For example, we like to tell people that over half of the province is forested and that we have a very large forestry industry, because a lot of people don't know that. That's been part of our efforts through the Future is Wide Open campaign, to advise businesses and potential investors outside Saskatchewan what we have to offer.

And so what we've seen — not because of Future is Wide Open — but I think it's important to note that we've seen in the last five years \$1 billion of private sector investment in the forestry industry. We see now in the oil and gas sector about \$1.9 billion per year being invested in new development in oil and gas and we expect that to continue. And that was before we had \$50 a barrel oil as well, although that certainly obviously is an additional incentive.

We see a great deal of investment going on in Saskatchewan in the mining sector. For example, \$100 million has been invested in diamond exploration so far — \$20 million this year. The amount of money being invested in exploration in mining in Saskatchewan has doubled in the last few years — more than doubled — and this year we expect it to be more than \$50 million.

And you know, one could go on about the investment going on in Saskatchewan. I just point out that, yes, sometimes people have a negative perception about Saskatchewan, but actually there is a lot going on in Saskatchewan and we need to get that word out. And I know that all members of the legislature want to join in promoting all the positive things that are happening in our economy as well as the challenges we have as we move forward.

And so I wanted to provide that information, and with that I'll

ask Ms. Wightman also to answer the question. Thank you.

**Ms. Wightman:** — I'll go back to some of the question about what other weaknesses we run into when dealing with partners.

One of the issues is that there is a perception, as you've mentioned, there is a perception that the industry base in Saskatchewan is agriculture and only agriculture, and for the most part people outside of the province believe that even the agriculture base is primary production and not the value-added. So we try and bring them some information to show the diversification that is in Saskatchewan, and not only agriculturally to the value-added chain, but also to the other industries that the minister has referred to.

The other issue is quite often industries will look to their like kind as a place to establish or a place to expand. So for example if you're looking at the high-tech industry, you may be thinking of Kanata outside of Ottawa. There is no reason why it has to be there, it just so happens that the industry is.

But if you can speak to companies — and we have a couple of potential investees that we are in discussions with right now — realizing that there is just as much opportunity to start some of that industry in this province, and that it doesn't automatically have to be where the majority of the industry is . . . So sometimes you run into that question which is the industry mass.

We see it occasionally in the oil and gas industry where people will be quite surprised. The industry in Toronto, for example, they'll be quite surprised that there is a lot of oil and gas in Saskatchewan. It's just a perception issue.

Some of the tools and some of the strategies that we will use . . . There are several research reports. And a recent one came out not too long ago by one of the accounting firms that highlight the advantages and that actually measure or assess Saskatchewan as a place to do business relative to the other provinces, and there's a lot of specifics within those types of studies that we can use to show others what the advantages are.

We have a couple of things in mind as a strategy to go forward. First of all, we need some more targeted — and I mean very targeted — research. Research into the sectors that we're focusing on, research then that would identify some of the key companies and some of the key players in that industry — not necessarily in Saskatchewan — those who might be ready to expand so that we would actually know who to target, who to go to with our efforts.

Secondly, we're looking at undertaking sort of a three-part strategy and that is to develop relationships and raise the profile of Investment Saskatchewan's work and Saskatchewan's opportunities in three ways. One is within the investment community itself. The investment community is the quickest way to see the results because if they see investment opportunities and they know who we are, then they'll talk to us about partnering. So that tends to be sort of the quickest hit.

Secondly, we want to go to the industry sectors within the province that we have targeted, so go to those key players in the industry so that they also are aware of the possibilities.

And thirdly, we want to work closely with some of the groups that you had referred to as intermediaries. Those would be groups like some of the law firms, some of the accounting firms who will see business ventures at an early stage, whether it's because they're brokering finance or whether it's because they're doing consulting. So if we go to those folks, then our name ends up being top of mind when people are thinking about doing business in the province.

**Mr. Elhard:** — Just hearing your response would suggest to me that Investment Saskatchewan has taken a fairly aggressive stance in this whole effort. It sounds to me like that's somewhat different than what we saw from CIC. And I guess that view was triggered by a comment you made in the presentation earlier as to Investment Saskatchewan being able to leverage several millions — in fact one of the categories I think it was \$284 million — in private sector money. And I don't remember the exact number — I didn't write it down, anyway — of another area where Investment Saskatchewan is responsible for leveraging this money out of the private sector.

And, you know, my view of how investment money got into the economy prior under the CIC III model was not that the government agency leveraged the money out of the private sector but the other way around. The private sector might come to Saskatchewan and say, we've got a project, we've got an investment idea, but we can't carry the ball financially. Will the government get involved with us; will they contribute money to this project?

And I would suspect that a number of the items that are in your portfolio now developed as sort of that . . . through that mechanism. So is that an intentional change of direction? Is that a deliberate strategy of the government of the day and of Investment Saskatchewan? Is that part of the marching orders for Investment Saskatchewan?

**Hon. Mr. Cline:** — Yes, Mr. Chair. I'll ask Ms. Wightman to supplement my answer if she wishes to, but it is very much part of the change.

The Premier announced Investment Saskatchewan not so that everything would be done the same way, but so that things would be done differently. And it was part of the mandate given to Investment Saskatchewan that we wanted things to be done differently. We wanted more due diligence in terms of large, significant investments. Also we wanted to grow the economy, so could they give some advice in terms of how we would go about attracting more private sector investments.

So it's true that Investment Saskatchewan may do things differently than CIC III did, and that is very intentional. That is part of what the Premier envisaged when he announced Investment Saskatchewan and quite consistent with what we want to do. So I'll ask Ms. Wightman to comment as well. Thank you.

**Ms. Wightman:** — Certainly. Thank you. To the question and the comments on leverage, we've taken an approach that we should be able to leverage our capital dollar to \$1.50 of private capital. And when we use that term it is not to say that on every individual deal we will always get that. Sometimes we will, sometimes we won't. But as an overall average, that's what we

want to see.

Now as much as I would love to be blowing only the horn of Investment Saskatchewan, I will say that sometimes that leverage ratio is a matter of the partners; it depends how the deal comes up. So in some cases we're approached with a deal whereby we will go and find partners to come in and bring some private capital to the table so that we're not taking all of the risk and being the primary investor.

In other cases, the more our profile is raised and the more our partners are aware that we're out there, they will bring us in because for the most part everybody wants to share the risk. We just have this added measure that we track, which is how much private capital is at the table with us on our portfolio on the deal.

So as the minister said, it is conscious. And in fact the nature of the investment industry is that any company looking for private equity is in fact saying, we can't carry it financially and we want to do this enterprise. So the difference is that we will now look to making sure that there's private dollars at the table along with the dollars of Investment Saskatchewan.

