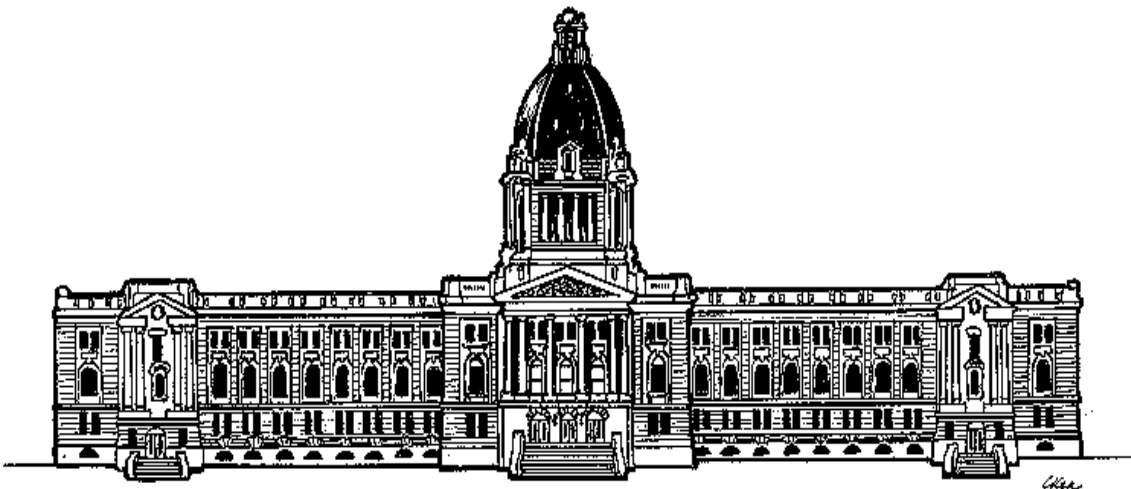




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

**Hansard Verbatim Report**

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**Legislative Assembly of Saskatchewan**

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES  
2005**

Mr. Graham Addley, Chair  
Saskatoon Sutherland

Mr. Dan D'Autremont, Deputy Chair  
Cannington

Ms. Doreen Eagles  
Estevan

Mr. Andy Iwanchuk  
Saskatoon Fairview

Mr. Allan Kerpan  
Carrot River Valley

Mr. Warren McCall  
Regina Elphinstone-Centre

Hon. Mark Wartman  
Regina Qu'Appelle Valley

[The committee met at 10:00.]

**The Chair:** — Good morning and I'll call to order the Standing Committee on Crown and Central Agencies. Some administrative issues, just to remind members that the committee meeting is being webcast and is available for in-house TV viewing. Following today's meeting, the full meeting will be video streamed on the Internet and will be on the Legislative Assembly committee website. And the television rebroadcast for the public will occur in November, and I'm sure we'll all be waiting for that.

Today's agenda is reviewing the SaskWater 2004 annual report this morning and this afternoon resumption of the CIC 2000 annual report. Now the agenda indicates we'll be going from 10 to 12, and there's been a request that we reconvene at 1:30 this afternoon. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Okay, so we'll reconvene at 1:30. We'll ask the minister to introduce his officials at this time. I'll welcome Mr. Minister Prebble.

#### SaskWater

**Hon. Mr. Prebble:** — Thank you very much, Mr. Chair. I'm pleased to be here this morning, and I'm pleased to introduce a number of officials from SaskWater who have joined me. To my right is the president of Saskatchewan Water Corporation, Stuart Kramer. And to my left is Terry Hymers, who is the director of financial services. And then seated behind me is Mart Cram; Mart is the senior vice-president of operations. Greg Argue, he is the vice-president of marketing and business development; Bob Wheatley, and Bob is vice-president of engineering; Margaret Anderson, who is executive director of corporate and human services; Susan Ross, who is corporate counsel to SaskWater; Monty Gendall, who is general counsel; Denise Soar, who is manager of financial services; and Kathie Maher-Wolbaum, who is a special advisor, government relations, Crown Investments Corporation. So those are the officials that have joined me. If members wish, I have some opening remarks that I can make. I'll leave that in your hands, Mr. Chair.

**The Chair:** — Certainly. We have also Mr. Martens from Provincial Auditor's office, and if he wanted to introduce his officials.

**Mr. Martens:** — Sure. Good morning, members. With me today is Bill Harasymchuk, senior manager at our office who leads our work at SaskWater. In addition we have Brian Drayton, a partner with Meyers Norris Penny, the appointed auditor. I'm going to ask each of them to give a brief overview of the results of the audit for 2004. Bill.

**Mr. Harasymchuk:** — Thank you, Andrew. Mr. Chair, with regards to SaskWater my comments are very brief.

We found the financial statements included in SaskWater's 2004 annual report to be reliable. SaskWater had adequate rules and procedures to safeguard public resources, and it complied

with legislation governing its activities related 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 worked together with the appointed auditors, Meyers Norris Penny, and we received excellent co-operation from both Meyers Norris Penny and also the management of SaskWater.

**Mr. Drayton:** — Thank you, Mr. Chair. My comments would also be brief. Our auditor's report is reproduced in the annual report of the corporation on page 41, followed by the financial statements. Our auditor's report is addressed to the members of the Legislative Assembly and is an unqualified audit report that in our opinion the financial statements of the company at December 31, 2004, are presented fairly.

As Bill had mentioned, certainly during the course of our audit we were given full co-operation by the corporation's management and complete access to all the books and records that we requested. And that would be the extent of my comments. Thank you.

**The Chair:** — Thank you, members. And also we have Mr. McCall, Mr. Iwanchuk, and Ms. Morin filling in for Mr. Wartman. And we have Ms. Eagles, Mr. D'Autremont, Ms. Harpauer filling in for Mr. Kerpan, and Mr. Heppner's joining us and will be filling in for Ms. Eagles this afternoon.

So with that, Minister Prebble, if you wanted to start with your opening statements and then we'll get into the questions and answers.

**Hon. Mr. Prebble:** — Thank you very much, Mr. Chair. Let me just say by way of introducing the 2004 annual report of SaskWater that I think SaskWater is unique as a provincial utility in that it's the only Crown utility in Canada that's providing the kind of grassroots water services to rural areas that you'll find anywhere in the country at a provincial level.

SaskWater's now serving approximately 40,000 people, and it's now serving more than 50 communities in Saskatchewan. We're delivering water to 37 industrial customers. And I think one of the things that's very interesting about SaskWater is that it's working with over 40 pipeline associations — 42 to be precise — rural pipeline associations that are working with it to deliver water to farms and rural households around the province.

The corporation now has more than 770 kilometres of raw and treated water supply pipeline, so that's quite an extensive pipeline system. There's 30 water pump stations, seven water treatment plants, and two waste water facilities.

Now the work that SaskWater has been doing over the last three years has been shaped by a decision that was made in 2002 when the province introduced a new drinking water strategy, and I think members of the committee will be, in general terms, familiar with this. Part of the focus was protecting the water source, and of course that's the work of the Watershed

Authority. Part of the work was enhancing regulations, and many of the regulations were moved from objectives to actual standards. And so that has been important work and it's been done by Saskatchewan Environment. And then we also wanted to have a focus on assisting communities to actually achieve solutions to their water problems, and that's where SaskWater's mandate has focused. As a water utility, SaskWater brings significant experience to communities around the province who are looking for new ways to provide water and waste water service to residents. SaskWater has 30 certified operators on staff as well as engineering specialists in water and waste water treatment.

The corporation has experienced positive growth in the past two years. I look at revenue now. In 2004 it was — the year under review — it was \$16.7 million, and that's up from what was 14.5 million in 2002. Operating expenses I think are particularly good news for 2004. They were held at 2003 levels — \$18.7 million.

Now I want to just clarify that 2004 revenues were up for two reasons. The most important one was an expansion of new customers. In 2004 and in part of 2003 the following communities were added to the system: Star City, Star City colony, Cudworth, Paynton, Halbrite, White City, St. Louis, Casa Rio, and in addition, these businesses: Canadian Salt and an expansion at Agrium, and then the community of Vanscoy was added as a SaskWater customer. There was a major upgrade done at Edenwold and it was added, and we established a new business relationship with the North Central regional pipeline association. So those were important additional customers, and that's the primary reason for the revenue increase.

However there was a second reason which I want to draw to members' attention that, of course, was less desirable, and that was the fact that there was a rate increase and part of that took place in 2004. The rate increase on August 1, 2004, for customers whose agreements do not include automatic rate adjustments resulted in an increase in revenue of \$427,000 in 2004. For 2005 we project that these rate increases will add approximately \$1.4 million to gross revenue. SaskWater expects to end 2005 with a net loss of \$1.7 million. So I just wanted to make sure that members had the information about what part of the revenue increase was customer related and what part is related to the rate increase.

Several of our new water supply customers have also entered into agreements for what's called certified operation and maintenance. This service provides operation and maintenance of municipal water and waste water utilities to meet all regulatory requirements including water treatment, storage, distribution, and waste water disposal. So in other words, we basically come in and at the request of a community we run their water treatment plant or waste water plant for them, and this is an important service that several communities are now taking advantage of.

The corporation also works for Indian and Northern Affairs Canada. The work is focused in Saskatchewan, and we provide technical assistance and training for 109 water treatment plant operators on 54 First Nations as well as 4 operators in 3 northern communities. And this is a very important part of the

work of SaskWater that I think isn't well understood by the general public, but it's a very important service to our First Nations communities.

Just in terms of other work that's being done, I think SaskWater continues to prove itself as an attractive option for councils looking for ways to upgrade aging infrastructure, reduce the liability on their water treatment plants. This year SaskWater assumed operations on behalf of the RM [rural municipality] of Sherwood in Sherwood Industrial Park. When the city of Regina notified the RM that they would no longer provide services outside of city limits, the rural municipality negotiated an agreement with SaskWater for water supply and certified operations of a distribution system that serves some 50 businesses.

In 2005 the town of Elbow also approached SaskWater and negotiated the sale of its water treatment plant. In addition to buying the plant that serves Elbow and neighbouring communities, SaskWater will make all capital upgrades necessary immediately and into the future, a total investment of close to \$1 million. And Elbow's a good example of a community that, where the demand for treated water varies a lot depending on the time of year. There's a big demand in the summer, a much smaller demand in the winter. But those summertime demands have often put real stress on the Elbow system, and we'll be making a number of upgrades there that should ensure that in the future the community has a very reliable source of water instead of some of the shutdowns that have been experienced over the past few years.

We're also in the business of assisting communities with water system assessments. By December 31 of this year, all municipal water systems in the province that are regulated by Saskatchewan Environment must have a third party assessment of their waterworks completed. And this involves a thorough investigation of the ability of these water systems to meet safe water regulations.

Saskatchewan Urban Municipalities Association partnered with SaskWater to have the Crown utility serve as the technical project manager for this critical project. By the end of this year, we expect 305 communities in total will have taken advantage of the program to get their waterworks assessed. Together with SUMA [Saskatchewan Urban Municipalities Association] and the Consulting Engineers of Saskatchewan, we're helping communities to meet these important regulations on time and as affordably as possible.

I just want to make a few concluding remarks, Mr. Chair. One is that I want members to be aware — and this is again something that hasn't received a lot of public attention, but I think it will be of interest to members of the committee — the Government of Canada announced a \$27.3 million program funded by the Canadian Strategic Infrastructure Fund that would potentially add several new regional water supply systems in the province. And these are generally systems where you have a central water treatment plant and then you have a number of communities that can hook up to that plant and all be served by it.

So it's a very important potential solution in rural Saskatchewan to water problems, and it can often be very important to very

small communities that otherwise might not be able to afford a major upgrade to a water treatment plant. Interested communities on their own or together with SaskWater are now preparing business cases for review and approval of funding by Infrastructure Canada, so we expect that there will be at least a couple of major communities that are interested in working with SaskWater on using these funds, and there will also be other communities that will want to pursue solutions independent of SaskWater.

By partnering with SaskWater, communities would be able to take advantage of the economies of scale and the health benefits of accessing a regional water supply system operated by a professional water utility. I think in the past year, Mr. Chair, I can say that the relationship, the working relationship that SaskWater has with its municipal customers and particularly with SUMA has been strong. And we're grateful for that, grateful for the partnerships that we enjoy.

We are encouraging communities as much as possible to work together in terms of finding solutions to their water problems. And I think this is a very important element of the work. It's almost . . . There's a bit of community development work involved here, really — encouraging communities simultaneously to work together in terms of solving their water problems. Communities don't always want to deal with the issue at the same time, and that's necessary if you're going to get a regional solution to the problem.

And finally I should just say that one of the things I'm very pleased with is that in general, although it doesn't always happen immediately, once SaskWater buys a new plant, if it buys a plant, you know, an existing plant from a community, it takes some time to do the upgrades. But once the upgrades are completed at our plants, we're not just meeting Saskatchewan water quality regulations, but we're consistently exceeding them, often by significant margins.

And I think this is very good news for communities in two ways: one of course the health benefits that are involved, and secondly the fact that I'm seeing a trend across North America. You can particularly see it in the US, [United States] where water quality regulations are getting tougher and tougher and tougher. And if we can provide a little bit of a cushion for communities in terms of the regulations, if there is a movement in Canada to further upgrade the regulations, our SaskWater customers will be protected, and they won't have to look at further upgrades. And I think that is also very important.

