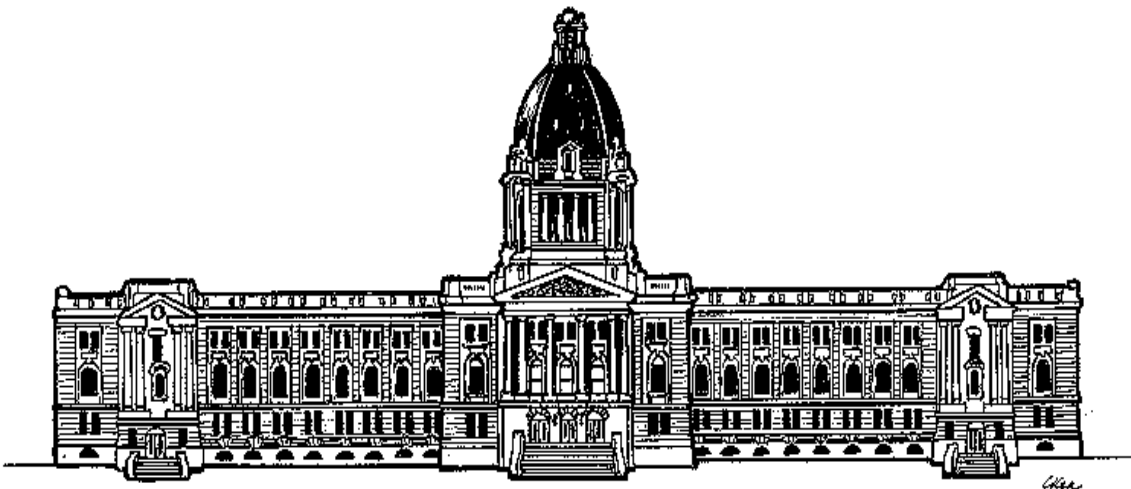




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES  
2007**

Ms. Sandra Morin, Chair  
Regina Walsh Acres

Mr. Dan D'Autremont, Deputy Chair  
Cannington

Hon. Graham Addley  
Saskatoon Sutherland

Mr. Dustin Duncan  
Weyburn-Big Muddy

Ms. Donna Harpauer  
Humboldt

Hon. Warren McCall  
Regina Elphinstone-Centre

Hon. Mark Wartman  
Regina Qu'Appelle Valley

[The committee met at 09:00.]

### Crown Investments Corporation of Saskatchewan

**The Chair:** — Good morning everyone, and welcome to this session of Crown and Central Agencies Committee meetings. With us this morning on behalf of the government is Minister Addley; Minister Crofford, sitting in for Minister Wartman; and Minister McCall. And for the opposition we have Dustin Duncan, Doreen Eagles, Donna Harpauer, and Dan D'Autremont.

Before the committee this morning we have Crown Investments Corporation of Saskatchewan. The minister responsible is Minister Maynard Sonntag. Good morning and welcome to the committee this morning. And perhaps you'd like to introduce your officials at this time.

**Hon. Mr. Sonntag:** — Thanks very much. I'll do that and just . . . or I note your process specifically, but I did an opening statement last time, so I won't do that again.

With me to my immediate left is Ron Styles, president and CEO [chief executive officer] of Crown Investments Corporation. To my right is Blair Swystun, vice-president and chief financial officer. Perry Bellegarde, vice-president, labour and Aboriginal initiatives is back and to my right — sorry, Blair. Karen Schmidt, executive director, communications on the far left; Kathie Maher-Wolbaum, special adviser, government relations is to the right of Karen; and John Amundson, corporate controller, is directly behind me.

And with that we'd be happy to answer any questions that the committee might have.

**The Chair:** — Thank you very much. At this time I'd like to introduce the deputy provincial auditor, Judy Ferguson, and ask her to perhaps introduce her officials as well.

**Ms. Ferguson:** — Thank you very much. I have with me, beside me today is Bruce Willis from KPMG and also is Andrew Martens and Diana Adams.

**The Chair:** — Thank you very much. And you didn't have any opening remarks to make as well?

**Ms. Ferguson:** — No, we don't.

**The Chair:** — Okay. Thank you very much. So we'll move on to consideration of the 2004, 2005 Crown Investments Corporation annual reports. Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Madam Chair, and I want to welcome the minister and his officials here today.