**Hon. Mr. Cline:** — And I do want to add, just to be fair to the people at CIC III also, that even though we may have a renewed sort of emphasis on trying to create a private sector capital pool, and it's very important, in fairness to them we must point out that many of the investments they made were with the private sector as well and they were trying to access private capital as well.

So that, you know, if you go back as far as the Saferco fertilizer plant, the government of the day put up 49 per cent of the cost because they wanted to get the other 51 per cent from Cargill. You know. The government of the day put up money for the Lloydminster Upgrader joining others, both government and private. And similarly the CIC III when they put 20 per cent of the capital that went into, say, Tolko oriented strand board plant or Centennial Foods — I think it was about 20 per cent in each case; it could vary a bit — but they wanted to access the other 80 per cent from private sector or in the case of Tolko, also some First Nations money.

So we don't want to leave the impression that they were unconcerned about that, or unsuccessful, because in many ways they too were successful in attracting private sector capital. So thank you.

**The Chair:** — Thank you. Members, it is now approximately the time that we would agree for a break, so we will briefly recess and reconvene in approximately 15 minutes. And Mr. Elhard will have the floor and then Mr. McCall and then Mr. Iwanchuk. Thank you, members.

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

**The Chair:** — Order. The committee will reconvene. And I recognize Mr. Elhard who has the floor, and then Mr. McCall and then Mr. Iwanchuk.

**Mr. Elhard:** — I have a couple of questions I'd like to raise at this point and I may have missed some of this discussion when I

was out of the room earlier. So if I have, please advise me of that.

I know the question was asked about the board and the members of the board, but the advisory council that's referred to in the first page or two of the report, can you tell me who comprises the advisory council?

**Ms. Wightman:** — Unfortunately I can't give you the list of names off the top of my head. The advisory council was established by CIC. It was chaired by Don Black of Greystone Managed Investments; Maurice Delage, who is our current Chair, was a member of the committee; several other folks from the business community. And their mandate was to make recommendations about structure and portfolio management options.

**Mr. Elhard:** — They outlined, according to your presentation, a vision and accompanying recommendations, I guess. Can you give us an indication what those recommendations were?

**Ms. Wightman:** — Well the recommendations for the most part were enacted by the government when it created Investment Saskatchewan. That was the recommendation, was to create an organization that would hold all of the assets, which would encourage economic development by investing directly and which would attract private sector capital, and as well which would look to strengthen the investment management industry within Saskatchewan, because there's only a few companies who are investment managers in the province. So those were their recommendations leading to the creation.

**Mr. Elhard:** — The effort that the government has gone to to kind of create an arms-length investment entity would bode well, I would assume, if we've got the right investors in place and the right people in place. So that leads me to ask . . . You're in the process apparently of recruiting a vice-president of investments. And could you tell me what process you're using to recruit that individual? Are you doing in-house recruitment? Have you gone outside? Have you hired a headhunter? What approach are you taking?

**Ms. Wightman:** — I certainly can tell you. We have hired a search firm, a local search firm in Regina here to undertake a national search. Because of the shift that the government has put in place, in my opinion it's very important that we have somebody who comes with private sector background. If we're trying to encourage private sector partners and raise our profile, then those partners, before they invest with you, they look at your own practices and your own ideology and your own, you know, sort of philosophy towards investing. And so we've been looking for somebody with that type of background to come and join us. It's been a long search but we've got some candidates coming forward now for interview purposes, and attracting them. For the most part, a national search in this kind of industry, if you look at private equity, you're not finding a lot of candidates from Saskatchewan. What we hope is that we can attract expats, for example, who are ready to return to Saskatchewan, though.

**Mr. Elhard:** — I want to look briefly at the list of Investment Saskatchewan direct investments. I look at the number of companies that are listed here and we as an opposition have

raised serious reservations about some of the investments. Minds Eye is one of the companies that comes to mind right off the bat. There are others here that I think have, you know, potential to be a real problem going forward simply because of the variants that comes to play, especially in the hog market. So I'm primarily referring to Big Sky Farms, and of course the CIC swine genetics arrangement, and to some extent Premium Brands as well, because all three of those companies are very dependent on a strong hog market. And as I think you alluded to in your opening comments, there has been some rough times in that sector.

And as I understand it, we are going to be facing even rougher times going forward. The value of hogs may have improved somewhat but our primary trading partner has slapped us with a 14 or 15 per cent countervail on hogs. I think Florian Possberg from Big Sky said on the radio that it would cost his company upwards of \$40,000 a week. Now that can't bode well for your investment. What is the long-term expectation of Investment Saskatchewan as it relates to that particular investment in the swine genetics area and the Premium Brands investment?

**Hon. Mr. Cline:** — Well I'd like to start off by saying that it is correct that some of these investments that have been made are investments in areas that are difficult, such as investing in hogs. But that's why people have come to the government through CIC III and why they may in the future come to Investment Saskatchewan looking for investment. Because when some of the producers in hogs, or it could be in beef, that are looking to build a meat-packing industry, for example, go to the conventional sources of financing such as the banks, often they will find the banks don't want to give them any money. And yet they want to move forward, naturally, to grow hogs or grow beef in Saskatchewan.

And so it's natural that as a lender of not first resort but not, I guess, not necessarily the last resort either, but not the conventional lenders, it's a natural thing that the CIC has tried to work with the farm producers in hogs to invest in that industry so that we can have more hog production in Saskatchewan and, you know, support also the finishing of hogs at places like Mitchell's in Saskatoon.

And it is not without controversy because of course there would be many people that would say, well, you never should have invested in hogs. And everybody knows there's a risk, but at the same time many people would criticize the government if the government totally turned its back on the farm producers. So that's how you get into that kind of situation.

In terms of the future of a specific company like Big Sky Farms, you know, we're very hopeful that it will have a good future. I don't think it would be appropriate in this forum for us to speculate with respect to any particular company which involves private individuals. And in terms of its finances, I think it's appropriate to explain why we're invested in that company; to express the hope that that company will be very successful in the long term; to acknowledge that there are problems in that sector. But there are reasons why governments have supported ventures like that.

And admittedly it is a very controversial matter. But those who take the position that, well, it didn't work out as well as you

expected, so you never would have . . . should have got into it must realize that going into it, I think, everybody realizes that to some extent you're getting into a venture that the banks have stayed away from, but you're trying to help the industry grow.