So with that, Mr. Chair, I'll stop. And I'm open to answering any questions that members of the committee might want to ask.

**The Chair:** — Thank you, Minister Prebble. And are there any questions? Ms. Eagles.

**Ms. Eagles:** — Thank you, Mr. Chair, and welcome to Mr. Minister and your officials. Mr. Minister, in 2004 there was a loss of 1.5 million, which was \$100,000 more than you forecast. Was this before or after the operating grant?

**Hon. Mr. Prebble:** — Just to be clear, this is after the operating grant, and the operating grant was \$433,000. So that would

have to be added, in effect, to the . . . without the operating grant, there would have been a net loss of a little over 1.9 million.

**Ms. Eagles:** — Thank you. Also interest costs in '04, SaskWater paid \$3.4 million in interest costs and you expect to pay 3.6 million in 2005. What is that increase attributed to?

**Hon. Mr. Prebble:** — Well, I mean, part of the increase is that the, you know, there is expected there will be a small increase in the rates relative to 2004. There is also ongoing expansion work that SaskWater does, additional investments that SaskWater is constantly making in water treatment plants across the province. So the primary reason for the increase is borrowing related to new capital projects, and we make significant capital investments each year and as that happens our interest charges inevitably rise.

**Ms. Eagles:** — Thank you. During the 2004 year you also settled an outstanding lawsuit related to the government's involvement in the potato industry and that settlement was for \$7.9 million. Now I understand that there were legal fees on top of that.

**Hon. Mr. Prebble:** — That's correct.

**Ms. Eagles:** — And I would just like to know how much those legal fees were.

**Hon. Mr. Prebble:** — I want to just give you the exact figures, Ms. Eagles, so if you don't mind I'll just take a moment to get those in front of me, and I'll give you, you know, several numbers. Do you want just legal fees, or do you also want to know professional service costs because I can break it down for you if you wish.

**Ms. Eagles:** — Whatever is related to that lawsuit.

**Hon. Mr. Prebble:** — That's what I think I should do because there's two elements to this. One is that, you know, legal fees were incurred, and the total for those is \$896,926 in terms of, that's just related now to the Judith River lawsuit.

There's a couple of other lawsuits that I'll comment in a minute where the legal fees are small, but still a cost to taxpayers, so. But for the primary lawsuit which was the Judith River lawsuit, \$896,926 in legal fees. Then there were additional disbursements related to experts that were hired to assist in the legal proceedings. And as you know the original suit here, was, the suit that was being filed against government was for \$100 million so there was also significant expenditure incurred with respect to the hiring of expert witnesses. The total cost when you add the legal fees and then all the professional service costs together, was \$1,833,416. So just over \$1.8 million was spent in total.

Now those figures do not include two other much smaller legal expenses, and I just want to add those because they are SPUDCO [Saskatchewan Potato Utility Development Company] related. One is that, as you know, there was a related suit that was filed against Minister Sonntag and Carol Teichrob. Now this isn't filed by the creditors. This is actually filed by, you know, two former employees of SaskWater. But there was

a . . . The expenses there in terms legal fees outside of government were \$4,000.

And then with respect to the other suit was the Dolman lawsuit which several of you will be familiar with, and these are members of the Dolman family who were suing SaskWater and the Government of Saskatchewan. And in terms of the legal expenses that SaskWater incurred, these were \$12,000 and those were incurred in 2004. Now I just want to make sure that you have a full picture here. There were also legal expenses incurred by Sask Valley Potato Corporation and those are \$29,070. So the total expenses related to the Dolmans in terms of legal costs are \$40,061.

So that's the overall picture with respect to legal expenses and professional disbursements.

**Ms. Eagles:** — The figure that you give me of \$896,926, what firm or firms received that?

**Hon. Mr. Prebble:** — The work was done by Olive Waller Zinkhan & Waller.

**Ms. Eagles:** — In an article in the *Leader-Post* on Thursday, April 15, Mr. Kramer was quoted as saying that this ill-fated potato venture has no impact on the Crown's bottom line. How could that be possible?

**Hon. Mr. Prebble:** — Well the reason is that the . . . I mean if you're talking about, does it have an impact on the provincial government's bottom line — and I think that's not what Mr. Kramer was referring to, he was talking about SaskWater — but the answer is of course it does. You know, the Crown has had to incur these expenses. Now these expenses have in effect been picked up by Crown Investments Corporation. They haven't been paid for by SaskWater. The \$7.9 million settlement for instance was, you know, was paid for by the province but it wasn't paid for by SaskWater. That would have been unfair to SaskWater customers to bear that kind of a burden. But it definitely had an impact on the province but not on SaskWater specifically.

**Ms. Eagles:** — The legal fees would have . . .

**Hon. Mr. Prebble:** — Well the legal fees, let me just get some clarity on that, but I think for the most part the answer would be no.

I just wanted to make sure I had these numbers absolutely precise before I put them on the record. But, Ms. Eagles, I think it's a very important question that you're asking and so I'm glad it's being asked.

In 2004, total legal fees were \$940,444. This is the total for legal fees and professional service costs, so the whole, you know, the entire expense picture. And in that year the operating grant of the province to SaskWater was \$433,000 and in addition to that SaskWater got an additional \$900,000 from the province to assist with legal expenses. So in other words, the total help in 2004 from the provincial government was \$1.333 million and the legal expenses were 940,000. So we've been endeavouring . . . the legal expenses and the professional service costs. So in the year that we're reviewing, these costs

were not a burden for SaskWater customers. Obviously though, the effect of this, in fairness, is to reduce the part of the operating grant for the province that actually assisted helping SaskWater customers to keep their cost down. Do you know what I'm saying?

In other words, it's not fair to say it had absolutely no impact, but had it not been for the SPUDCO lawsuit, the full 433,000 could have gone to covering, you know, subsidizing the work of SaskWater. In effect, we had to take about 40,000 of that, approximately and use it again to help cover the rest of the legal costs because the actual grant for legal costs was only 900,000 and the full cost of those was 940,000.

**Ms. Eagles:** — Thank you, Mr. Minister. But SaskWater is a part of a consolidation.

**Hon. Mr. Prebble:** — Well sure. Of course. And in the big picture of things, like when . . . Mr. Kramer's remarks were clearly in the context of his responsibilities for managing, you know, the Crown utility SaskWater. And all he was trying to say was that SaskWater customers, in terms of their water charges, haven't had to pay additional money by virtue of the settlement of the SPUDCO lawsuit and the legal fees associated with it, you know, in the year under review.

I mean it didn't have . . . Those costs were not a . . . Those costs had to be obviously . . . they were felt by all the taxpayers of the province. But SaskWater customers weren't being unfairly targeted in that regard and nor should they be.

**Ms. Eagles:** — Thank you, Mr. Minister. And that was my next comment, that maybe they weren't targeted as SaskWater customers, but as taxpayers of this province they certainly paid their share along with every other citizen of this province. It cost.

**Hon. Mr. Prebble:** — Well you know, one has to look then at even the bigger picture, and that is that we have had a big turnaround in terms of what's happened to the Crowns, you know, over the last 14 years, and that has hugely benefited all SaskWater customers and all residents of this province. I mean, we've paid down more than \$2 billion of Crown debt. We've now got a group of Crown utilities that were, frankly, in terrible financial shape 14 years ago that are now in very, very strong financial shape. That is why we're able to deliver the lowest, you know, package of utility costs in terms of the big four utilities in the country. Saskatchewan residents have benefited from all that.

But yes, there have been losses on some of our operations, and SPUDCO is obviously an example of something that went awry. But there have been a lot of things that have gone very well, and SaskWater customers have obviously benefited from those and so have all the residents of the province.

So I think it is important to look at the big picture. But I acknowledge with respect to SPUDCO, mistakes were made. These losses are significant, and yes, all taxpayers including SaskWater customers have been impacted by that in a negative way.

**Ms. Eagles:** — Thank you, Mr. Minister. And I think that some

of the Crowns were in pretty good shape 14 years ago as well. SaskPower and SaskEnergy were in pretty good shape 14 years ago I believe as well, but we'll probably agree to disagree on that.

Many communities have applied for infrastructure grants to upgrade and repair their water systems, and I realize that these grants are through Government Relations. We have discussed that before. But on one hand, the government is demanding compliance and on the other hand, the government, albeit a different department, is denying funding. And in a case in my constituency, it's the fourth year in a row that they have been denied.

So you know, I guess it just begs the question, how important is a safe and adequate water supply?

On your report on page 31, one of your objectives is to provide access to safe drinking water and the number of boil-water advisories for treated water supplied by SaskWater is a measure. And you know, it just seems like it's almost a contradiction that one department insists on this and yet another department denies funding. So I would like your comments on that.

**Hon. Mr. Prebble:** — Thank you. That's another good question, Ms. Eagles. Let me say first that, I mean, we have to be clear about the fact that the responsibility for, you know, actually providing to citizens clean drinking water is obviously something that's shared by municipalities and the province. But the municipalities have a substantial role to play here, and the province has a role to make sure that drinking water is safe across Saskatchewan.

The actual responsibility for delivering clean drinking water in a community ultimately rests with the municipal council, and I think that's important to remember that, but the province has chosen to assist. And I think it's only fair that if we're, you know, increasing the regulations, in other words strengthening the regulations and ensuring a safe water supply, that we also are trying to provide a pool of funds that are potentially available to communities that need to do this work.

Now the question has always been who the decision maker should be in allocating this money. And so we've been very conscious as a provincial government of the fact that if we are, we shouldn't be the only decision maker here. And SUMA and SARM [Saskatchewan Association of Rural Municipalities] have been clear about that from the outset too. They've always wanted to be part of that decision-making process.

So when a decision is made on allocation to a community, it's not made by the province, by the province alone, in the province that's sitting on the committee that's doing it. But there is significant representation from SUMA and SARM on that committee, and so the majority vote on the committee rests with the two provincial associations that represent local government; it doesn't rest with the province.

Now in terms of what's been expended, there's basically the . . . to date the major expenditures have been through the Canada-Saskatchewan infrastructure program. And there more than \$264 million have been made available to Saskatchewan

communities between 2001, and this will be money that is fully allocated by next year. So from 2001 to 2006 we're looking at a \$264 million investment by the federal government and the Government of Saskatchewan. And the province has put very substantial funds, I would argue, into assisting local communities.

Then in terms of money that will be expended in the future, we're estimating that through the Municipal Rural Infrastructure Fund there'll be another \$3.4 million allocated in 2005-2006.

So you know I would argue that there's been a lot of help for communities, but I also realize that there are a lot of communities that have applied for money and have not received it. But I just want to emphasize, we're not the only decision maker in this regard. It's their own provincial associations that are at the table and are very involved in making those prioritizations.

And the reality is that, you know, the regulations that have been set are, well I mean they're a way of protecting the province's and the community's liability. And all you have to do is look at what happened at Walkerton and also what happened at North Battleford to realize that they're, you know, without meeting, without having a set of standards in place that are met, there is huge potential liability for communities.

And liability insurance in this arena has gone way up. One of the reasons why SaskWater had to increase its rates— and why many other communities will have to too — is that liability insurance in terms of, you know, municipalities and their water treatment plants is up 227 per cent in just the last two years, so you can just see that it's skyrocketing. So I think the regulations are ultimately there. They're obviously there to protect individual users in terms of public health. They are also there to protect municipalities from what can otherwise be very, very costly legal expenditures.

**Ms. Eagles:** — Thank you, Mr. Minister. And I realize that there has, you know, there has to be regulations in place, you know. First and foremost is the health of the people that are the users of the water. And I would just like to know when you . . . One of your objectives was to provide access to safe drinking water. Is this something that SaskWater does on its own, like do you do your own testing, or do you bring SERM [Saskatchewan Environment and Resource Management] in, or how does, what is the testing . . .

**Hon. Mr. Prebble:** — We do testing and we report to SERM. Now you know, the situation varies community by community, but for instance wherever we're the certified operator or wherever we own the water treatment plant, we do the testing and provide the results to Saskatchewan Environment. Now I mean, we're only serving 50 communities, and there will be . . . obviously the vast majority of communities in the province are still doing their own testing and reporting to Saskatchewan Environment directly.

**Ms. Eagles:** — Thank you. And I'm sure some of my colleagues will be asking more questions regarding that issue a little later on.

Another thing I would like to mention to you is that the pump rentals that SaskWater has . . . And I'm not sure what the rate is for a 24-hour period, but I do know that it isn't cheap. And these pumps are supposed to be checked over in between renters, and I guess I'm just not so sure that that happens all the time. I know people in my area and in my own family that have rented this pump and of course we have to drive to Weyburn to pick it up. And unfortunately it seems like people from the Estevan area are having to travel to Weyburn quite a bit these days, as a lot of the services associated with government have been moved from Estevan to Weyburn, and the people in my constituency are certainly not happy about that.

But when you rent a pump for a 24-hour period, you drive to Weyburn to pick it up. And then you take it home and you string the pipe and, you know, get the pump set up, only to find out that the pump doesn't work. So you phone Weyburn and they tell you to bring it back and, I mean, granted they extend your 24-hour period to accommodate that. But at the same time there's the expense of running back and forth to Weyburn, and in some places it could be 100 miles one way. And I, you know, I guess people, I mean, they expect to pay, expect to pay. But they also expect to get a service for what they pay for. And I would just like your comments on that. Are the pumps checked out between rentals, or how does that work?