The first few questions I have are, basically I think we could call them housekeeping in nature. In reviewing past *Hansards* of October 5 and 6 of 2005, I noticed there was a number of requests for information, and to date we haven't received that information, so I would just like to point that out.

In particular on October 5, page 481 in *Hansard*, there was

discussion on the level of dividends or how the level of dividends were determined for each of the Crowns. And the minister at that time explained that one of the determining factors was how the Crown's debt/equity ratio compared to industry standards. And I noted that we've never seen a chart that listed the industry standards for the various industries, and as a result we as the opposition have no idea how our Crown corporations compare. And I was told that that information would be provided and to my knowledge it never was. So if we could get that, that would be great.

The second item is on page 88 of the 2004 annual report; there's a list of the amounts paid for leases. We requested a list of all the lease agreements made with R & R Leasing and Cajon Leasing with CIC [Crown Investments Corporation of Saskatchewan] and the different subsidiaries. And again to date we're unaware if we've received that information.

And thirdly, on October 6, page 513 of *Hansard*, Mr. D'Autremont asked for information on the financial position of Meadow Lake pulp mill at the time when it was transferred to Investment Saskatchewan. So those three requests we would like to submit again and see if we could get that information.

**Hon. Mr. Sonntag:** — We'll undertake to try to get you that information. The last one, as relates to Meadow Lake pulp, might come from Investment Saskatchewan as opposed to through CIC. But we can provide it, okay?

**Ms. Harpauer:** — So thank you for that. My next questions will be based on the 2005 annual report. And on page 28 of the annual report, referring to the number that was calculated . . . There's a chart on that page that does the calculation of the different costs of utility bundles in the various provinces across Canada. And referring to that chart, was the actual cost of natural gas use for the calculation, or was the subsidized cost for natural gas used for the calculation for Saskatchewan's utility bundle cost?

**Mr. Swystun:** — Madam Chair, the figures used in the chart would reflect the actual cost paid by customers of SaskEnergy for natural gas. So it would be the . . . Now this is 2005, so the Saskatchewan Energy Share program, if I recall correctly, came into play late in 2005. So the effect of that subsidy would factor into the amounts paid by customers for — I believe it was — the last two months of the year.

**Ms. Harpauer:** — So when in this report and in different government announcements — and there was a flyer that went out in everybody's mailbox — when the government bragged that we had the lowest utility bundle, it was only after we did a subsidy with the natural gas that we would have had that lowest bundle.

**Hon. Mr. Sonntag:** — That's right.

**Ms. Harpauer:** — Okay. I also need a clarification on the Energy Share program. The technical briefing prior to that, or in relation to that program, it states that the General Revenue Fund provided 53.6 million in 2005 to shield customers from high natural gas prices. And of that funding, 31.7 million was used to eliminate the deficit in the gas cost variance account, and the

remaining 21.9 million was used to subsidize natural gas rates charged to customers by funding SaskEnergy's actual cost of natural gas at a rate cap of \$7.95 per gigajoule. Did the General Revenue Fund pay the money directly to SaskEnergy, or did it flow through CIC?

**Hon. Mr. Sonntag:** — It was paid directly.

**Ms. Harpauer:** — It was paid directly? Okay. In the annual report it states that the entire program cost 167.84 million. 37.4 million of that was applied to the conservation program which is separate from the rebate and the subsidy. The remaining 130.54 million was the cost of the energy cost subsidy, and there's no mention in the annual report of eliminating the deficit in the gas cost variance account. So in the technical briefing, it implies that the subsidy was 53.6 million. In the annual report, it suggests that the subsidy was 130.54 million. Can I get some clarification of why the discrepancy?

**Mr. Styles:** — We can get you something that will reconcile the numbers, okay. That would probably be easier. We don't have that kind of reconciliation here. You want to keep in mind as well what you're provided at the time of the technical briefing, okay, would have been estimated costs, and the program costs were lower than was originally estimated when the 2005 Energy Share program was announced. The gas prices did not turn out to be quite as high during that winter season. But we can provide you with a reconciliation and a breakdown if you'd like. But it doesn't flow through CIC, so we're not completely conversant with the final numbers.

**Ms. Harpauer:** — So which report would have been the most recent? Obviously the technical briefing would be more recent than the annual report because the technical briefing is explaining the annual report, right?