**Ms. Wightman:** — And I can just add a line to the minister's comments. And I'll start with that, in fact, is the value of trying to diversify a portfolio. For the companies that we have in the hog sector, while Big Sky is predominantly primary production, is certainly actively involved with the industry and looking to increase the capacity in Canada and the slaughter capacity in Canada so that it would be less reliant on exporting and then avoid some of the issues like the duty that's been put on hog exports.

For our Genex company, the strategy of the genetics company is not primarily about production. It is about the value that it can create, the higher value that it can derive from the genetics and so it — while of course the movement in prices is going to affect it — it is going for the very high value portion of the market.

The food companies you referred to, Premium Brands and Centennial, those are value-added companies. They are companies that look to the packaging, the processing, and the speciality meats. So again they're trying to move up the value chain so that they will be less reliant or less dependent on every glitch in the commodity market.

That being said, there's not too many things in this portfolio that aren't commodities. So when you have portfolio investments that are commodities, you need really to look at diversification then so that if things are a little tough in the hog market, then in the fertilizer business we hope things are good, or in the oriented strand board, or in the wood with wood prices. So really, you know, that's the importance of some of these industries that are commodity-based, is we can look at diversifying so that we can manage those ups and downs.

**Mr. Elhard:** — I don't want to, you know, second guess necessarily the investment that exists in this particular entity. You know, we've had enough disagreement with the government over these kinds of investments in the past, so just assuming that it's a reality we're dealing with.

I think the telling comment, Mr. Minister, is, you know, when the banks won't pick up the financing requirements of a company like this, then the government seems obligated to do it if they want a growth and expansion in that particular industry. But the question I guess becomes, why this particular company as opposed to the two or three or four other significant players in the hog industry in this province and across the Prairies? Was there something about this particular company that compelled an investment as opposed to the other players?

**Hon. Mr. Cline:** — Well I think in terms of getting into specifics about this particular company versus other applicants, I think it's very difficult to ask us that question and to expect us to give a verbal answer right on the spot. I'd be happy to prepare some kind of written response, but there may be matters with respect to confidentiality of companies that have come to government. I don't know what the rules would be in that regard. There may be matters with respect to what is public

information that we're permitted to talk about with respect to a private company, what is not.

And undoubtedly the question should be answered in a proper way. But in view of the fact that it deals with a specific company that we have invested in and there are some things that by law and by contract we're entitled to say and some things we're not entitled to say, I would like to ask, Mr. Chair, that we provide a written response to the question which provides the answer that we can answer.

But I do want to say that there are many instances where the banks will not help people out who want to build certain enterprises in the member's riding, in other ridings where those enterprises come to agencies like Investment Saskatchewan or government and they say the banks won't help us out because, you know, this is risky or it's not within what they want as part of their portfolio. There's always a lot of pressure from lots of people, sometimes including representatives of opposition ridings, for our government to join with local people to make things happen. And that's why these things happen, hopefully with a lot of good due diligence. And hopefully in the case of Investment Saskatchewan, on a go-forward basis any investments that we make will have the advantage of the private sector board and they'll make those decisions.

But in answer to the question, why do these investments happen, that's why they happen. And they happen with the best of intentions on everybody's part, and sometimes with the support of members from both sides of the Legislative Assembly. Thank you.

**Mr. Elhard:** — Mr. Chairman, I will accept the minister's offer of a written response to the question. I appreciate that and look forward to receiving that.

In view of the rationale, Mr. Minister, that you gave though as to . . . the general rationale for making an investment in the pig business — and I don't think actually this is the only particular pig business that the government has some monies at risk — but given the rationale that you've provided, can you tell me, is Investment Saskatchewan currently entertaining ideas or looking at proposals to invest directly in additional capacity in the beef industry, either at the slaughterhouse level, at the packing plant level, at the feedlot level?

**Hon. Mr. Cline:** — Yes, I can certainly answer that. Mr. Chair, to the member, the answer is no. There is no current consideration being given because there are no proposals that have come before Investment Saskatchewan as I understand it at the current time. However certainly if, as in any industry, if someone wanted to make a proposal to Investment Saskatchewan then it would be certainly looked at. But there are none at the present time.

**The Chair:** — I have Mr. McCall and then Mr. Iwanchuk.

**Mr. McCall:** — Thank you very much. I was just looking at some general questions I guess in terms of industry standards and in terms of who Investment Saskatchewan would benchmark itself against. So I guess just first and foremost, in the national context or you know, in other provincial jurisdictions, territorial jurisdictions, are there similar vehicles

against which Investment Saskatchewan would benchmark itself in terms of performance return on equity and so on?

**Ms. Wightman:** — There certainly are. Across the country in a number of jurisdictions, in fact in the majority, there are some sort of government involvement in investments. Federally you can look at Business Development Corporation, Farm Credit Ventures; they are both mandated to achieve a commercial return and invest, and each of them have their targeted sectors where they invest in.

We'll see SGF (Société générale de financement du Québec) in Quebec. In Ontario there are a couple of companies who have evolved closer to the private sector, and in Atlantic as well there is a fund there as well. Those particular organizations all have a similar outlook in terms of attracting private capital. So we look to them and see what they're doing in terms of a leverage ratio. For example, when I spoke of our dollar to \$1.50, that's a similar ratio that you would find with those types of other firms.

As it relates to benchmarking or performance on the portfolio, we would look to an overall average within the industry, within the industry — and I mean a broader into the private sector investment industry, not just some of the public players. When I say the overall average, there are some investment firms who target very specifically early stage technology, high-tech telecommunications, and so they have a different return expectation for those funds. Because we work within Saskatchewan we have a diversified fund and so we look to overall averages in the industry that would seem comparable to what we would be able to achieve in this province.

**Mr. McCall:** — Okay. I guess, how do we stack up in comparison around, say, asset mix in terms of that leveraging ratio, in terms of return on equity? How do we stack up to the other comparable entities?

**Ms. Wightman:** — In terms of the asset mix, you would find a much broader asset base within Investment Saskatchewan than you would typically in the other funds, because typically the funds would have a much more narrow focus. And I would say with the exception perhaps of BDC (Business Development Bank of Canada), which is a much broader focus.

In terms of stacking up comparatively, as we go forward we look for a commercial return and so from that perspective if we look at other funds with equally a diversified portfolio we'd be targeting relatively similar expectations.

In terms of ROE (return on equity), we've moved away in the last while from an ROE as a measurement because it tends not to be used in the private equity business. You tend to use an internal rate of return. And in the past the rate of return achieved would have been lower than you would have seen in the industry, and the reasoning because the investments that were made that are currently in the portfolio are a group of investments that come from various different programs: SOCO (Saskatchewan Opportunities Corporation), SEDCO (Saskatchewan Economic Development Corporation), all of which had different mandates at the time.