**Hon. Mr. Prebble:** — Ms. Eagles, first of all I should just say this program's now run by the Watershed Authority. But this was just transferred, you know, a bit more than a year ago, so I can very much understand why the question's also coming to SaskWater. But the Watershed Authority is basically running this program now, and I think that would be a good question to ask them.

I know that there was significant equipment purchases in this area done in 2002, brand new equipment bought, and certainly there is maintenance work done on these pumps every winter. I am happy to try to get you more information about what you're raising, but at this point in time this program isn't being delivered by SaskWater.

But, you know, we can certainly pursue this. And I'm pleased to get this feedback from you, not pleased in terms of what I'm hearing you, that the complaints are. But I think it's important that this issue is brought to the attention of ministers. So if you could also raise it with Minister Forbes during estimates, that I think would be good because he has direct responsibility for it now.

**Ms. Eagles:** — Thank you, Mr. Minister. And what year did you say Sask Watershed . . .

**Hon. Mr. Prebble:** — Well it was early in 2004, and so I think we should still, you know, be prepared to answer some questions about this now in the sense that for a very small part of 2004, which is the year under review, we did still have responsibility for this program.

I'm going to ask Mr. Cram to come forward to maybe give you some more details on this, but I just wanted to make sure that you knew that we weren't at the current, at the present time . . . for well over a year now we haven't been operating this program. And there were significant equipment purchases made

in 2002, and Mr. Cram should be able to fill you in on more detail on that and also speak to the question of maintenance. So I'll just ask him . . . If you don't mind, I'll just ask him to come forward for a minute and begin to address your question. Then you might also want to pursue it with the Watershed Authority.

**Mr. Cram:** — I believe the transfer did take place early in 2004. And because the program doesn't really get underway until, you know, the weather warms up in the spring, for all intents and purposes it was run by the Watershed Authority in 2004. But with respect to maintenance of the pumps, what you describe where people pick the equipment up at Weyburn, that does happen but typically once it's in the field it's passed from farmer to farmer at the farm. In other words, one user picks it up from another user and there may not be maintenance in between. If a problem is reported then there would be maintenance done, but we may not even see it between uses or not have seen it between uses.

**Ms. Eagles:** — Thank you. And I guess that also pretty much takes care of the next question and that was regarding the pipe. Some loads are good but I'll use the words of one farmer. He said, the next load should be sent to IPSCO. He said it's full of holes and the seals at the ends are missing and, you know, just terrible leakage problems.

And I was just wanting to know how often the pipe was inspected as well but I guess if that's been transferred to Watershed Authority, unless you would like to comment.

**Mr. Cram:** — Yes, I'm not sure what they're doing now but I mean there's annual maintenance on the pipe. And anytime there's damage reported on pipe, then it is brought in and something is done. But we rely on the users to report that damage.

**The Chair:** — Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair, and welcome to the minister and his officials. My question may not be able to be answered by your department because it's dealing with community water sources and the regulations that they must meet. So perhaps you can tell me if I need to pursue that questioning or if it belongs in the Environment department.

**Hon. Mr. Prebble:** — Well the regulations themselves are in the Environment department. Now we still know something about them and if I can help you answer the question, I'm happy to try to do so. But ultimately again it's Minister Forbes that has responsibility for that. But we have to meet these regulations ourselves as a provincial utility so we obviously have some familiarity with them.

**Ms. Harpauer:** — Okay. What's happening in some communities in rural Saskatchewan is, as you're well aware, they must test their water supply for different elements that may be harmful for human consumption. And those levels have been calculated and thresholds have been established so that it is considered to be safe. And you had mentioned earlier that there's been some strengthening of those regulations. And my understanding is some of the thresholds have been lowered for some elements simply because we have the technology, quite frankly, to test for lower and lower levels of different elements



in the water and so therefore we can strengthen those regulations. The problem that happens in your very, very small communities is that they then must either undergo a very costly replacement of their water treatment plant or very costly upgrades.

So I'm speaking on behalf of a community that has 100 minus people, so it's an extremely small community. And they are saying that this is totally cost prohibitive. There's also been different standards brought in of the qualifications necessary to inspect and maintain and run a plant. And when you have less than 100 people, that's hardly a full-time job for any one person or someone that you can afford. So that also becomes very prohibitive for this small community.

The question that the mayor posed to me was this. The community has less than 100 people and 2 public buildings, one being the little bar-hotel and one being a hall that's rented a handful of times during the year. Why can they not post signage on the entrance into the community and signage on very visible strategic locations throughout the community saying the water is not safe to drink? They're more than willing to put bottled water vendors within the two public buildings that exist. And in fact the mayor is saying it would much cheaper for the town to pay for bottled water for each and every household than it will be to undergo the upgrades that's going to be necessary to bring the water to safe drinking standards. Their tax base obviously is pretty minimal, and he's trying to come with a practical solution that in essence is not going to put this town under financially.

**Hon. Mr. Prebble:** — Because we don't handle this directly . . . but I do want to try and give you a practical response, and then Minister Forbes will need to speak to this as well.

Let me just say that I mean I . . . No, I understand that this is a problem in little communities. And I know, Ms. Harpauer, that you understand why we've moved to these more stringent regulations. And you know, in the vast bulk of cases I think it is important to have some kind of basic standard for important sources of exposure to people. Like you know pesticides for instance are now regulated; they didn't used to be. I mean and we know that, you know, that in water supplies they can be cancer causing. We need to have some kind of regulation around water clarity, turbidity in other words. You know again there used to be objectives there. Now there are standards. I mean I think these are kind of you know . . . and people expect that they won't be exposed to inappropriate amounts of bacteriological disease in the water and so again we've regulated that. And so we realize that's difficult for communities, but we don't apologize for doing it. I think it's basic in terms of protecting public health.

Where communities are small and they're like the one you're describing and we've got a regional pipeline in the area as has been — say — the case around the Humboldt, much of the Humboldt area, much of the Melfort area, we actually try as best we can to work with local rural pipeline associations and hook little communities like the one you know that you're describing . . . I don't mean the one you're describing but similar to that one. We try to hook those into the regional pipeline. And that often fixes their problem, and it works quite well. But not everybody's close to a regional pipeline. That's the reality right now. And we're trying to promote more

regional pipelines. That's why I'm very excited about this potential partnership with the federal government and communities that want to do regional pipelines with us.

But for communities that don't have access to that, if the community is under 80 people it can then get what's called a hygienic water permit in which it doesn't need to meet the standards. It is in effect exempted from them. Now it has to take other action to ensure a safe water supply for its community, but bottled water would be considered such a measure. So a community could bring in a bottled water system and in effect then not meet drinking water quality standards through its water treatment plant and the delivery of that water around the community. If it's over 80 though, it's not exempted from this.

Now it may be that we need to sit down with SUMA and SARM and discuss whether you know we'd need to move from 80 to 100 or something. But I think fundamentally we shouldn't shift this too much, but it may be that we need to shift it a little bit.

And, I mean, the responsibility for making that decision lies with Saskatchewan Environment, you know, it doesn't . . . But SaskWater, I mean SaskWater has to try to break even on projects, but SaskWater is not trying to make money off these communities. We're trying to deliver a service that's basically as close to cost as possible. And wherever we can hook them up we try to do so, but we're not in the position — you can see that, you know — that that load we're carrying right now as a Crown utility, we're not in a position to run projects that are not break-even projects.

**Ms. Harpauer:** — Just a comment more so than a question to your answer. This community that I'm speaking to can't access the regional waterlines. And yes, in my area there is extensive regional waterlines that have been taken advantage of by a lot of people, which is great.

I do think that we need to look at shifting that threshold in that as the standards are lowered, or the bar of acceptance is lowered, then it becomes more and more costly for the upgrades or the renewal of the water treatment plants. And so when you're looking at 80 people potentially, you may have a maximum of 40 households. So that's only 40 taxpayers that are going to pay for these upgrades. And I know they are extremely costly.

So perhaps we may have to take a look at that to allow, you know, maybe slide that scale up a little higher, that allows these smaller communities then to be able to put bottled water in throughout their community and address the water safety issue at that end because I don't think we should compromise the water safety. We need to find some practical way to make this work for everybody. So thank you.

**Hon. Mr. Prebble:** — We use this bottled water approach, just so you know, in communities that are waiting for an upgrade. For instance, you know St. Louis was waiting for an extension of the SaskWater regional pipeline to their community. And while they were waiting, we provided bottled water in the school. We provided bottled water to the senior citizens residence. You know, we tried to basically assist the community in ensuring that it had a safe supply of drinking water in the

interim.

So that arrangement, I mean, it's preferable obviously when that arrangement is short term in nature. The dilemma is you can never be certain that somebody won't access the community base system for drinking water even if notices are posted. There's no way of being certain about that, and that's of course part of the dilemma with, you know, the solution that you're raising. But I agree that we do have to really sit down and work closely together in terms of thinking through how we're going to both ensure that very small communities like the one you're describing have safe access to drinking water and that the financial burden on them is not just unrealistic.

You know, what we're trying to do at SaskWater is provide a realistic solution for communities. And if you look at our average cost of water, even with the rate increases — which I didn't enjoy implementing but we had to do it in terms of getting closer to break even — is that for most communities the average price is around \$7 for 1,000 gallons of drinking water, and that's a pretty good price. And I guess what I would say is that if you look at the 13 cities in the province, their average is \$6. So SaskWater is only coming in \$1 higher than, you know, than the 13-city average. And we're serving a very, very dispersed population.

So I think that's actually a real achievement by the Crown utility and by its staff, and it's why it's an important service to people in rural Saskatchewan. But it isn't the solution for everyone, I realize. I'm very conscious of the issue that you're raising and why it presents special problems that we have to address.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. I'd like to welcome the minister and his officials here. The last discussion you were having, every time I get my power bill on the farm for my water well or there's a problem and I'm putting a new pump in or I'm crawling down the water well, I think the price I pay in the city isn't that bad. On the other hand whenever I get my bill every month in the city I'm wondering, gee, that's a lot of money. I think it's all a matter of perspective.

And I think at the end of the day if you add up the water costs for a rural family they're not unsubstantial. It's just that you don't get the bill every month; it comes in large chunks every once in a while. And indeed water quality is always a concern in small communities, on the farm, or even in the cities. There's been large amounts of money spent in upgrading the water systems for Regina and Saskatoon in the last couple of decades, and they're always a concern when it happens but everybody is pleased when they turn the tap on and the water actually comes out, which sometimes on the farm that isn't the case.

You mentioned that there was \$264 million spent on infrastructure through Canada-Sask agreements. I wonder if you could provide us — and I don't need it right now — but a list of the projects that were included in that.

**Hon. Mr. Prebble:** — Saskatchewan Environment will have that information. We can certainly request it from them and try to get it for you, Mr. D'Autremont.

You know, we're not at the decision-making table. SaskWater isn't at the decision-making table. But obviously, Government Relations is, and therefore we certainly have access to that and can make sure that members of the committee get that information.

**Mr. D'Autremont:** — Thank you very much. Does SaskWater involve themselves in hydrology?

**Hon. Mr. Prebble:** — We're not involved in hydrology. Now, Saskatchewan Watershed Authority is. And the way things are basically divided up and have been since 2002 is that SaskWater is focused on providing water solutions as they pertain to water treatment facilities, so good quality treated water, delivery of raw water to communities, and waste water treatment. The hydrology side is being looked after by the Watershed Authority.

**Mr. D'Autremont:** — Thank you. So when you're looking at providing a system, putting a system in place and SaskWater participating in providing water to communities, you rely on the Sask Watershed Authority then to tell you whether or not there is an available water supply, what its adequacy is, what its long-term potential is. So you don't do the evaluations yourself?

**Hon. Mr. Prebble:** — That's accurate, Dan. We don't do the . . . We rely on the Watershed Authority for the provision of the information you describe.

**Mr. D'Autremont:** — When you're looking at a project then, how do you determine whether or not the information you're getting is suitable to put the viability of a project, your due diligence on the project? Do you rely solely on the information from Sask Watershed Authority? Do you rely on the other communities that are partnering with you in a project, or do you also get some advice and information from other outside agencies?

**Hon. Mr. Prebble:** — I'm going to see if Mr. Cram and Mr. Kramer would like to speak to that. I'll maybe ask Mr. Kramer first because I think this process is important to understand and these are good questions. So I'll turn it over to Mr. Kramer first as president of SaskWater to speak to that process.

**Mr. Kramer:** — Thank you. First of all, on your questions around the adequacy of the source of water, those would be questions that would be dealt with by the Watershed Authority, in the same way as a business might come to the authority to know if there is enough water available to it before there was an allocation given. We at SaskWater, if we were interested in a supply for a community, we would need to go and have that adequacy verified by the authority. It is a regulator of allocations for water use, so that arrangement would be and that expertise would be with the authority.

Part of your question I think would relate to how would we go through a due diligence process of even a business arrangement with a community. I think in that case when a community comes to us and says they are interested in a potential SaskWater solution, we would have people in all of operations and in engineering and in our business development divisions, the three divisions of SaskWater, they would have a project

team and would look at that opportunity in that community, and would look at what is the quality of the water. Hence what kind of operating expertise or what kind of operating process does one need to get a solution . . . what's the volume of the water, which is the Watershed Authority's issue. But we need to ensure that that's adequate and what kind of an engineering solution would be needed in terms of infrastructure for that community.