**Mr. Styles:** — Sorry, this is the technical briefing then for the SaskEnergy annual report that you're referring to, or the technical briefing when the Energy Share program was actually announced?

**Ms. Harpauer:** — This is the technical briefing for the CIC annual report.

**Mr. Styles:** — Oh it's for our CIC. Yes, then it should have the most recent numbers, okay. Maybe a final reconciliation was still in order, but we can get you the breakdowns as well.

**Ms. Harpauer:** — Okay, there's obviously a significant difference in the numbers from the technical briefing to the annual report, so that would be greatly appreciated if those numbers could be provided.

The next series of questions unless . . . Do either of my colleagues have any questions on that program? No. Okay.

My next series of questions will be on the Entrepreneurial Foundation of Saskatchewan and the Saskatchewan Entrepreneurial Fund. And my first question will be, does the entrepreneur have to be approved for the services provided by the foundation and access those services before they're eligible for the money from the fund, or can they apply for assistance from the fund even though they've put together a business plan

either themselves or from elsewhere?

**Mr. Styles:** — The normal course of events is to first go through the foundation, okay. These are usually very small start-up operations, and that way they can prepare the necessary business plans, put the due diligence in place, okay, before it gets to the actual fund. But if there is an individual that had completed all of that work and there was a comfort level, okay, it could go directly to the fund but again the two work so closely together I think even in evaluating what was submitted, I think you'd find that the foundation probably would have some role in that particular exercise as well. So the two are pretty inextricably linked either at the start of the process or when they get into reviewing the due diligence.

**Ms. Harpauer:** — Okay. The money that's allocated to the entrepreneur from the fund, is it a loan or is it a grant or a grant form that they do not have to pay back?

**Mr. Styles:** — It's a loan.

**Ms. Harpauer:** — It's a loan. So do the terms of the loan vary, or is there a time period for each and every loan that's issued?

**Mr. Styles:** — It would vary depending on the type of investment that was being requested. They tend to be shorter time periods. You're talking about a shorter or a smaller amount of money okay in start-up ventures. The return, you know, generally is expected to be a little bit a little lower as well. We're not looking for market rate of returns that you would get on a much higher or a much larger pool of funds for instance, okay. But it does differentiate.

We try to fit with the type of business proposal that's there. I mean the whole idea is to contribute to the success of the business venture. In that way you want to look at what kind of instrument is best for the mix of financing and funds that that particular investment might have.

**Hon. Mr. Sonntag:** — I just want to add one little supplement to Ron's answer. It's not a grant. It does debt and equity though. The Entrepreneurial Fund does both debt and equity as opposed to just simply debt.

**Ms. Harpauer:** — Okay. So when you say that, so then you're taking an equity position in each of these . . .

**Hon. Mr. Sonntag:** — Not necessarily.

**Ms. Harpauer:** — Not necessarily.

**Hon. Mr. Sonntag:** — It could. It could. It can be, it can be one or the other or a combination of both.

**Ms. Harpauer:** — So it's case by case.

**Hon. Mr. Sonntag:** — Yes.

**Ms. Harpauer:** — From the date of the announcement which was in November 2005 to today, how many people have accessed the foundation? And then of those, how many have accessed the fund?

**Hon. Mr. Sonntag:** — I think we'll have to get that information for you. We don't have that here.

**Ms. Harpauer:** — Okay thank you. You may have to find the information for the next question as well then because it's how much of the 1.8 million that was allocated for the foundation has already been spent? And how much of the 25 million of the fund has already been spent?

**Hon. Mr. Sonntag:** — I think you're right. We'll get it for you.

**Ms. Harpauer:** — All right. That would be great. If my colleagues don't have any questions on those programs, I'd move onto the Gradworks program. Seeing none, you'll just have to bear with me for a moment while I get my material together for that program. At the Crown and Central Agencies Committee on November 4, which was our relatively short meeting, the minister said that 117 people have completed the program and that there were 15 interns that were in the pilot project in 2004 and 88 interns in 2005, which makes a total of 103. Assuming that the 2006 internships are not completed yet, there's basically a 14 people discrepancy from the 117 people to the 15 plus 88 or 14 . . . yes, 15 plus 88.