So it isn't really relative to compare the performance of the existing portfolio to the private industry. There's just too much

variables within that portfolio. But on a go-forward basis we will.

**Mr. McCall:** — Okay, thank you.

**The Chair:** — I recognize Mr. Iwanchuk and then Mr. Toth.

**Mr. Iwanchuk:** — Thank you, Mr. Chair, for the opportunity to ask some questions. I just have about three questions, and they came out as a result of something I had regarding tenure of jobs. And I guess my questions were around that was . . . perhaps I didn't hear, but were they nationally — and maybe I could ask my questions first then — nationally, and then what sectors do you measure?

And then finally, I think you mentioned that we were leading in that. And I was just wondering what would be the opinion as to why we are leading?

**Ms. Wightman:** — What I was referring to about job tenure was some statistics that we saw on some research that was done. It was done on a national basis. It did a comparison province by province. I don't have the exact numbers, but I seem to recall something around the 10-year mark on average where an individual stayed with their employer.

It was not broken out by sector. And there's a number of reasons for that; partly it depends on the sector in which you happen to work. If you're in the agricultural sector, for example, you will typically be staying with your employer for longer. And part of it is because the labour force within Saskatchewan stays in Saskatchewan. People — and certainly anecdotally — people who are working in an agricultural industry within Saskatchewan want to work in that industry and they want to work within that industry in their home.

So for that reason, the survey that we were seeing showed quite a stable workforce, but it was not broken out by sector.

**Hon. Mr. Cline:** — If I might just add, perhaps I'll ask Ms. Wightman also if we can get a hold of that study. Perhaps we could provide that to you, Mr. Chair, and we could provide copies to the members because I'm sure it would be of interest to all of us as well. Thank you.

**The Chair:** — Anything further, Mr. Iwanchuk? Okay, Mr. Toth.

**Mr. Toth:** — Thank you, Mr. Chair. A little earlier on in our presentations — in I believe Ms. Wightman's presentation or the presentation earlier — you had made a mention of five companies paid out in full and . . . full, pardon me, and five ceased operation. I'm taking that's five of the current investment portfolios that were handed to Investment Saskatchewan and then five that haven't.

And could you list the five that have been paid out in full and what has happened with those operations? Has Investment Saskatchewan now divested itself of any interest in these operations? And then the five that ceased to exist and what's happened to the investment portfolio.

**Ms. Wightman:** — Yes, the files that paid out in full, we in



fact are out of those companies completely. All the companies that I referred to are companies — investees — of a smaller proportion and those are the ones that we refer to as our small companies, our small investees, where the management of those is outsourced. So the investment fund manager sort of works through when something is either paid out in full or when a company ceases operations, and we are out of those businesses, in fact, in both cases — the five paid out in full and the five who ceased operations.

**Mr. Toth:** — I take it then that these 10 operations aren't necessarily listed in this list of investment opportunities here.

**Ms. Wightman:** — That's right. They're no longer within our portfolio.

**Mr. Toth:** — Okay.

**Ms. Wightman:** — The list that you're looking is the list of the presentation and they would not be included there.

**Mr. Toth:** — That's right. Mr. Minister, you made reference to due diligence and we've referred earlier on to some of the investment opportunities in the past that haven't worked out very well and especially where the politics played more of a role than an investment community as far as the types of investments that were invested in and how those investments were managed.

And I believe you indicated that it was the intent with Investment Saskatchewan actually for government to move back but at the same I believe government is putting some money into Investment Saskatchewan as well. And if I'm not mistaken wasn't there something like \$50 million that's supposed to be going on an annual basis? And I guess the question is, what is the specific purpose of that \$50 million into Investment Saskatchewan on an annual basis? And what safety or precautionary measures are you putting in place to protect the taxpayers' investment if any public funds are used? Because I would anticipate down the road as we look at Investment Saskatchewan and how I perceive it and I think a lot of people would, as Ms. Wightman has already mentioned, the opportunity to try to lever private funds and actually I would hope move away from any public funds whatsoever in this portfolio.

So first of all I guess, what due diligence have you put in place to ensure that public funds are not at risk? And the funds that are going to be going in, what are they specifically going into the portfolio for and do you see a point in time where it's anticipated Investment Saskatchewan will actually have its own real portfolio and not have to look for public funds to operate?

**Hon. Mr. Cline:** — Well actually we are there now. We do not anticipate putting funds from the General Revenue Fund to Investment Saskatchewan for them to invest. The \$50 million we are referring to that they might invest per annum would be internally generated. In other words they would try to generate that money themselves out of the investments and then the plan is that they might reinvest. So what you're suggesting that we work toward, we've already done.

**Mr. Toth:** — So if I understand you correctly, Mr. Minister,

what we understood . . . I believe it was a piece of legislation about \$50 million being put into Investment Saskatchewan. There wasn't actually \$50 million from the public funds into Investment Saskatchewan?

**Hon. Mr. Cline:** — Well I'll ask Ms. Powers to elaborate on it, but again we anticipate that Investment Saskatchewan will invest monies that it internally generates, that it makes itself out of the investments through the management of the investments. And Ms. Powers can elaborate on the question about where does the \$50 million come from. Thank you.

**Ms. Powers:** — Thank you, Mr. Minister. The \$50 million, as the minister indicated, is from internally generated funds, so there would be no cash flow foreseen to come from the General Revenue Fund or from CIC, for that matter. It would be from the Investment Saskatchewan operating activities which would include returns that it realizes on the current investments that it has — so the income those investments generate as well as from the liquidation of those investments at the proper time.

**Mr. Toth:** — Okay. The reason that I'm asking the question is because of the . . . I'm just trying to recall the debate earlier on about that investment. And the way it came out it was, it came out as something outside of Investment Saskatchewan and whether it was seed money . . . and I guess that's . . . But what you're indicating to us is that it is nothing to do with public funds. And I would compliment the province for doing that. And that's clarifying something that we had a misunderstanding on; at least that was the direction that we had. And it comes back to my opening statement about the fact that we would trust that Investment Saskatchewan would be able to stand on its own merit. At least that's what I would perceive the objectives and goals of Investment Saskatchewan would be.

**Hon. Mr. Cline:** — Yes, and we agree, and that's what we're doing. I should clarify. All of the funds are public funds in the sense that all of the investments that are managed by Investment Saskatchewan are investments that belong to the people of the province; we all own them equally. And in that sense they're all public funds.

But in terms of money being appropriated by the Legislative Assembly to be given to Investment Saskatchewan — no, that's not what we're doing.