We would attach costs to those. And then depending on whether this was a project that checked on all counts — basically that there was sufficient water, that there was an operating procedure that would treat the water to meet regulatory requirements, and that it would be as the minister described, something that we could cover our costs — then we would proceed.

I'd say as well, in terms of due diligence we have a due diligence model for financial analysis which we have taken through our private auditor to ensure that it is something that is adequate, something that requires enough financial information and provides enough financial information so that what we take to our board when we have a recommendation to proceed with a project is proper due diligence to ensure that this is a viable project from an economic perspective.

So all of those pieces would go into analyzing whether or not we would proceed with a project: the adequacy of the water source, whether we have proper information, ensuring we have proper information on treatment requirements, and that this is a proper business case. When all that fits, we would take something through to our board and proceed with a solution for a particular community.

**Mr. D'Autremont:** — Okay thank you. When you're looking at a project — say the one in the Humboldt area, the one in the Melfort region — what do you look at in terms of financial viability of those kind of projects? Do you expect a payout over a fixed period of time to pay for the project? How does that work and what time frames would you be looking at?

**Hon. Mr. Prebble:** — In terms of — I'll let Mr. Cram speak to this question and Mr. Kramer as well — but I'll maybe make some initial comments, Dan.

The first thing I would say is that today projects are looked at on basically a break-even basis. In other words SaskWater doesn't enter into a project arrangement where it can't ultimately recover its costs. But in the two projects that you describe, certainly in the case of the Melfort project particularly, that wasn't the case. You know, Melfort was built, and there was never a sense that the full cost of the project would be recovered. And that wouldn't be done today. But we're certainly not apologizing for that having been done for the Melfort region. They have very good quality water. Many communities are served by the project, so it's a very worthwhile project.

SaskWater's carrying the debt on both the Humboldt and the Melfort projects and it's one of the reasons, by the way, why that debt doesn't go down as quickly as I would like, but I'm not apologizing at all for the investment that was made. You know it was a very good investment, but the practical reality is that these two projects were looked at over a 30-year time

horizon, I believe it is . . .

**Mr. Cram:** — Melfort would have been 25, I believe.

**Hon. Mr. Prebble:** — Okay, so Melfort is 25.

**Mr. Cram:** — And Wakaw-Humboldt was 30.

**Hon. Mr. Prebble:** — And Wakaw-Humboldt is 30. So a 25- and a 30-year time horizon and then essentially the cost recovery to the degree that it takes place on those two projects is done over that period of time.

**Mr. D'Autremont:** — Thank you. So current and future projects, you're looking at a break-even scenario. Would you be looking at similar time frames — 25, 30 years — for that return or are you looking, would you be looking at a shorter time frame?

**Hon. Mr. Prebble:** — We're now looking at a 20-year return.

**Mr. D'Autremont:** — Thank you. When you're looking at these kind of projects, I'll just take the — I imagine they're both the same — but the Melfort one. You draw water from the Saskatchewan River, and you have a treatment plant. I'm assuming that's at Melfort, I don't know, just looking at the map . . .

**Hon. Mr. Prebble:** — I believe it is.

**Mr. D'Autremont:** — What if people are drawing water off of that system prior to the treatment plant at Melfort? Then they would be getting untreated water. Do you have a provision that they have to treat it at that point or how does that work?

**Hon. Mr. Prebble:** — I'll let Mr. Cram speak to the details on that.

**Mr. Cram:** — Yes, the treatment plant is at Melfort, and if anybody wants to take water off prior to that point we would enter into a raw water agreement with them, and they would have to treat it. Or we could look at treating it for them if they wanted us to take a look at that. Right now all we have taken off that line is the ski hill, and it uses it to make snow, and there's probably a few farms that take the raw water, but wouldn't be using it for drinking.

**Mr. D'Autremont:** — No, I wasn't necessarily thinking of that particular line. Just in general if someone was to draw water off of that for some reason.

When you're looking at this kind of a system, if you have a place like Melfort which may or may not be economical for them to take it — I'm sure they're a large enough community that they would be economical — but if you had a community that it was not viable economically, who would go out then and try to solicit other customers for SaskWater or for the project? Would that be the responsibility of SaskWater? Or would that be the responsibility of the community that was initially proposing the project?

**Hon. Mr. Prebble:** — Essentially SaskWater tries to take a leadership role in that area, Mr. D'Autremont. What SaskWater

does is it . . . There's a marketing and business development arm of SaskWater, a little division within SaskWater and there are . . . If a community comes to SaskWater and says we're interested in doing this kind of a project, we try to work with them in terms of identifying other customers who might also be interested, which really means for the most part other communities, although there may be a rural water pipeline association that would be interested in forming. So there may be individual rural users who would be interested in hooking up to the system. And we've got well over 1,000 of those rural users hooked up, so that's something I'm very pleased about. But there's obviously a long way to go in terms of the work ahead.

**Mr. D'Autremont:** — If someone was to come forward with a proposal, what kind of feasibility studies do you do? Does SaskWater do the feasibility studies or does the proposing community have to do the feasibility studies?

**Mr. Kramer:** — It could really be either. We would have our due diligence model that I've described, kind of information that we need to know and verify to ensure we're certain of initial infrastructure costs and operating costs and adequate supplies of the water. But then the actual business analysis, the work to develop the business plan, we could do some of that. We do it as a service for communities that want to work with us. But if they have a consultant that they would want to do that business plan, if it meets the criteria that we need, that's certainly an acceptable approach as well.

**Mr. D'Autremont:** — So the community that was going to make a proposal would have to get a number of the ducks lined up initially in coming to you, and then you would do the business feasibility study on it.

**Mr. Kramer:** — We would even help them line up their ducks in the sense of adequate water supply or understanding their own challenges for treating the kind of water they had. Some of them come to us just wanting to know what SaskWater might do for them. And in that case we would have our engineering people and our operating people, along with our marketing and business people, all part of a working team that would bring a proposal forward, see whether all of the items could be dealt with in an economical fashion and then take that through to our board if it was a project that was viable.

So we can pick them up basically at any particular level. Some come with us just at a request level to say, let us understand what our challenges are from the ground up.

**Mr. D'Autremont:** — Okay thank you. In putting together projects, what would you be looking at as an average annual cost per customer that someone today could expect to pay if they were thinking you know we need a fresh water supply; three communities down the road are also in the same position? As a rough, very rough guideline, what kind of annual cost or cost per customer so that people could just quickly think is this viable for us or not?

**Hon. Mr. Prebble:** — The vast bulk of our customers, with the exception of the Humboldt and Melfort lines which are the two big regional systems, they're paying basically \$7 for 1,000 gallons of water. And so that's the rate, for instance, that you would find around Saskatoon just to use a different example.

Now, Dan, the customers there are you know paying \$7 for 1,000 gallons of water. There are some customers that are paying up as high as close to \$11 for that same 1,000 gallons of water. And along the Melfort line for instance, the charges are well in excess of \$10. I'll get you the exact amount.

**Mr. Cram:** — No, on the Melfort line, the charges are in the \$7 range. On Wakaw-Humboldt, they're over \$8 but 7 is pretty typical.

**Hon. Mr. Prebble:** — And so I'm going to correct myself here. Mart's already corrected me, but Mr. Cram has noted that customers on . . . He's indicated what the customers on Humboldt and Melfort are paying. It's Hague that's paying up close to \$11, Mr. D'Autremont.

**Mr. D'Autremont:** — And on the systems that you operate, what would a typical customer use in a month or a year?

**Mr. Cram:** — We say as a rule of thumb that a household would use 7,000 gallons a month. Is that the right number? Yes.

**Mr. D'Autremont:** — So 50 bucks a month really.

**Mr. Cram:** — Yes.

**Mr. D'Autremont:** — Okay. That was the kind of number I was more looking for. And at that kind of a rate, that would provide the break-even point for most systems.

**Hon. Mr. Prebble:** — That's correct.

**Mr. D'Autremont:** — Okay.

**Hon. Mr. Prebble:** — Not uniformly so. I mean, so this varies a little.

What we've tried to . . . the other thing we've tried to do, just so that you understand, is we've tried to standardize the rate a bit. In other words, not every customer is . . . I mean, it's unfair if every project reflected simply its costs and nothing more and nothing less. Then we'd have a whole series of different rates across the province.

So when we chose that \$7 figure, it was trying to come up with something that seemed fair to everyone and put us at . . . We're not at break-even, but we're . . . Well, you know, our loss for the year is 1.5 million. Then there's a municipal charge on top of the SaskWater charge, and we don't control what that municipal charge is. What we're in effect doing in most of these communities is we're delivering water to the community. And then the municipality is choosing to distribute it on its own local system to the household, and it levies whatever charge it thinks is appropriate. So we don't . . . You know, that's outside of our jurisdiction.

**Mr. D'Autremont:** — And the municipal charge probably also includes . . . Then the disposal of the water as well would be in all likelihood part . . .

**Hon. Mr. Prebble:** — That's correct.

**Mr. D'Autremont:** — Of the water charge.

**Hon. Mr. Prebble:** — Yes.

**Mr. D'Autremont:** — Yes. Okay. And I understand as well that on some systems, you got greater distances and fewer customers. Obviously the costs are going to be greater versus a concentrated population that would access this. Okay. Well thank you on that particular set of questions.

Are there any communities requesting this presently or projects that you have on the go right now?

**Hon. Mr. Prebble:** — We just finished a project at St. Louis in terms of expanding the regional pipeline system to St. Louis, and I think the community is very pleased with the quality of the water that they're getting now. I had a chance to be out there recently and the feedback was good. And we've just taken over the Elbow water treatment plant, and we're going to be doing significant upgrades at Elbow. And what we've done here, Mr. D'Autremont, is we have purchased the water treatment plant from the community of Elbow, and we're going to run the plant for them, and we're going to do significant upgrades to the plant. So they'll be about a million dollars invested in Elbow when we're done. And then we're going to be serving two small neighbouring communities with that water as well.

**Mr. D'Autremont:** — So you don't have any other large projects that you're looking at at the present time?

**Hon. Mr. Prebble:** — We're looking at two other projects with communities. We are not to the point yet where decisions have been made on these, and I mean this is sort of an ongoing process within SaskWater. But we are working with La Ronge on a regional pipeline project there that could potentially include neighbouring customers like Air Ronge, the Lac la Ronge Indian Band. I mean I just want to make it clear this is simply discussion that's happening right now and planning, but there's no final decisions that have been made around this.

We're conscious of the fact that the Government of Canada has regional pipeline funds, and they are potentially available to La Ronge, Air Ronge, Lac la Ronge Indian Band if they decide at the end of the day that they're interested in using them. And SaskWater has been working closely with those three communities on a potential application for regional pipeline, a regional pipeline project. And so that's in the planning stages. Whether it will definitely go ahead or not, I can't say at this point. But there's certainly serious work being done.

Similarly we're looking at . . . we've been working and having discussions with Caronport on a pipeline that would run out there, basically using the pipeline that runs from Buffalo Pound to Moose Jaw and accessing it and delivering good quality water at Caronport and possibly to the neighbouring RM. Again these are discussions, and again we would try to help Caronport access the federal dollars that I made reference to earlier, this regional pipeline fund that they've set up.

There have been some discussions with the community of Kamsack. Those again are just . . . And by discussions I mean we sit down and we look at, you know, what could be a potential solution to their water problem, what kind of cost would we be looking at, are there provincial or federal funds that could be accessed, and do they want help in kind of putting

together a detailed plan. If they do, we try to provide that as much as possible as a service to them. And then at the end of the day, each of these communities needs to make a decision themselves about do they want SaskWater as a partner or do they want to take the help that SaskWater has given them and use that to make an application but basically at the end of the day run the system themselves and apply for the money themselves.

**Mr. D'Autremont:** — Thank you. The federal money that you mention being available that La Ronge is looking at — is that monies that are available to anyone who meets the qualifications, or are those federal monies directing to First Nations?

**Hon. Mr. Prebble:** — No, these are federal monies that when they were announced there were a number of communities that they were kind of . . . had signalled potential interest and they were actually referred to in the announcement. I don't know that the money is limited to just those communities. It might be. I should get some clarity on that myself and I'll ask my officials about that in a minute. They will provide that clarity.

But this \$27.3 million . . . and when the federal government announced this, they had been having some discussions with SaskWater and with a number of communities in the province, and they for instance referenced in their news release La Ronge. They referenced Caronport. They referenced the Kindersley-Kerobert area in their news release. Now I'm going to ask one of my officials to comment on whether other communities are kind of free to apply to that money or whether that money is essentially targeted.

**Mr. Kramer:** — Yes, it would have been. The minister has identified some of the areas. There would have been five that would have been initially identified by Infrastructure Canada and Western Economic Diversification. There was La Ronge. There was Caronport regional. There was a base around Rosetown, a base around Kindersley, and then Regina east — essentially White City, Balgonie, Emerald Park, Pilot Butte.

So those five areas were identified to give them the opportunity to bring forward business plans. I believe the business plans need to be submitted to the federal government by the end of November or in and about that time frame with an expectation that there would be some choices made in some months after that as to whether projects might proceed.