**Mr. Bellegarde:** — Madam Chair, usually there's a timing thing. With Gradworks the history goes . . . the internships, there was the original plans to have at least 50 interns over the course of the five-year program for a total of 250 over the course of the five-year program itself, the whole human resource infrastructure and investment strategy.

A year ago we had the idea that not everybody wants to move to Regina or Saskatoon, you know, for these internships, so we allocated 25 for the rural. And so over the next couple of years, there'll be 50 that were originally planned plus an additional 25. Why there's a discrepancy, because there's timing, there's timing issues, basically a timing . . . Some leave; some go on. So it's just basically a timing issue.

**Ms. Harpauer:** — Okay. So of the 117 people that have completed the program, how many are Aboriginal and how many are non-Aboriginal?

**Mr. Bellegarde:** — Roughly there's about a 6 per cent, 6.4 per cent Aboriginal intake in terms of the alumni or the Gradworks participants, and it's low.

**Ms. Harpauer:** — Yes. I was just going to say, because that is low, is there an active effort to try to get a better balance?

**Mr. Bellegarde:** — Yes, always. You can rest assured I always pump that issue.

**Ms. Harpauer:** — The annual report states that the goal of Gradworks is to provide 325 internships over the five-year life of the program. And then in a February 2006 press release, Mr. Bellegarde, you stated that the board's goal was to hire 250 interns over the five-year life of the program. When you made that statement, were you implying that you would like to see 250 of the 325 interns hired within the Crowns?

**Mr. Bellegarde:** — Well that's the overall. Like how do you gauge success of the program? You know, it's creating

opportunities for young people; you know, staying in Saskatchewan, giving them the experience. The goal was 50 a year, but eventually they're getting experience, and we hope that they, you know, through the rubbing of shoulders, the hobnobbing, the networking, that will lead to full-time employment. Positions within the Crown sector are within Saskatchewan as a whole.

**Ms. Harpauer:** — Right.

**Mr. Bellegarde:** — So that would be ideally, you know, a great way to measure it, right.

**Ms. Harpauer:** — So if I'm understanding correctly, when you made the . . . or comments in the press release, you were keeping 50 per year in mind so that's a goal of 250. When the minister made his statements . . . or no, the annual report made its statements, their goal is a little higher than yours because they state a goal of 325, so . . .

**Mr. Bellegarde:** — That's with the rural that . . .

**Ms. Harpauer:** — That's with the rural component.

**Mr. Bellegarde:** — That's with the rural added.

**Ms. Harpauer:** — Okay.

**Mr. Bellegarde:** — Yes, the 25 added.

**Ms. Harpauer:** — Okay, great. Also within the annual report and the press release that I was referring to, both refer to a hope to expand the program to include other employees in both the public and private sectors. Has there been any success in doing that?

**Mr. Bellegarde:** — Well we're starting to investigate the possibilities because we want to expand it beyond the Crown sector. We can say, yes, we have an agreement right now, but we're looking at a, call it an employer partnership program where you'd have some linkages to the websites. So we're looking at investigating possibilities with municipalities like the city of Saskatoon for one.

**Ms. Harpauer:** — Right. So, and again I'm going to refer to your press release, the maximum amount of funding annually that the program can receive is \$300,000, and it's a five-year program. So if it accessed the maximum amount of money available, it could spend a maximum of 1.5 million. Is that correct?

**Mr. Bellegarde:** — Go through that again, ma'am, the numbers.

**Ms. Harpauer:** — Okay. It states that it will get its annual funding of up to 300,000 from CIC.

**Mr. Bellegarde:** — Yes, that's the current funding.

**Ms. Harpauer:** — And it's a five-year program. So I'm saying if you accessed the entire amount that you could, the maximum amount spent would be 1.5 million.

**Mr. Bellegarde:** — Well my figures over the course of the five-year program are even . . . I'm thinking more of the \$20 million human resource infrastructure investment strategy. At the end of that, Gradworks will take over 50 per cent of the costs of that, you know. That's in the bigger picture type of thing because like we would pay the interns a stipend of approximately 29, \$30,000 a year.

**Ms. Harpauer:** — Right.

**Mr. Bellegarde:** — Okay. So there's that cost, and then you have some management administration overhead as well. So at the end of the five-year program, you know, out of the, for example the \$20 million that was initially allocated for the human resource infrastructure investment strategy, Gradworks is just a component of that. The Gradworks cost expenditure will be over \$10 million — over 51 per cent of the cost for that. Is that . . . [inaudible interjection] . . . Oh, the admin fee. You're just referring to the admin fee. That's correct. The admin fee.