We are saying to Investment Saskatchewan, here are some, you know, \$600 million approximately of investments that are owned by the people of the province; we would like you to manage those. And that may include selling them if there's a good buyer and reinvesting money from sales and so on. It may include simply making a profit on a yearly basis, which so far this year, according to the first six months, they are. And the plan is that that is how they make their money, through their management success. And \$50 million of that money per year, the plan is that they can reinvest.

And I think I'll ask Ms. Powers to supplement that as well. Thank you.

**Ms. Powers:** — Thank you, Mr. Minister. Actually, you've covered most of my comments. I just wanted to reiterate though that it's that there's no additional funds standing on our merit

from the currently held investments, which again are government held investments.

If I use an example though, if we would generate \$100 million in one year from both income from those investments, as well as liquidation of some of those investments, we only have the authority to invest \$50 million of that into new investments or add-ons to existing investments. So that's where the \$50 million limit comes in.

**Hon. Mr. Cline:** — Yes. I should add, if I may, part of the confusion may be that in some of the public accounts with respect to the Crown Investments Corporation, you may see a reference to CIC approving capital allocation of Investment Saskatchewan. They approve the capital allocation of Investment Saskatchewan in terms of their investment plan; say it's 50 million for the next year.

But they do not give Investment Saskatchewan that money. They simply approve that of the money Investment Saskatchewan may generate itself, that they can allocate \$50 million toward investment.

But the confusion may have arisen because somebody may have read that CIC approved a capital allocation, but CIC is not giving them the money nor is the Legislative Assembly. That just means that they're approving the plan that has been put forward by Investment Saskatchewan, that they feel that they should invest \$50 million of the money they generate over the next year.

And I suppose in the future the capital allocation may vary. They may . . . For example, if they sold a very major investment, you know half a billion dollars worth or something, they may have some plan at some point that says well, let's make another, a larger investment. I don't know. But I mean it's conceivable that that could happen in the future. But nobody's giving them any money.

**Mr. Toth:** — Thank you, Mr. Minister. Mr. Minister, it is correct then that actually Investment Saskatchewan, all the investment portfolios that they're responsible for at this time, are all taxpayer funded projects. Hopefully down the road we can move from taxpayer funded to privately funded. I anticipate that's where you are looking to go.

And when you talk . . . and I'm basically talking two things here. I'm also talking the \$50 million. If Investment Saskatchewan doesn't have a return or a net return of the \$50 million, can they borrow or they just invest within the limits of what their net returns are and the monies that are available? Let's say it's only \$30 million rather than \$50 million available for further investment. Are they limited to specifically what actual dollars are there? And, I guess, and of course following up to the first comment, is Investment Saskatchewan eventually going to pay off what . . . the public funds that it inherited when it . . . when these funds were transferred from CIC to Investment Saskatchewan.

**Hon. Mr. Cline:** — Okay. Well they did not inherit any funds as such. They inherited a portfolio of investments and they're managing those investments. So I would point that out.

In answer to the question no, they don't have borrowing capacity. If they wanted to borrow money to invest the money they would have to come to government and seek approval to borrow, which at this time they don't have and there hasn't been any requests to borrow. The plan has been that they will invest money that they internally generate out of their management of the portfolio of assets that they have.

I do wish to point out that in the question, Mr. Chair, Mr. Toth indicated that these were — he may have indicated — these were projects, investments where only public money had gone in. And if that was the impression left, that is not completely accurate. Many of these investments have private money in them as well and so some of them are totally public, some of them are . . . (inaudible interjection) . . . yes, almost all private, and some of them are a mix. So it varies.

But I do understand Mr. Toth's point that to the largest extent possible what we want to do is access private investment and indeed, as we've discussed, that is also the objective of Investment Saskatchewan to lever as much private investment as we can. Thank you.

**Mr. Toth:** — Thank you, Mr. Minister. Mr. Minister, in your 2003 report and it's . . . there's a page 25 and it says 2004 performance management objectives, measures and targets. And one of the objectives states, generate dividends of 50 million and cash flow of 60 million over 2004-2007, and then under the measures it says, dividend to CIC.

The question I have: is Investment Saskatchewan another tool for CIC to raise funds to transfer to general revenue pool when the government finds that it's looking . . . or short of funds?

**Hon. Mr. Cline:** — Well I would answer the question this way. I think, and I'll ask Ms. Wightman to make a comment as well, but I think the public of Saskatchewan would expect and hope that any investments that the government made on their behalf — whether in the Crown corporations like SGI or SaskPower or whether in this investment portfolio — I think the public has a right to expect and hope that those operations are ultimately going to make some money and return some dividend to them, the owners. The owners are the people of the province, and so absolutely if the question is should Investment Saskatchewan try to make a profit which then benefits the people of the province, the answer is absolutely yes, of course it should; it would be a failure if it didn't.

In answer to the part of the question that suggests that this would only be done if the government was short of money: no, this should be done at any time by any government or any enterprise; they should always seek to make a return for their shareholder, which in this case is the people of the province. And absolutely we will try to do that and we will try to in a reasonable way make some return for the people of the province which will be paid to CIC and may ultimately then be paid as part of the CIC dividend to the General Revenue Fund which will assist the people of the province in terms of having a health care system, an education system, a highways system.

And I would suggest, Mr. Chair, to this committee that any government that does not operate that way isn't operating the way it should. Thank you.

**Mr. Toth:** — Thank you, Mr. Minister. Well, Mr. Minister, there's no doubt when companies are investing, they're looking at investing and creating a return so that their shares and the shareholders who invest in that company actually will see a return as well. But on the other hand, they look at ways of trying to pay down debt.

And I guess my question to you, Mr. Minister, in Investment Saskatchewan, as we've been discussing, and I guess a bit of what I perceive and whether or not I see it wholly the way you perceive this company is operating, I've indicated that I can see this company and this board of directors really working at selling the province and the opportunities for investment. I think the taxpayers as well though have no problem in seeing investment in the province. I'm not necessarily sure that they perceive that they should always be making the investment.

But as companies invest in the province, as Investment Saskatchewan really attracts investments opportunities and Ms. Wightman mentioned earlier, like one of the things we certainly want to see is headquarters or companies looking at, even if it's not the full head, but establishing some management positions in the province. Each and every one of those positions are an economic benefit to the people of Saskatchewan. And through their involvement, whether it's taxation or what have you, they're actually putting back into the public purse as well which goes to meet the needs of providing for the health and the education and the other benefits.

And so I guess what I'm asking of you, Mr. Minister, as far as the long-term goals and objectives, is one of those objectives to try and lower the public involvement in these investments and allow those investments to work on their own and pay their dividends through taxation or in that form to the people of Saskatchewan?