But those five areas were pre-selected at that point based on some local interest in developing regional systems. If these five areas choose not all to proceed at this point in time, I think we as a province would also be interested in the discussion with the federal government in whether there's opportunity to look then at other areas. But the five were pre-selected in Minister Goodale's announcement from July that set in place this process to develop business plans and then have some project approvals in months after November.

**Mr. D'Autremont:** — Okay thank you. In answering one of the other questions earlier in the day, Mr. Minister, you mentioned something on the provincial bodies, provincial associations sit on there and make recommendation. I wonder if you could tell me what the membership breakdown is on those

bodies.

**Hon. Mr. Prebble:** — We can get that for you, Mr. D'Autremont. Again this is Saskatchewan Environment and Government Relations that are kind of the primary lead departments here, particularly Government Relations. But SUMA and SARM are both represented in this process and Government Relations is at the table. I believe, but I would stand corrected on this, that we're looking at a committee of about six, at least six members, and Government Relations is certainly at that table. We'll get you the detail on that so that you . . . because every community should understand what the decision-making process is and I want all members of this committee of course to have that information. But just to be clear, SaskWater is not involved in this decision-making process.

**Mr. D'Autremont:** — Okay, thank you very much. Go back to the 2004 on the piping and the pumps that Ms. Eagles was talking about, who is responsible for the damage that may occur to some of this equipment? Is it the individual who was using it at the time the damage occurred, is it SaskWater, or is it the individual who reports the damage?

**Mr. Cram:** — If there's clear damage to equipment by abuse, then the individual's responsible. Normal wear-and-tear maintenance is the responsibility of the Watershed Authority.

**Mr. D'Autremont:** — Okay, so if somebody drives over the pipe, they're responsible for it, but if the seals go in the pump, that's maintenance.

**Mr. Cram:** — Right.

**Mr. D'Autremont:** — Okay thank you. I was just wondering in my own mind why some of this damage might not get reported and we're all . . . [inaudible] . . . On the question of some of the legal costs and the outstanding legal activities dealing with the fallout from SPUDCO, are there any ongoing legal actions taking place that SaskWater and by extension the government be held responsible for any further costs?

**Hon. Mr. Prebble:** — Well the answer is that there is one outstanding legal action and that is . . . it's not directly related to SPUDCO, but I want to flag it because I don't want to say . . . I mean, it is the Kaukinen-Fjeld lawsuit against Minister Sonntag and the former minister, Carol Teichrob, in which SaskWater is named. That's the only outstanding lawsuit. And I just say that because obviously during the SPUDCO period, Mr. Kaukinen and Mr. Fjeld worked for the corporation as president and a vice-president. So I'm just referencing that. It's not directly related to SPUDCO but it's out of the SPUDCO era and so now . . . That suit has not been active.

And as you might recall — but I just want to make sure that everybody knows that this has happened — we covered Ms. Teichrob's legal expenses as of April in that. Now they were quite small. It was just, I think it was \$7,100 if I recall. But because she had been a board member of SaskWater and again the context for the suit was largely based on remarks that she'd made as a former board member of SaskWater.

Apart from that, there are no other outstanding lawsuits. All

other lawsuits have been resolved, including the one in relation to the Dolmans.

**Mr. D'Autremont:** — The one, the lawsuit related to the Dolmans, was that settled through negotiation? Was it dropped or did it go to trial and has ended?

**Hon. Mr. Prebble:** — No, it didn't go to trial, Dan. It basically was settled through negotiation, I guess would be the fair way to describe it.

**Mr. D'Autremont:** — Was there any cost to SaskWater in that settlement?

**Hon. Mr. Prebble:** — Well first of all, there were legal costs incurred by SaskWater along the way and I've referenced those. They're in the range of about \$12,000. I can get you the exact number if you'd like but they're small, you know.

The Sask Valley Potato Corporation also incurred legal expenses, and those were in the range of about 29,000 and again I can get you the exact number — so about, you know, roughly in the range of \$40,000 in legal costs altogether there. And the nature, I should probably comment on the nature of the settlement, because in the Dolman case the settlement essentially at the end of the day was negotiated with Saskatchewan Valley Potato Corporation. And it involves the commercial lease arrangement for the rental of storage bins and the last of the remaining potato storage sheds that is actually owned by Saskatchewan Valley Potato Corporation. It was of course originally owned by SaskWater and then transferred over to Sask Valley Potato Corporation. And this is, the last remaining shed is located at Broderick.

So because the lease arrangement governs an ongoing business relationship, the specific details are required to be kept confidential. And this in significant part is at the request of the Dolman family. But I can say that the settlement did not include a substantive cash settlement payout. And the direct costs including legal fees should not exceed \$100,000.

**Mr. D'Autremont:** — So the total cost you're saying then of the settlement to SaskWater or the government, Sask Valley Potato Corporation, will be less than \$100,000.

**Hon. Mr. Prebble:** — Right. And what's happening is that there is now a commercial leasing arrangement in which the Dolmans are making use of storage space in the potato storage shed.

**Mr. D'Autremont:** — Okay thank you because I was concerned when you said not substantive what your definition of substantive . . .

**Hon. Mr. Prebble:** — That's why I wanted to clarify it. And I'm really speaking in relationship to other costs that have been incurred. I still consider \$100,000 to be significant, but bearing in mind that this originally was a lawsuit that involved, you know, the initial request from the Dolman family, I think, was in the range of about \$800,000.

**Mr. D'Autremont:** — Well less than 100,000 is certainly less substantive than the 35-plus million that was lost in SPUDCO

so . . .

**Hon. Mr. Prebble:** — The losses on SPUDCO were significant and I've apologized for them on behalf of government again and I don't want to in any way understate those. They were unfortunately a significant loss for taxpayers.

**Mr. D'Autremont:** — Okay thank you. You say the other case dealing with the Kaukinen and Fjeld case has been inactive now.

**Hon. Mr. Prebble:** — Yes, I mean there's been very . . . I don't want to say there's been nothing happening. There's been some exchange of letters between lawyers, but there's really been nothing significant happening on that case in the last year.

**Mr. D'Autremont:** — Did SaskWater or some entity related to SPUDCO have to put aside contingency funds for this case in case it becomes active again?

**Hon. Mr. Prebble:** — I want to just check on that, Dan. I'm just going to ask my officials for a little bit of advice on that. I'm not aware of a contingency fund, but I want to be absolutely certain that there's not one there. So the answer is no on that, Dan. And we basically see this case as being a very defensible case, but I've certainly learned in my time in government that there's no guarantees around outcomes. But at this point there isn't a contingency fund in place for this.

**Mr. D'Autremont:** — Thank you. Not being familiar with how these kind of cases proceed, has SaskWater or any entity associated with the SPUDCO deal made any moves to have this action cease?

**Hon. Mr. Prebble:** — Because this is active litigation, I'm being advised that I can't discuss it beyond what I've done already and I apologize for that.

**Mr. D'Autremont:** — Oh, yes, the typical lawyer answer, isn't it — say nothing. Well I think it's a case that you know it goes back now a good number of years, and at some point in time I think it would be worthwhile to have it go away. And I'm not, certainly not suggesting that a whole bunch of money being spent on making it go away, but actions that could take place that would make it go away, I think, would make it beneficial to everybody. So, you know, that's my comment on it.

**Hon. Mr. Prebble:** — Thank you for that advice. I understand what you're saying.

**Mr. D'Autremont:** — Well it's worth what you paid for it. What is SaskWater's current involvement with the Rafferty and Alameda dams and the areas surrounding them?

**Hon. Mr. Prebble:** — Dan, we have very . . . as far as I know we have no involvement in this, certainly no significant involvement, but I'll let Mr. Kramer speak to this in terms of detail.

**Mr. Kramer:** — Really nothing to add . . . the responsibilities for operation of Rafferty-Alameda are with the Watershed Authority, and SaskWater doesn't have any customers that we would supply from those sources directly so that there isn't a

role for SaskWater in its current mandate of a commercial Crown dealing with water and waste water.

I might take a moment just to describe the role of the Watershed Authority because we recognize that many of those activities were within SaskWater and that reorganization means that what used to be sort of a set of activities now is changed. But I think the simplest way for us to describe the mandate, the Watershed Authority deals with the issues of water as a natural resource. So all of the natural resource issues are really within executive government. They're within the Treasury Board Crown of the Watershed Authority, and the issue is then tied to the province's 45 major pieces of water management infrastructure like Gardiner, Rafferty, Alameda. All the issues tied to drainage, tied to water allocation, tied to watershed planning are ones that are the responsibility of the Watershed Authority.

And SaskWater then, as we've described, has a responsibility that's commercial. It's a CIC Crown and would deal with the provision of water and waste water services on a commercial basis to industry, to communities, or to individual residents. But all of those activities that used to be in SaskWater as part of resource management now are within the Watershed Authority including activities around Rafferty and Alameda.

**Mr. D'Autremont:** — Okay thank you. Did not, though, SaskWater hold authority for or even title to the lands around the Rafferty-Alameda project?

**Mr. Kramer:** — Yes, that's correct. And with the separation of mandates, as I've described . . . Back on October 1, 2002, would have been when the two pieces of separate legislation would have been proclaimed. That land base that was with SaskWater would have gone to the Watershed Authority and is now administered by that organization as part of its ongoing duties as well.

**Mr. D'Autremont:** — Okay thank you. So the land was transferred to the Watershed Authority. Was there any value attached to that transfer because there were debts associated with the construction of the Rafferty and Alameda projects? The land would have made up part of the assets of that. Was there a financial value to that transfer?

**Mr. Kramer:** — We have been told that the lands were not transferred at any particular value, that the Rafferty-Alameda project itself in terms of accounting purposes was never capitalized, so it would have been a transfer of an asset but not at any book value. It's really a transfer of responsibility but not a transfer at any financial cost.

**Mr. D'Autremont:** — Who retained the loans then that were associated with the Rafferty and Alameda projects? Did SaskWater retain those loans or, did the Watershed Authority assume those loans or has some other government entity taken them?

**Mr. Kramer:** — I am told that there wouldn't have been loan funds that would have been provided per se in construction. There would have been a number of funders including the federal government, provincial government, and some funds that came from the USA [United States of America] as well, but there wouldn't have been loans per se so that the project would

have been built with allocational funds. But there weren't any loans that were outstanding or loans that were part of the funding arrangement.

**Mr. D'Autremont:** — Okay thank you. I thought at one time that SaskWater had been carrying on the books a value for loans for that project, but I could have been mistaken on that. I know the people in the area are certainly very happy with the projects. There's lots of boating and fishing going on in there. On the Alameda there's a park has been built on the east side with a nine-hole golf course.

I know one of the difficulties though that has arisen from that was there was funds originally allocated for that through SaskWater that henceforth were not available to carry out those projects, and also that on the west side of the Alameda reservoir there was a desire by the communities to have a boat launch there which seemed to be a real struggle with the government to finally get that done. And I know at the end of the day the communities just said they were going to go ahead and do it and the government could then deal with it afterwards. And I think they finally did get approval with that imminent action. The government finally relented and allowed a boat launch to be placed at the appropriate spot.

So I know the people in the area are very pleased with it. Actually there is a lot more water in there than the opponents of the project were forecasting. I haven't noticed anybody walking across the reservoir as of late during the summertime. Certainly there are lots of people out there during the wintertime ice fishing, but you know some members actually even received flippers to do their walk, but I don't believe they ever did it. So it's been a good project for southeast Saskatchewan despite all the opponents' rhetoric about it, and I think people want to see it further develop rather than be limited. So those are my questions and I believe my colleague has some questions.

**The Chair:** — Ms. Eagles.

**Ms. Eagles:** — Thank you, Mr. Chair. Mr. Minister, just a couple more questions I have for you. And in your report it says that some SaskWater has been in support of a pilot project fostering environmental champions in the workplace with the Vancouver-based Canadian Business for Social Responsibility, and I was just wondering what SaskWater's involvement is in this project.

**Mr. Kramer:** — We have had involvement in the last year in that regard. And it is an organization that we chose to participate with, that goes into various organizations like SaskWater and will work with our employees to understand how we impact the environment now — things that we do by way of travel, by way of some of our operating procedures — and then build a plan that can have us develop a more favourable impact on the environment.

So we have had various working groups in the organization, in SaskWater, that have gone through analysis of various activities and then brought forward plans for how we can be more environmentally friendly. And essentially the group you referred to does this work with various organizations across the country . . . at our request to bring them in, give us some guidance, give us some leadership in terms of what processes

we can use to do that analysis and take action. Then that will let us be more environmentally friendly in our operation.

We think for SaskWater that's important. We are an organization that deals with water and waste water. As people see the quality advantage in terms of how we want to position ourselves, quality is essential, and we see this as important work. Actually we're in the process of implementing some of those things, but it's turned out to be a very good process and one that's involved many of our employees. And that's also been a plus because it hasn't been something that's been down from management, but something that has had employees working through these issues from their perspective. And there's been good support inside the corporation for that process as well.

**Ms. Eagles:** — Thank you, Mr. Kramer. What has the cost been to SaskWater for this?

**Mr. Kramer:** — I wouldn't have a particular number. It would be relatively small. Most of those would be operating costs. It would be costs like our meetings to have these kind of discussions with our employee groups. But they would be typically covered by our regular budget for meetings, for travel inside of the corporation, and much of this work would be tied to other duties that those employees would be doing in any case.

**Ms. Eagles:** — Thank you, Mr. Kramer. Mr. Minister, at this time, I would like to thank you and your officials for coming in this morning. And I would also like a chance to review some of the comments you have made today and perhaps we could get you back to answer further questions in the near future. Thank you.

**Hon. Mr. Prebble:** — Certainly.

**The Chair:** — Thank you, members and thank you to the Provincial Auditor's office and to Minister Prebble and your officials. And if there's no other comments, I'd entertain a motion to recess until 1:30. Mr. Prebble.

**Hon. Mr. Prebble:** — Mr. Chair, I'd just like to thank members of the opposition for their very good questions, and also I'd like to thank my officials for their contribution to this process, and my thanks to you, Mr. Chair, and to all committee members.

**The Chair:** — Thank you very much.

And with that, it being close to the time we agreed to recess, we'll recess at 1:30 and then resume consideration of the CIC annual report. So thank you very much. This committee stands recessed.

[The committee recessed for a period of time.]

#### **Crown Investments Corporation of Saskatchewan**

**The Chair:** — Thank you, members. We'll reconvene the Standing Committee on Crown and Central Agencies. We have Ms. Higgins filling in for Mr. Wartman and Mr. Heppner filling in for Allan Kerpan, Mr. Kerpan. And the next item before the



agenda is resumed consideration of the CIC annual report, and we welcome Minister Atkinson back to the table.

**Hon. Ms. Atkinson:** — Thank you. I'm joined this afternoon with Tom Waller, President and CEO of the Crown Investments Corporation and Blair Swystun the chief financial officer for the Crown Investments Corporation.

**The Chair:** — Thank you. I think there's head colds going around. We'll now open the floor to questions and comments. Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair, and welcome to the officials again today. I'm going to open with just some clarification on numbers, and I think I know the answers; I just want to make sure. And it's on the presentation that was given on the first day of doing the CIC review. On page or slide 4, there's the list of the dividends that were paid from each of the Crowns — SaskPower, SaskTel, SaskEnergy, SGI [Saskatchewan Government Insurance] and Investment Saskatchewan — and the total of those are \$259.2 million. And then moving to slide 9 the dividend target for 2004 was \$250 million. So my question is, can we then assume that we exceeded our target by 19.2 million?

**Mr. Swystun:** — Mr. Chairman, the figures on slide no. 4 represent dividends paid by subsidiary Crowns to CIC and indeed the regular dividends paid by subsidiary Crowns were \$259 million. In addition to those I would simply note that there were also two instances where special dividends were paid to CIC. In the case of SaskTel there was a \$3 million special dividend paid in support of centennial celebrations. In the case of Investment Saskatchewan there was a \$25 million special dividend paid related to a contribution from CIC in support of funding for the CAIS [Canadian agricultural income stabilization] program through the General Revenue Fund.

On slide no. 9 the dividend target for CIC of \$250 million is a target that is established by cabinet at the beginning of the year, and it represents the amount that CIC is expected to pay at the start of the year. And as slide no. 9 indicates there were a number of other costs that were incurred by CIC as well as adjustments that were made to CIC's requested dividend to the General Revenue Fund in reflection of the government's need for funding in support of centennial celebrations and then late in the year in support of its funding for the CAIS program.

So the bottom line is indeed I believe as the member suggested that the dividends received from the Crown corporations did exceed the regular component of the dividend that was targeted for CIC by the difference between those two amounts.

**Ms. Harpauer:** — Thank you. And as noted there were the special dividends that came as well. There was a dividend from NewGrade of 60.4 million. So if we add that to the previous figure it would come 319.6 million. And then add the additional special dividends of 3 million, and Investment Saskatchewan of 25 million comes to a total of 347.6 million of dividends paid by the subsidiaries to CIC which is very close to the figure that is given on slide 10. When you add the total payment to the General Revenue Fund and the special payment of 80 million added to the 268 million, I think you're within less than a million from that or about 1 million difference.

The question that I have is that it's noted throughout the entire annual report how there were two special dividend payments made — one by SaskTel for 3 million, one by Investment Saskatchewan for 25 million — and it says that they were allocated to the special funding being the centennial and CAIS. What made up the other, the shortfall of the 80 million, because it's short of that special payment?

**Mr. Swystun:** — Mr. Chairman, if I understand Ms. Harpauer's question correctly, it relates to the fact that CIC paid a \$75 million special dividend in support of CAIS funding, only 25 million of which came from Investment Saskatchewan. So if I could perhaps rephrase the question just to confirm my understanding, where did the other 50 million come from?

The additional resources were really the result of the very strong year that NewGrade Energy had and the much stronger than planned dividend that it paid to CIC. So in essence the other \$50 million was the result of much stronger than expected performance and a much larger than expected dividend from NewGrade to CIC.

**Ms. Harpauer:** — So the dividend that NewGrade paid to CIC using the same policy of debt/equity ratio and where that's optimal and the health of the company itself, taking that into consideration, had there not been added expenses or reason for an extra dividend, would NewGrade have paid that, I think it was, 60.4 million?

**Mr. Swystun:** — Mr. Chairman, because NewGrade is a partnership, 50 per cent owned by CIC and 50 per cent owned by Consumers' Co-operative Refineries Ltd., the dividends that are paid by NewGrade are determined by the board of directors of NewGrade. And they are largely determined by the surplus cash flow that is available to NewGrade after paying required debt repayments throughout the course of the year. So that amount would be determined by the NewGrade board of directors and is outside of the dividend policy for CIC's subsidiary Crown corporations because it is not 100 per cent owned by CIC.

**Ms. Harpauer:** — Gee, I'm going to want to return to that part at a later date. But that leads to other questions, but I want to continue with this. So did the government go to the board of directors for NewGrade and say, by way we need extra money to fund CAIS this year?

**Mr. Swystun:** — Mr. Chairman, no.

**Ms. Harpauer:** — So why . . . if the \$80 million that was allocated to the spending of CAIS came from NewGrade, SaskTel, and Investment Saskatchewan and the government is more than happy to publicize that a number of times — and it's all the way through the book — how is it possible that CIC is able to say that's even where the money went? They would've collected it anyways. They didn't go back with special allocation for any one program. It was a regular dividend that the board agreed that it would pay in that given year, given the strength of the company at the time. So I'm not sure how CIC knew even that's where the money was going to go.

**Hon. Ms. Atkinson:** — Maybe I can help you understand. I believe that the year end for NewGrade is October 31. When the

province of Saskatchewan begins to put together its provincial budget, it starts at about this time of year. And they send out a request for proposals to all the various government departments. And these are estimates. You're looking at estimated revenue for the following year. And you look at what your surpluses are, if there are any additional revenues coming from resources, so on and so forth.

So we knew in early November what the dividend was going to be from NewGrade. We also knew in early November that there was a need to look at funding CAIS in its entirety. We had some idea because of the quarterly reports that each of the companies go through. We knew that what . . . we had a fairly good idea what our dividend revenues were going to look like for the various Crowns, and we knew what our costs, potentially, were going to be for the bundle, SPUDCO legal costs — I don't think they were totally known at the time — the funding for SaskWater, STC [Saskatchewan Transportation Company]. And it was clear that we were going to have more earnings than we had originally anticipated, and we needed to fund CAIS. And we were able, because of the good earnings at CIC, to provide a special dividend from CIC in the support of CAIS and also the support of the centennial.

**Ms. Harpauer:** — If I am understanding the minister correctly, they knew because it was a payment that was deemed reasonable and fair. They knew that NewGrade would be paying a dividend of 60.4 million due to the strength of the company in that particular year. So it's not a special dividend. It was a dividend that they knew the company would be paying, along with . . . you know, there was a number of dividends paid, all deemed to be fair against the measures that they use against the other subsidiaries.

There were two special ones made, I'm assuming, by request. I'm assuming because they mention them a number of times in the CIC annual report that it was a request to do a special dividend, three million from SaskTel and 25 million from Investment Saskatchewan.

Now if I'm going to do an annual report and I have a corporation and it has to pay dividends to another entity . . . and the regular dividends I'd report as such. And what that other entity does with the money is entirely up to them and their concern, their business. If I have a special request — can I pay extra dividends for a specific program? — perhaps that would go in my annual report allocated to that program. So I would allocate three million, in the case of SaskTel, and I would allocate 25 million, in the case of Investment Saskatchewan, for the purpose, the single purpose that it was deemed to be paid for.

I do not understand, other than the political advantage of it, of why the regularly required dividend payments get special allocation in the report from CIC.

**Hon. Ms. Atkinson:** — When we were making this decision, it was very clear — and I'm talking about the board of the Crown Investments Corporation, the Crown Management Board — it was very clear what the special dividends were for. The special dividend that CIC sent to the province of \$5 million for the centennial celebrations and the special dividend that we sent to the province, \$75 million — this is over and above our regular

dividend — was for the CAIS program. So we knew, in terms of these additional monies that came from CIC last year, it was very clear to us as the board of CIC that the additional earnings that were coming from CIC to the province of Saskatchewan were for two specific programs: one, centennial celebrations in the province, and two the CAIS program in the province.

**Ms. Harpauer:** — But the numbers that we went through earlier and agreed were the regular dividends that were decided that were fair and reasonable for that year do not support that. You're short quite considerably from over and above the regular dividends to make up the \$80 million that was designated to special programs. So then it wasn't a special allocation of extra money. It was the regular collected dividends allocated, not by CIC but by the government somewhere else to a specific program.

**Hon. Ms. Atkinson:** — Member, I guess I don't understand what you're trying to say to me, so maybe you could try it again.

**Ms. Harpauer:** — Sure. There is no place within the annual report or the presentation initially given when we began these meetings that accounts for \$80 million worth of special dividends that would be paid over and above what regularly would be collected on any given year that the Crowns were in the financial position that they were in the year 2004. So my question that I . . . You know, where did the 80 million come from? And throughout the report it states that SaskTel paid three million of it, and Investment Saskatchewan paid \$25 million of it. The rest of it I'm being told is made up from the regular dividends that they paid and would have paid anyways — money that would have been allocated anyways.

So I don't understand in that case why it's reported as special funds that was given to CAIS and the centennial, anymore than for example an oil company that pays royalties and, I mean, we have definitely more money from gas and oil this year . . . in their annual report saying, well we spent so much money on health care, and we spent so much money on education, and we spent so much . . . No, they didn't. They paid it to the General Revenue Fund, and the government allocated where the money went.

There were two special allocations mentioned throughout the report. They do not add up to \$80 million.

**Hon. Ms. Atkinson:** — Well maybe I can go through slide 9. The 2004 dividend target that was set for CIC was our regular dividend of 200 million plus the remainder of the 2000 deferred dividend of 50 million. In 2000 we did not take all of the money that could have been allocated into the General Revenue Fund. So the dividend target for 2004 was 250 million.

Then we had the public policy cost of the lowest bundle of utility rates in the country, and that was 54.1 million. Then we had the funding for the SPUDCO legal costs, and that was 7.9 million. So our total regular dividend was 188 million plus centennial funding of 5 million plus CAIS funding of 75 million. So our total 2004 dividend was \$268 million, and we got the funds from the regular dividend of \$200 million and the remainder of the 2000 deferred dividend of \$50 million.

**Ms. Harpauer:** — Was the dividend of 60.4 million from NewGrade a fair and reasonable dividend for that year, or was NewGrade asked to give a special dividend?

**Hon. Ms. Atkinson:** — No. Just, member, so that you understand how the NewGrade board, how it works is you have representatives from the Co-op oil refinery, and you have representatives appointed by CIC to that board. And as the chief financial officer for CIC has just indicated to you, after all of the costs are taken into consideration and all of the revenues are taken into consideration, the board of directors sets the dividend, and it is shared 50 per cent by the co-ops in this province and 50 per cent by CIC. So the dividend from NewGrade was \$60.4 million, and with the differentials that we're experiencing recently we expect the dividend for 2005 will be significantly higher.

**Ms. Harpauer:** — So when that dividend is paid to CIC, does CIC board decide how the government should allocate it?

**Hon. Ms. Atkinson:** — In terms of the dividend policy, that . . . in terms of what the dividend revenue should be, that comes from CIC as part of the budget planning process that the Department of Finance engages in. They, along with CIC looking at all of the companies in their capacity, project a capacity for the following year. They arrive at a number that is expected to come from CIC.

And that number can change. If SaskEnergy or SaskPower or SGI or SaskTel or it could be Investment Saskatchewan, NewGrade or any of the entities goes over its debt/equity ratio, the number that might be coming from that particular company would be smaller than originally budget for. It might be larger. If we expect the dividend to come in at 65 per cent and they go under their debt/equity ratio, it might move to 90 per cent.

The number that is pencilled in during the provincial budget is that. It's based on estimates. The provincial budget is based on estimates. The dividend that CIC and the Department of Finance agree to is based on estimates. It can go up or it can go down, depending on change that might occur during a fiscal year.

**Ms. Harpauer:** — That has nothing to do with the question at all.

**Hon. Ms. Atkinson:** — I didn't answer your question?

**Ms. Harpauer:** — Not even close. Fine. The Department of Finance goes to CIC, and CIC has already studied their different subsidiaries. And they say to the Department of Finance that they feel SaskPower is in the position to pay a dividend of \$59.8 million. SaskTel's in the position to pay a dividend of 85 million. SaskEnergy's in the position to pay 70 million. SGI's in the position to pay 27.1, and Investment Saskatchewan is in a position to pay 17.3 which is a total of \$259.2 million. And NewGrade, which is having an exceptional year, can pay you \$60.4 million, bringing it to a total of \$319.6 million.