**Hon. Mr. Cline:** — Yes, absolutely it is, Mr. Chair, in answer to Mr. Toth's question. First of all I'd like to point out the first part of the question related to paydown of debt. And I would like to point out that the debt of Investment Saskatchewan is about \$15 million — that's one five million — and their assets are about \$600 million. So they don't have a great debt problem at all. They have a really quite spectacular debt/equity ratio.

Mr. Toth's question I think is a very good one and I don't have any trouble saying, you know, as Minister of Industry and Resources and the Minister Responsible for Investment Saskatchewan, that like Mr. Toth, I'd like to see the day when government wouldn't be involved in these investments at all. That you'd have enough private sector investment that the government would never be approached to get involved in these kinds of ventures. That would be, to my way of thinking, a very happy day.

I'm not talking about the basic Crown portfolio. I don't believe in privatization of SaskPower and SaskTel and SGI, don't misunderstand me. But in terms of things like the Meadow Lake pulp mill or the Saferco fertilizer plant, or any number of other investments we have, these are good investments in good companies. But in an ideal world the government would not necessarily have to be invested in them. I think we can all agree on that.

And so as a general comment, if the question is do we want to see more private sector investment, that is what the whole strategy of the Government of Saskatchewan is directed to. So we're trying to build up oil and gas investment and meeting with some success, mining investment, forestry investment. And sometimes it's still the case that in order to make something happen, like the Tolko oriented strand board plant, that it just seems like it won't come together unless there's some minority government interest. And so we're happy to do that if it's a good project and that has to be done.

But I do agree that in an ideal world, which unfortunately none of us live in, you know, you would never have to be searching for capital because it would all be there. And that's part of my goal, it's part of our government's goal, and it would be part of the goal of Investment Saskatchewan as well.

So we want to work toward more private-sector investment. But we have not ruled out, as we've just discussed, because we will be partially investing some of the generated revenues in, you know, in various investments as we move forward. But it's important to realize that we want to use that kind of investment, if it's 50 million for example, to lever other investments.

And one of the things Ms. Wightman said in her presentation, was that the investments made in the last five years by Investment Saskatchewan, CIC III, which I think were in the amount of about 95 million was it, had levered 284 million, I think something like that, private-sector investment. The point being, we want to use the money to lever investment by the private sector. But I do agree that in an ideal world maybe we wouldn't have to do that. But again, we live in the real world and will continue to live in the real world as long as we do, which I guess will be the foreseeable future. Thank you.

**Mr. Toth:** — Well, Mr. Minister, I think if we look at investment opportunities in this province over the past number of years, and we've certainly had a number of years where a political party has been providing leadership, that it hasn't necessarily always been very open to business. So I'm pleased to hear that . . . and maybe it happens to be a single minister who has a little different view than what the political views of the party have been for the long period of time, in regards to how we need to reach out and create an environment that the private sector would look at this province. We've certainly spent a number of years kind of spinning our wheels. And unfortunately, as you indicate, an ideal world, we haven't quite reached that ideal world yet.

But when I look at Investment Saskatchewan and I have a question here, and it's regarding Sask Valley Potato Corporation, which basically is a sister of, or has taken over the assets I believe of SPUDCO. And you know, this group of individuals that you put together, I think the concept of Investment Saskatchewan is excellent. We've talked about that and we've expressed our support for that.

The question I have though, Mr. Minister, is why would you have saddled Investment Saskatchewan with this investment portfolio under a new . . . SPUDCO under a new name of Sask Valley Potato Corporation? Because of the very negative impact SPUDCO has had over the past number of years, the \$35 million that the taxpayers have been on the hook for, it

would seem to me that you should have taken the losses, and rather than wrapping . . . or passing this over to Investment Saskatchewan — a portfolio that has created such a negative impact regarding investment opportunity in Saskatchewan — left that out of the portfolio so that Investment Saskatchewan wouldn't have to even be looking at . . . Someone comes along, wants to invest some money but asks why do you have this small investment in your portfolio, because there are a lot of real positives in here but that, in my mind, creates a negative.

And the question that I have is why would you not have just let that thing wrap up and left it out of here so that Investment Saskatchewan would not have had to deal with some of the impacts of the SPUDCO deal?

**Hon. Mr. Cline:** — Well, first of all I'd like to say, in reference to the first part of the question, that what we are saying and what we are doing as a general matter of policy to attract private sector investment is not something that I alone am doing. It's something that we do as a result of the formation of government policy, which comes from all the members of the government caucus and the cabinet. And we're all united in terms of our view that we want to build up the province.

I would suggest that in fact rather than spinning our wheels over the last 13 years ago today, when the 1991 election occurred and the Romanow government came to power followed by the Calvert government, we have in fact been making many changes which are quite remarkable when you look back on it. One of them of course reducing government debt from about, I believe, 49 percent of GDP (gross domestic product) in the executive government side to about 24 percent today, which is about half of the debt related to the size of government.

We have reformed personal income taxes to make Saskatchewan much more competitive. We have oil and gas royalties that are competitive with Alberta for new oil and gas drilling. We've declared a royalty holiday for 10 years for new gold and base metal mines to try to incent more development in the mining sector. We've been working with the potash and uranium companies to make changes to incent more development there. So this is certainly not the history of a government that is resting on its laurels or spinning its wheels. And many things are happening in our economy.

Last year the Saskatchewan economy was the fastest growing economy in Canada. Now, are we doing enough; have we done everything we should do? The answer is no. Are we trying to do what we can to develop the province and the economy in a realistic way? I think we are.

Now the question is, why would you transfer the potato sheds which are in Sask Valley Potato Corporation to Investment Saskatchewan? The answer is, as indicated earlier in response to another question, all of the other assets of CIC III were transferred over to Investment Saskatchewan and those included the potato sheds.

Now some of the investments are investments that, you know, have been very profitable. Some of them as Mr. Toth indicated earlier have not been as profitable, but all of the assets of CIC III were put into Investment Saskatchewan. And I would venture to say, Mr. Chair, that if we had picked and chosen

which ones we were going to take and only taken some and not all, or excluded this one, then the question being put to us by the opposition would be, why did you exclude it; why didn't you take it? The answer is, we treated it consistently with all the other investments because we have a rational, and I would argue, proper public policy decision that we have taken to transfer the management of these assets to a private sector-like board to get their advice on how we should deal with them.

We've done that with all the assets of CIC III, and I can tell you with almost certainty that if we had not done that we would be subjected to criticism for not doing that. And so that's why that asset along with all the other assets of CIC III has been transferred to Investment Saskatchewan. Thank you.