The Department of Finance has two programs in particular they want to fund. They've decided they're a priority. So that would be in this case CAIS and the centennial celebration. They go back to CIC and they ask if they can afford or if there is some

place where there could be special dividends paid to cover this. They're allocated \$28 million for that purpose but they're reporting 80.

**Mr. Swystun:** — Mr. Chairman, I think the other element of the picture here that may help to explain the situation is that 50 million of the \$75 million in special dividends paid in support of CAIS funding originated from CIC itself primarily as a result of its much better than expected NewGrade dividend. In round numbers the NewGrade dividend was very close to \$50 million higher than was planned for at the start of the year.

The other point though, just perhaps draw the committee's attention to that may help to shed some light on this is that on slide no. 10 there is an explanation of dividends paid to the General Revenue Fund, and we have categorized those dividends as either regular dividends or special dividends. And there is no hard and fast definition of what constitutes a special dividend, but it's meant to differentiate dividends paid in the normal course of business as a result of day-to-day earnings of the Crown corporations as opposed to dividends that were sourced as a result of special circumstances.

And those special circumstances might include sales of major investments. And as you can see in the second column from the right on that table, there were a number of sales of investments over the past number of years. And in those instances some or all of the proceeds from the sale of those investments were used to pay special dividends.

In the case of the special dividend paid in 2004, the special circumstances were somewhat different in that one of the special events of course was the centennial celebrations, and there was a decision made that \$5 million in dividends would be characterized as a special dividend. And in the case of the CAIS funding, that was the result of once again somewhat special circumstances, if I could characterize them that way.

In the case of Investment Saskatchewan, there was a major receipt of money from repayment of one of its investments, that being Crown Life. In the case of NewGrade, NewGrade experienced financial returns far in excess of what had ever been earned in its history. And to the extent that those were special circumstances and they were a source of revenue that provided CIC capacity to make a contribution to that special dividend, that's where the money came from. And that's the reasoning behind characterizing it as a special dividend as distinct from a regular dividend, similar to the way in which earnings in one of the other slides in the presentation differentiated between earnings from ongoing operations, or what I think we called core earnings in that instance versus earnings from non-recurring events or one-time events if you like.

**Ms. Harpauer:** — I understand that NewGrade had a strong year and therefore paid a higher dividend than anticipated or in the past. But I also understand whether or not there was this allocation for political purposes of funding CAIS and the centennial, the dividend would have happened anyways. The NewGrade had a strong year, and that is what the board deemed was fair and sound dividend for it to pay. Had there been no request for CAIS or the centennial, would CIC have retained in their holdings the NewGrade dividend, or would they have

passed some of it on to the General Revenue Fund? Or would it sit in their own bank account?

**Mr. Swystun:** — Mr. Chairman, I guess the answer to that question would of course have depended on any direction that would have come from cabinet at the time. But for all other factors held equal, if CIC had received an extra \$50 million from NewGrade and did not receive any additional request for dividends from or dividends to the General Revenue Fund, then yes, CIC would have retained an additional \$50 million cash in the bank.

**Ms. Harpauer:** — So in the case, when we go back referring to slide 10, where there was the sale of the Cameco shares, they just got that to stay in CIC's bank. It never went to the General Revenue Fund.

**Mr. Swystun:** — Mr. Chairman, in the case of the sale of Cameco shares in 2002, the allocation of those proceeds which totalled \$226 million at the time were for \$181 million of it to be paid by CIC to the General Revenue Fund as a special dividend, and CIC retained the balance which, if I recall, was \$45 million for its purposes.

**Ms. Harpauer:** — And you'll have to excuse me for not having the annual report from then, but was it then deemed to be funding for — I don't know — some program that the government did, or was it just put into the General Revenue Fund and transferred in that manner?

I just find it very odd that CIC, in their annual report, is reporting payments to things that the cabinet and the General Revenue Fund is paying for.

**Mr. Swystun:** — Mr. Chairman, I believe in other instances, special dividends that were paid . . . and I am going from memory here, but I don't recall that special dividends were specifically related to particular programs. They were just simply designated as special dividends.

**Ms. Harpauer:** — Thank you for that and I have no other questions in this area. But I do want to make the comment that then it goes back to what my colleague was trying to say yesterday in that there is no reasoning or rationale to the way that this was reported this year, other than political gain by the government of the day because there is no way of saying that money specifically was allocated for those particular programs.

With that, I'd like to proceed to page no. 6 of the annual report. It's just a very brief question. There's mention of CIC having 54 employees in its four divisions. And my question was, 2004 was the year of the 0, 1, and 1 mandate brought down by the government. Did the staff, the 54 employees, were they at the zero level of wage increases?

**Mr. Waller:** — There were no salary increases provided to staff in 2004 that exceeded the government guidelines. So there was no general adjustment to staff salaries.

There would have been some in-range movement for some employees within government guidelines but in general there was a . . . [inaudible interjection] . . . Excuse me for just . . . Sorry, my apologies. 2004 was the year of the zero for our staff,

and there was no general adjustment to the wage scales. So there was the zero. For some employees there would have been some movement within range, again in accordance with what the guidelines were.

**Ms. Harpauer:** — Thank you for that. I'm moving to page 19, and that is the page that refers to the Saskatchewan rate review panel. In the first paragraph it mentions that the advisory body or . . . sorry, the members of the review panel were extended. Their period was extended for three years in 2002 which brings us now to this year. And I was just wondering what tentative plan was in place for the future for that panel. Are we looking at perhaps reinstating the same members or some of them, or what plan's in place to address that?

**Hon. Ms. Atkinson:** — The issue that you raise comes up in July '06, and at that point we'll be in a better position to determine whether or not people will have their appointment extended, renewed, or whether there may be some people that will retire from the panel. But all of these folks have their appointment in place until July '06.

**Ms. Harpauer:** — Who's directly responsible for their appointments? Is it cabinet or some other entity?

**Hon. Ms. Atkinson:** — Crown Investments Corporation makes a recommendation to cabinet and cabinet approves the recommendation. And then by . . . I believe it's order in council, they become members of the rate review panel.

**Ms. Harpauer:** — And who's directly responsible for the expenses that incur when hearings are held because, I mean, there's going to be expenses. There's going to be remuneration for the . . .

**Hon. Ms. Atkinson:** — I need to amend something. It's by minister's order. The people who are appointed are by minister's order, not order in council, but they are approved by the cabinet.

**Ms. Harpauer:** — Okay. Thank you. Who's directly responsible for the expenses that incur when there are hearings? Is it paid then by CIC or by the General Revenue Fund?

**Hon. Ms. Atkinson:** — Paid by CIC.

**Ms. Harpauer:** — On page 21, I have a couple of questions on the independent reviews of proposed investments. And in 2004, there were two independent reviews that were conducted and they were both for SaskTel.

I know in the past, it's been stated that if a review . . . There's never been a case that a review was done that showed that an investment wasn't sound where the Crown then proceeded with the investment. They tended to leave it alone.

The two investments that were reviewed was that of United Arab Emirates and Navigata Communications. I'm assuming that these investments then went forward. Is that true?

**Mr. Waller:** — That's correct in both cases. The United Arab Emirates was a small investment by SaskTel, I think something in the order of \$200,000. And there was a requirement to put

equity into the company at a certain level. Once the company was established under the law of that nation, you could withdraw the equity. So there was a review done but that was both a small investment, and the money I believe was returned to SaskTel fairly promptly.

In the case of Navigata, that continues to be part of the SaskTel holdings.

**Ms. Harpauer:** — With both of those, those investments, at what level did they gain approval? Mr. Waller, you said the one in particular was quite small, and in previous discussion small investments are quite often approved right at the Crown board itself. Or, depending on the size or the nature of the investment, then it needs CIC approval and again needs cabinet. So at what level could these two investments be approved or were approved?

**Mr. Waller:** — Because those, I think, because the United Arab Emirates investment required the purchase of shares that was approved by cabinet and order in council. And the additional investment in Navigata was also approved by cabinet.

**Ms. Harpauer:** — Have either of these investments realized a profit to date?

**Mr. Waller:** — I believe SaskTel will come before the committee, and you can get into further detail with them. I believe that the United Arab Emirates contract would have realized some profit. That was really a consulting arrangement. They incorporated a company so that they could gain access to consulting contracts. And I think that the SaskTel annual report shows that that division of the corporation is profitable, and I would assume that those contracts would've formed part of it.

In the case of Navigata it was not profitable in 2004, and I think the company continues to encounter some difficulties.

**Ms. Harpauer:** — The next area that I had actually some very brief questions on is the strategic direction and performance reporting. And it describes how you use a balanced scorecard method of performance reporting. And I need to comment that it is very user-friendly; it's a nice way of reporting and very easy to use. The concern that I had with it was under the customer and stakeholders, and there's two comments made in the broad picture of that — one on page 29 where it says:

This perspective challenges CIC to maintain excellent relationships with its stakeholders [and goes on to say] particularly with CIC's Board of Directors, and to understand and assess emerging issues by providing professional and timely advice and guidance.

And again on the following page under that category it says that it, "Exceed customer expectations for products and services."

But when you actually look at the report card themselves, I don't think the categories that are used under customers and stakeholders actually addresses that direction. When I think of customers and stakeholders I think of, you know, the people that are using the service and the people of Saskatchewan. And I think their concern and what they're going to want to see is

how timely their service is, how professional and efficient the service workers are, and it doesn't address that. Is that tracked, like, complaints from customers and times of service calls? And I have to say in my area for both SaskTel and SaskPower, I mean, the people we have employed in my area are exceptional, and they've done a great job.

**Mr. Waller:** — Two points, just to clarify. That portion of the annual report actually relates to CIC and not to the subsidiary corporations because each of the operating subsidiaries, they track their performance using similar but not identical mechanisms so that . . . And because we're a holding company, we don't provide service to the general public with the exception of administration of the commitment to provide the lowest cost bundles. There are few, if any services, provided by CIC to the public.

**Ms. Harpauer:** — So that just covers CIC, the entity, which is fair. Who is your customer?

**Mr. Waller:** — Well our customer would in large part be government.

**Ms. Harpauer:** — Okay that clarifies it. Thank you very much for that.

On page 43, I had a question about the interest costs. Under the column of expenses or the explanation of expenses, there's a comment that the interest costs were \$252.9 million which is a significant increase from 130.5 million the previous year of 2003. Then later, under consolidated debt, the debt increased very little. It increased \$2.7 million over the same period of time. So I just would like an explanation as to why this dramatic increase in interest, like, how did that come about?

**Mr. Swystun:** — Mr. Chairman, the answer in summary form is that 2003 was a bit of an anomaly with respect to interest costs. 2003 was a year in which both SaskPower and, I believe, SaskTel benefited significantly from the rapid increase in the value of the Canadian dollar relative to the US dollar as a result of some unhedged US dollar debt that both corporations had. The accounting treatment for the foreign exchange gains on that US dollar-denominated debt is to treat it as an offset against interest costs. So the number reflected for 2003 would be the normal interest costs paid less the foreign currency gains for each of those corporations. And as the annual report indicates on page 43, those foreign currency exchange gains totalled \$150 million, so the number is \$150 million lower than it otherwise would have been had those currency gains not taken place.

In 2004 interest costs reverted to a more normal level because there wasn't any subsequent repeat of an increase in the value of the Canadian dollar or certainly not to the same extent at least.

**Ms. Harpauer:** — Okay. I want to return to something I said I would earlier, which was the dividend paid by NewGrade. And throughout the report, you know, the different subsidiaries are listed, and the dividend that is decided is a percentage of the earnings. And in the case of SaskPower it was 90 per cent of the earnings, SaskTel 90 per cent, etc., etc. And for NewGrade however it exceeded the earnings. Why is that not concerning?

**Mr. Swystun:** — Mr. Chairman, the situation at NewGrade is indeed that dividends were approximately \$60 million when CIC's share of earnings were approximately \$40 million, and that has to do . . . and the situation is an ongoing one at NewGrade, and it's not necessarily . . . it is not one of concern to CIC.

The reason is that NewGrade's earnings are calculated on the accrual basis of accounting, and that includes an expense item for depreciation or amortization of capital assets. So the cost of the plant at NewGrade was incurred in past years, but it's expected to have a useful economic life of several decades. And so that cost that was of building the plant gets spread out over the useful life which is perhaps 20 or 30 or 40 years. And as a result of that, in the calculation of NewGrade's income there is a depreciation expense that is recorded, but it is not a cash expense. It is a non-cash expense. So as a result of that, at the end of the day the cash in the bank is in fact larger than the net income of NewGrade.

Now NewGrade is required by its debt obligations to first allocate those available cash flows to retire debt as it matures each year and to pay the interest on the debt, and subsequently the NewGrade board of directors does allocate some cash flow for maintenance capital spending. So that maintenance capital spending is important to sustain the value of the company. And then finally after that, the amount that's paid to each of the two partners as a dividend is what's left over.

So while the specifics of how the NewGrade dividend is determined are somewhat different and are determined by the NewGrade board of directors, the principles are in fact very similar to the principles that apply to the calculation of dividends from subsidiary Crowns to CIC.

**Ms. Harpauer:** — Thank you.

**The Chair:** — Members, we're very close to the prior agreed upon recess time, so we'll take a brief recess for 15 minutes. This committee stands recessed.

[The committee recessed for a period of time.]

**The Chair:** — Thank you, members. We'll reconvene. Are there any further questions for the minister? Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Mr. Chair. I want to refer to page 88 of the annual report, item no. 22 which lists the amount paid to leases, and I believe this will probably be a request of information because I doubt that you will have it at your fingertips. But could you supply a list of all the lease agreements made with R & R Leasing and Cajon Leasing in 2004, and all of the outstanding leasing agreements with CIC and all of its subsidiaries?

**Mr. Swystun:** — Mr. Chairman we can certainly endeavour to provide that information.

**Ms. Harpauer:** — Thank you. Now I want to go to a different section. On page 67, throughout that section, my question revisits questions that I asked yesterday. I asked a number of questions referring to the authority of Investment Saskatchewan, and I believe that I was told yesterday that

Investment Saskatchewan's board had the authority to make investments in any entity that they deemed a good investment under the cost of \$30 million. What authority do they have to divest of an investment?

**Mr. Waller:** — By and large the authority that's been given to the Investment Saskatchewan board is to handle the business of investment, and the business of investment includes both the making of investments and the disposition of investments. So unless we're talking about high levels, those items don't go as a matter of course to the CIC board, and it is handled at the Investment Saskatchewan board level.

**Ms. Harpauer:** — What if the investment is worth more than \$30 million? Is it still at the discretion of the Investment Saskatchewan board?

**Mr. Waller:** — That should return to the CIC board for determination if it's above those levels.

**Ms. Harpauer:** — The minister has said in the past that all options are being looked at, at the present time for the Meadow Lake pulp mill, and it has to be concerning right now because the market is soft to say the least. Could you share with us what options are being looked at? Are we looking trying to sell our shares? Are we looking at partnering or new partners? Are we looking at partnering with First Nations?

**Mr. Waller:** — Well as the members noted, the pulp industry across North America has encountered significant difficulties. The pulp mill in Meadow Lake has encountered similar difficulties. And if one looks at the Investment Saskatchewan financial statement and report from 2004, you'll see that they did take a writedown on their investment in that pulp mill. We're not aware of what specifically Minister Cline may have said when he indicated they were looking at all options, but we are generally aware that they are pursuing a restructuring of the plant. And insofar as we're aware, that certainly would involve looking for new partners.

**Ms. Harpauer:** — Are you aware whether they have considered or looked at the option of having to close the plant?

**Hon. Ms. Atkinson:** — I know that Investment Saskatchewan will come before the committee, and I think that Investment Saskatchewan would be able to answer your questions regarding all of the options more specifically than we can.

**Ms. Harpauer:** — With these options and if that was an option, does Investment Saskatchewan solely have, or the Investment Saskatchewan board solely have the authority to make that decision, or would the decision have to go to the CIC board? Or would it have to go to cabinet? At what level could that serious decision, quite frankly, be made?

**Hon. Ms. Atkinson:** — If Investment Saskatchewan were to determine that the plant should be put into receivership or whatever, that type of decision would need to come to the Crown Management Board.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — I'd like to ask a few questions as well

about the Meadow Lake pulp mill. And I believe that CIC has a 50 per cent interest in that, do they not, as of December 31, 2004? That's correct? Meadow Lake Pulp Limited Partnership.

**Hon. Ms. Atkinson:** — Investment Saskatchewan, as you know, has been set up to deal with a number of assets that were formerly held by CIC directly. Investment Saskatchewan is a subsidiary of CIC, and Investment Saskatchewan has an equity interest in the Meadow Lake pulp mill.

**Mr. D'Autremont:** — So as of December 31, 2004, CIC had responsibility for some, if not all, of the 50 per cent of the Meadow Lake Pulp Limited Partnership.

**Hon. Ms. Atkinson:** — Through Investment Saskatchewan.

**Mr. D'Autremont:** — Currently now. But in December 31, 2004?

**Hon. Ms. Atkinson:** — Since '03. Since '03 Investment Saskatchewan has had responsibility for the Meadow Lake pulp mill.

**Mr. D'Autremont:** — So why would these be listed as the corporation's jointly controlled enterprises then in the annual report, rather than being reported by Investment Saskatchewan on page 67?

**Mr. Swystun:** — Mr. Chairman, the note the member's referring to is the CIC consolidated statements, and it treats all Crown corporations, including subsidiaries as well as the holding company, as one company. So these notes would relate to operations of all subsidiary Crowns. This particular note that you're referring to includes Investment Saskatchewan. There would be notes pertaining to operations at SaskTel or SaskPower and so on as well.

**Mr. D'Autremont:** — Okay thank you. Further on, on page 76 and 77 of those consolidated financial statements, while CIC was still the entity which was controlling Meadow Lake Pulp prior to 2003, what was the financial position of that investment? How much had been lent to Meadow Lake Pulp and how much had been repaid?

**Hon. Ms. Atkinson:** — We'll get you that information. We don't have that type of detail with us this afternoon, but we'll get the member that information.

**Mr. D'Autremont:** — When you transferred Meadow Lake Pulp from CIC to Investment Saskatchewan, I wonder if you could give us the financial position at that point in time then and how much had been lent in total to Meadow Lake Pulp and how much had been repaid in total, and what was the financial position.

**Mr. Swystun:** — We'll endeavour to collect that information as well.

**Mr. D'Autremont:** — In your consolidated financial statements as well, on page 77 you talk there about the . . . one, two, three, the fourth paragraph on this, you talk about the marketplace for pulp and paper and how it reflected into the operations of Meadow Lake Pulp and how it impacted on their

financial abilities. You talk about:

Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the corporation has taken a provision . . . [for] \$30 million in the current year . . .

Now the \$30 million provision that was taken, I'm assuming that's a writedown. Is it not? And then later on it says:

However, given the wide fluctuation in world commodity prices for pulp, this estimate could change materially in the near term.

Based on what's happened up at P.A. [Prince Albert] and the unfortunate circumstances there, is CIC looking at any improvement in the investment that Investment Saskatchewan has in the Meadow Lake Pulp?

**Mr. Waller:** — I don't believe there's any indication of improvement in that investment. And in fact earlier in the year Investment Saskatchewan was given the authority to purchase debt from certain third parties, which was done. As we sit here today, I don't believe that CIC is aware of any specific intention to further write down the investment in Meadow Lake Pulp Mill, but beyond that, Mr. Chairman, I think the question should be addressed to Investment Saskatchewan.

**Mr. D'Autremont:** — Thank you, though but from your estimates and information on the subject, the economic environment for pulp and paper hasn't improved since this report was written.

**Mr. Waller:** — Absolutely not.

**Mr. D'Autremont:** — So if Investment Saskatchewan were to come to you then with a proposal for investment in this kind of venture or to further invest in this kind of venture, would it seem to be economically prudent?

**Mr. Waller:** — That would depend on the nature of the investment. What our role would be is, if they bring forward a proposal that requires CIC board and cabinet consent, the role for Crown Investments Corporation staff would be to review the proposal. And one of the things that we would be looking for is an assessment of the risks and the benefits that are inherent in the investment.

I mean there are still a number of people operating pulp and paper mills in North America. And given the announcement earlier in the week, I think there is a committee that has been charged with the responsibility to seek out other investors to replace the current owner.

**Mr. D'Autremont:** — Well we had two mills in Saskatchewan, and as of earlier this week we're down to one. And looking at the financial picture as has been presented in your consolidated report, that one, to be kind, is struggling. And I'm not sure what all the problems are in pulp and paper other than it seems a glut on the world market. But it makes the viability of these operations questionable on a financial circumstance.

**Mr. Waller:** — I think that the struggles of the pulp industry in

Canada are reasonably well known. I mean first of all both pulp and paper are in markets where the demand is less than it has been. They're facing offshore competition, lower cost offshore competition. And the significant rise in the Canadian dollar has impacted significantly on their profitability. That's not . . . I think that was what was part of the Weyerhaeuser announcement earlier in the week, and the Meadow Lake pulp mill operates in the same environment.

**Mr. D'Autremont:** — The Meadow Lake pulp mill though it seems over time has been struggling mightily even when the Canadian dollar was lower, and I'm sure that the rise of 25 per cent in the value of the Canadian dollar has got to have a significant negative impact on that operation. And so it brings into question really the viability of pulp and paper in general in Saskatchewan unless there is some dramatic changes in pulp and paper circumstances.

Well I guess we have further questions on this, but it appears that we need to direct them to Investment Saskatchewan to get some clearer answers on this.

**The Chair:** — Thank you, members. If there's no additional questions or comments, I'll . . . Mr. D'Autremont.

**Mr. D'Autremont:** — Found another question. Page 31, public purpose perspective. Under P-2, corporate strategic objectives, P-2: "CIC's workforce reflects the diversity of Saskatchewan." And you list staff levels at greater than 27 per cent levels, diversity and target groups. What are the target groups and how does that break down?

**Hon. Ms. Atkinson:** — The target groups are women in management, people with disabilities, First Nations and Métis people, visible minorities. And I believe I said disabled people. In terms of the percentage that you're wanting, percentages . . .

**Mr. D'Autremont:** — What's your target levels?

**Hon. Ms. Atkinson:** — For each of those? We can get that for you. You're asking specific information, and each Crown has representative workforce targets.

**Mr. D'Autremont:** — This isn't related to CIC but I noticed it in another Crown. They have a . . . What happens when you achieve your desired levels? Do you then start targeting another group to try and elevate their representation?

So let's say that your target is 10 per cent First Nations and you've reached 15, but your target for visible minorities is 5 per cent, but you're at 2. Do you then start targeting trying to hire visible minorities to raise that level?

**Hon. Ms. Atkinson:** — Once again, Mr. D'Autremont, I don't have the specific detail here, but my recollection is that we have not yet reached our representative workforce targets. And this is an ongoing project in terms of trying to reach the point where we have a truly representative workforce in our Crown corporations and also at our board of directors level as well and management level.

**Mr. D'Autremont:** — Well it says here that your performance measure in staff levels in diversity target groups and your

performance target is greater than 27 per cent. Your performance result says you're at 28.6 per cent so that you have actually achieved your target. But I'm wondering about the splits now. What happens . . .

**Hon. Ms. Atkinson:** — We don't stop. We keep going. You know if you reach your target in terms of women in management that doesn't mean you stop, you know. That prevents women, other women from moving into management. If you reach your targets in terms of disabled people, that doesn't mean you stop and no further jobs are available for disabled people or First Nations and so on.

So I want to assure you that just because a company reaches its target doesn't mean that they're to stop providing employment to people who represent a representative workforce.

**Mr. D'Autremont:** — If you have targets — and your target is let's say 10 per cent women in management, okay, and you've exceeded that already — but you're low on your visible minorities. You have two applicants for a job. One is a woman for the management position. One is a visible minority, which one do you take then?

**Mr. Waller:** — Well all things being equal in your example, we would take the visible minority candidate. Because I think what you're really asking is if we achieve the level of representation in one of the categories, do we stop recruiting or attempting to achieve those levels in other categories, and the answer is no. We attempt to achieve a representative workforce by meeting the objectives in all of the categories.

**Hon. Ms. Atkinson:** — Mr. D'Autremont, we're trying to get to 50 per cent of women in management.

**Mr. D'Autremont:** — Then why isn't that part of your performance target then?

**Hon. Ms. Atkinson:** — It's my performance target.

**Mr. D'Autremont:** — Okay, there's some discussion still around the board table or the cabinet table on this.

**Hon. Ms. Atkinson:** — We are trying to get 50 per cent in the legislature and the cabinet.

**Mr. D'Autremont:** — So are we.

**Hon. Ms. Atkinson:** — 50 per cent men?

**Mr. D'Autremont:** — 50 per cent us.

**Hon. Ms. Atkinson:** — Good luck.

**The Chair:** — Order.

**Mr. D'Autremont:** — No. I think that's an issue though within some organizations is that . . . is how do you balance that you've already achieved a level in one area? Now do you continue to use the same measures and increase that level, but do you do that then at the expense of other hiring in other areas? Mr. Waller said no; once you've achieved that level, you want to maintain that or increase it. But in a choice where you have



one of your two designated categories, then you pick from the one that hasn't yet achieved its goal. And that's the answer I wanted. That's what I wanted to hear, but I wasn't sure what I was going to hear, so. The minister wants to go for 50 per cent off the top. Okay, that's all I had.

**The Chair:** — Okay thank you very much, members. If there's no further questions, I would entertain a motion to adjourn. Moved by Mr. D'Autremont. Is that agreed? That is carried. This committee stands adjourned. Ms. Atkinson.

**Hon. Ms. Atkinson:** — Just before we leave, I want to thank the officials for attending the committee meeting this afternoon. And I also just want to point out that the annual report that we've all been looking at was prepared by a Gradworks person who was an intern at CIC, who has degrees from the University of Toronto and Sheridan College. And I think he's done a very nice job of laying out this annual report. And this is a young person, and I just wanted to acknowledge that.

**The Chair:** — Thank you very much, Minister. And thanks to the Provincial Auditor's office and you and your officials. This committee stands adjourned.

[The committee adjourned at 15:16.]