**Mr. Toth:** — Well I thank you, Mr. Minister, and it would seem to me that something of the SPUDCO scandal is certainly an investment portfolio that really isn't a positive. And as I indicated earlier, so you decided you were going to wind that down anyway, leave it out, then let the board of directors and this new group of individuals in Investment Saskatchewan be able to move ahead with the positives and not have to deal with one negative, which you're basically, I believe, winding down as it is.

Mr. Minister, you talked about personal income tax and no doubt that was part of the 1999 election platform. And our party ran on that platform and to your credit, we saw reform in the personal income tax level over the last few years.

You continue to refer to debt as far as the debt-to-GDP ratio, but the overall debt in the province is still significantly . . . in fact, it's grown in the last few years. And so I'm not exactly sure, Mr. Minister, yes, we can get into these philosophical arguments as to who's done better or who has done worse, but that does nothing to really address what we're talking about today as far as investment opportunities and selling the province of Saskatchewan. So I guess if you want to go in that direction, we can certainly move in that direction as well. But I think we've talked about some real positives about the Investment Saskatchewan portfolio.

Now when it comes to Sask. Valley — you mention about the transfer of assets and you mention, I believe you referred to the potato sheds — and Mr. Minister, can you give us a value of the sheds when they were rolled into . . . when CIC rolled that part of the portfolio into Investment Saskatchewan and what was the value of the sale when they were sold or if they were sold.

**Hon. Mr. Cline:** — Well I'll ask Ms. Wightman to comment as well. But I do want to say that Mr. Toth, Mr. Chair, asked why I would talk about debt and taxation. The reason I would is simply in the interest of dialogue.

When it's suggested that the government has been spinning its wheels all this time, I like to point out some of the progress we've made on debt and taxation. And these are subjects that I'm happy to talk about any time. And in fact, when it comes to personal income tax, the idea of changing that system did not arise in the 1999 provincial election, which was held in the fall, it arose in the 1999 budget when we made reference to the appointment of a tax reform committee that was going to come, I believe.

In terms of the debt of the province, many people go around saying that somehow the debt is going up and it's a huge problem. All I can say is that the province of Saskatchewan has received 11 credit rating upgrades from the various credit rating agencies since 1995. So it's the opinion of the leading experts in the world that the Government of Saskatchewan, which has returned to an A credit rating, is doing a good job on debt management. And I have to respect the opinion of the leading people from New York, Toronto, and otherwise.

On the question of the potato sheds Mr. Toth asks, well first, in his previous question, he suggested that the loss was somehow transferred to Investment Saskatchewan. He asks why would that be done. He overlooks the fact, which is a matter of public record, that a writedown was taken on these sheds in 2001.

So that writedown, which is in the amount of \$14.3 million, was taken three years ago before Investment Saskatchewan was ever created. And so the losses were not, in fact, passed on to Investment Saskatchewan. So in fact we've dealt with the concern that Mr. Toth has for Investment Saskatchewan already.

But I'll ask Ms. Wightman to make further comments with respect to the value of the sheds that have been transferred to Investment Saskatchewan, and she can also comment on the fact of the writedown that's already occurred if she wishes as well. Thank you.

**Ms. Wightman:** — Thank you, Mr. Minister. In fact the writedown was the full value of the sheds at the time in 2001, so that was 14 million. All but one of the sheds has been sold. So the sale proceeds from the sale of the assets is roughly 9 million. And when we take the sale price and our writedown, we have a gain of 3.3 million realized after the sale of those. We have one final shed that is in the process of discussions for sale.

**The Chair:** — Okay. Mr. Toth is finished. Mr. Yates, did you have any questions?

**Mr. Yates:** — Yes, I have a couple of questions. Thank you, Mr. Chair.

My questions have to do with the premise that we're going to lever 1.5 dollars for every dollar that we currently have in the fund from the private sector. Is it the intent of the fund, over time, to continue to lever new dollars as it's been . . . We put 1.5 private sector dollars in for every dollar and we'll lever greater money down the road again by putting 1.5 on the new, already diversified fund and continue to, over time, bring down the value or portion that's actually government investment in comparison to the private sector, to some point it will be relatively small?

**Ms. Wightman:** — Thank you for the question. In fact that is the idea, is that for, if we can be leveraging on overall terms one to one fifty now, then the more that the private sector is in the market, you know, in a few years, then perhaps that will be \$2 for every dollar, so that we should ultimately be able to increase that ratio.

**Mr. Yates:** — And eventually is the intent to diversify

ourselves out of these assets over time?

**Ms. Wightman:** — The intention is to certainly monitor the opportunities because you want to strategically pick your opportunities for exit so that it's at a point where you will maximize the return back to the shareholder.

**Mr. Yates:** — And my second question has to do with investment opportunities in Saskatchewan where companies traditionally — whether it be in Saskatchewan or Alberta, or Quebec, Ontario — want a portion of investment capital from the government in order to feel secure in the fact that the current operating environment will remain the current operating environment. As an example, I guess one of the most significant examples would be the meat-packing industry in Alberta. There was significant government money put in during the Lougheed years and it was largely to look at the fact that the environment for investment in the meat-packing industry would remain consistent over a period of time with the government investment in it.

How are we going to approach those types of investment opportunities in the future if they come forward? And I'll give you an example. Today Bombardier is looking at a new place to build mid-range jets, but they're insisting on \$700 million of government investment in the jurisdiction in which they build a new facility. And they traditionally have always looked for high-input government investment. So how are we going to deal with those types of investments in the future?

**Ms. Wightman:** — Any time that we are approached with an investment opportunity and regardless of the industry, we have to look at the timing of the markets in that industry. So whether we're talking about slaughter capacity or the aviation industry, we really have to look at what's happening in the market. We have to look at what type of capital is required. We have to look at the methods of operation and the management of operations.

So in any given year, I couldn't give you the finite answer because of course the markets in that industry would be shifting. It really is an assessment that has to be taken at the time, and with as much forward look as possible and as much projections and scenarios, modelling of various scenarios, as you're able to do.

**Mr. Yates:** — Okay, thank you.

**The Chair:** — Mr. Elhard.

**Mr. Elhard:** — Thank you, Mr. Chair. There's a couple of questions I want to ask that have grown out of some of the questions and answers that were posed earlier by my colleague, Mr. Toth.

I'm looking at page 6, and here you talk about or indicate as a part of the graph, that the net earnings for 2002 was \$11.6 million; for 2003, the actual net earnings was \$7.5 million. Now can you tell me what your projected net earnings are for 2004? Have you got that kind of information in estimate form?

**Ms. Wightman:** — In fact I can't tell you what it's going to be for 2004. The information, we are just putting together our Q3 (third quarter) results and have not yet taken that information to

the board. There is a lot that can happen within the last quarter. We're working very, very much with several of our investing companies. And depending on what direction the particular strategy takes, it could impact our year-end results. So what we've presented to you today is the mid-year, is the end of Q2, and we just have not finalized our Q3 results at this point.

**Mr. Elhard:** — The reason I'm asking is the idea that we had raised about the \$50 million per year investment coming from Investment Saskatchewan from earnings or sale of assets or whatever. Assuming you don't sell assets, do you think it's realistic that you will be able to generate \$50 million of additional investment revenue from the activities of the company in the upcoming year? And if you can't, I mean if it's not possible, are you obliged to or are you mandated through CIC to borrow funds to make those investments?

**Hon. Mr. Cline:** — I think I'll ask Ms. Powers to answer. I think the . . . You may be talking about apples and oranges in the sense that net earnings is one thing, generated revenue is another thing. For example, they may sell an asset and there may be money available there that they invest, but I'll ask Ms. Powers to elaborate on that. Thank you.

**Ms. Powers:** — Certainly. Thank you, Mr. Minister. The net earnings for Investment Saskatchewan can vary quite significantly from the cash flow generated within the organization largely because of the liquidation of investments and the actual cash flow in the form of dividends and interest payments, which can be quite significantly different than net earnings in any particular year.

So it's really more important for us to focus in on what is the cash flow for the year versus net earnings when making that assessment about what would be available as far as reinvestment into existing investments or new investments.

**Mr. Elhard:** — Yes, that would address my concerns to some extent. The assumption as a businessman I would have made is that investments would be made out of . . . or after net earnings were established. What money did you have left over to make your investment? You're saying that the \$50 million investment opportunity would be taken prior to the net earning being established.

**Ms. Powers:** — Again basically, while on an income statement you wouldn't see the investment activity being reflected in that manner; it would be based on the cash flows of the organization. Our net earnings are based on the earnings of the investments that we hold. So we do things like equity pickups where we will take a share of their earnings, which may not translate into cash. So it's really what they pay us as far as dividends or what we earn in a fashion of liquidations of investments that will give us the cash for reinvestment. So that's correct; the two work quite differently.

**Mr. Elhard:** — So even though you don't have the specific information relative to the net earnings for 2004, are you in a position where that \$50 million investment opportunity was realized already?

**Ms. Wightman:** — The investments that we're looking at so far this year, we are able to finance those investment

opportunities. For the most part those tend to be follow-on investments to existing clients or existing portfolio companies. And with the projections that we have made out with the assumptions and all of the financial projections that our investing companies have given us, it does appear that we will in fact be able to handle that kind of . . . that level of investments.

**Mr. Elhard:** — You know, I look at a number of these investments and, as I alluded to some of my concerns with a couple of them earlier, I wonder if it might not be of interest to the committee to have an indication of what investments make up this group of smaller companies. There's a number that are listed here — well not listed; that's the problem I guess — a number of companies that are invested by Investment Saskatchewan to an amount of less than \$1 million. Can we have a list of those companies?

**Ms. Wightman:** — Yes, we have a list of those companies. In fact one of the undertakings made earlier, on a broader level than this question, is that we will provide you with a list of all of our investing companies in the portfolio. I have that list and you would likely not want me to go through all 80 or 83 of those companies that are held in total.

The companies that you're requesting, equity investments less than a million for a total of 3 million, and again these are in 2003. We have a variety of . . . Properties are also included in that category — Big Sky Farms is in that category; MCN BioProducts is in that category. And this we can certainly follow up with the detail to the undertaking that the minister made a little earlier.

**Mr. Elhard:** — Thank you, Mr. Chairman, and Mr. Minister. The question I think was posed earlier of the companies that ceased operation, and there's an indication that five companies ceased activity, commercial activity, can we have the names of those companies?

**Ms. Wightman:** — I can give you the list of those companies: Birsay Livestock, Alviva Bio Pharmaceuticals, Daycon Wood Products, Proven Organics, B&C Precision Planing. For clarity I will again mention that all of these companies are held in our small portfolio. Those two . . . The small portfolio in total is managed by two external private sector fund managers. And these are the five that ceased operations.

**Mr. Elhard:** — There would naturally be a commission arrangement or a fee structure to acquire the services of those fund managers. Can you give us an indication of what Investment Saskatchewan pays in terms of percentages and maybe even real dollars?

**Ms. Wightman:** — I can give you real dollars. We have seen that it is very problematic if we give the percentage and the basis for calculation of management contracts due to the sensitivity commercially. It would impact these fund managers' abilities to secure contracts. In dollar value you will see, there's roughly \$100,000 paid to PCF and WTC, the two fund managers. One is slightly less; one is 98 and one is 100,000 for their work.

**Mr. Elhard:** — Mr. Chairman, thank you. I think at this point I

have no further questions. It's getting late in the day and I think some of us have distances to travel yet so I think we would be prepared to call it a day.

**The Chair:** — Okay. Thank you, members, and to thank the minister and his officials and the Provincial Auditor's office for being here.

Just a couple of comments. Pardon me? Mr. Toth.

**Mr. Toth:** — Mr. Minister, or pardon me, Mr. Chair, if we are wrapping up I'd like to thank the minister and his officials. I think it's been somewhat productive afternoon. And as we have been discussing investment and investment opportunities, and we look forward to what can be done to really sell this province because it is . . . still is a good place to live.

**The Chair:** — Mr. Minister.

**Hon. Mr. Cline:** — Well, Mr. Chair, I'd like to thank you and the committee members for your questions. I think we've had a very good discussion and so thank you for inviting us and listening to us and hopefully we'll be back next year with a great story to tell about all the progress we're continuing to make. Thank you.

**The Chair:** — Thank you. Just a couple of housekeeping measures. As Mr. Elhard indicated earlier this morning, that we have established our subcommittee meetings on a regular basis and if members have suggestions on how we should conduct meetings or order of matters that we need to bring before the committee, please refer them to either Mr. Elhard or myself. Upcoming meetings are October 27 and 28.

And just a final . . . I was advised that our motion to table should have actually read motion to adjourn consideration. So I'm just advising members that we'll take that as how that was done earlier in the meeting. And I would entertain a motion to adjourn the committee.

**Mr. Elhard:** — I so move.

**The Chair:** — Moved by Mr. Elhard. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That is carried. Thank you members.

The committee adjourned at 15:58.