**Ms. Harpauer:** — The admin fee would be the 300,000.

**Mr. Bellegarde:** — Yes, if that's what you're referring to.

**Ms. Harpauer:** — So who actually pays the salaries then to the interns? Does . . .

**Mr. Bellegarde:** — Gradworks.

**Ms. Harpauer:** — Gradworks does. So this corporation that's been formed as a subsidiary actually pays the interns directly.

**Mr. Bellegarde:** — Yes.

**Ms. Harpauer:** — To your knowledge are any of the Crowns topping . . . I know that's an option, that any of the Crowns that have an internship program can top up their wage. To your knowledge have any of the Crown corporations done that?

**Mr. Bellegarde:** — I believe so, yes.

**Ms. Harpauer:** — Okay.

**Mr. Bellegarde:** — There's one Crown corporation. I think it's Energy or SGI [Saskatchewan Government Insurance]. I'll have to come back for sure for that because I don't want to give you a wrong . . . But the answer is yes.

**Ms. Harpauer:** — Yes. Okay.

**Mr. Bellegarde:** — It's SaskWater.

**Ms. Harpauer:** — SaskWater. Okay.

**Mr. Bellegarde:** — Yes.

**Ms. Harpauer:** — Okay. That's the only one?

**Mr. Bellegarde:** — Yes.

**Ms. Harpauer:** — Okay. So I think you already clarified this because of one other question I had on it. So the \$300,000 per year is just for administration fees for the program. And have

you found to date that that is more than enough money, not enough money?

**Mr. Bellegarde:** — No, it's adequate enough.

**Ms. Harpauer:** — If you don't access . . . In any given year if you didn't access the entire \$300,000, does it carry forward? Can you carry forward the fund or it's a year-by-year cut-off?

**Mr. Bellegarde:** — It's year by year.

**Ms. Harpauer:** — Okay. Thank you.

**Hon. Mr. Sonntag:** — Can I just . . . I just want to add one thing.

**Ms. Harpauer:** — Sure.

**Hon. Mr. Sonntag:** — Just on the point of the topping up, just so there's an understanding. I'm not sure what you're presuming, if anything, so I don't want to be presumptuous in my answer.

The salaries paid out of the Gradworks program itself are decent salaries. And in addition to that each one of the Gradworks gets a mentor out of that particular corporation so that it's not just the salary. There's a fair bit of investment made by the respective corporations with respect to a mentor in addition to the salary that they receive. So I think a number of the corporations would feel that there's not a need to actually top up the salary in addition to everything else that they're providing.

**Ms. Harpauer:** — Well plus to add to what the minister said . . . And I guess that leads to another question. When I look at the Gradworks annual report, the salary also includes benefits, does it not? Yes. Because I noticed that as an expense in there. So thank you.

The next questions that I have, actually probably Mr. Swystun will probably be more apt to answer these questions. Thank you, Mr. Bellegarde.

We always have fun with financial figures. In the annual report, 2005 annual report, page 57, what I'm looking at is the total consolidated list of figures. And on November 14 when the committee met, you explained that two accounting practices had changed. And one of those was a new accounting policy for variable interest entities. Could you explain what defines a variable interest entity?

**Mr. Swystun:** — Madam Chair, I'd certainly be pleased to make an attempt at it, and it will be to the great amusement of our auditors.

This particular concept is a change in generally accepted accounting principles. So it is a change in accounting rules that apply to all companies using GAAP [generally accepted accounting principles]. The idea is that certain investments should be treated as investments that are owned by reference to a variety of different benchmarks. So, for example, a company that is a wholly owned subsidiary, 100 per cent owned, would have its results fully consolidated.

In other circumstances an investment might be accounted for differently depending on the level of control. Variable interest entity accounting tries to look at the concept of how that control is exercised. So it could be through the level of direct ownership. It could be related to things like the way in which ownership or influence could otherwise be exercised.

There's three investments, or four investments rather, that this particular change affected the reporting on, and it's the HARO Crown Life investment, the Meadow Lake pulp mill, and the prairie ventures partnership, all of which are held through Investment Saskatchewan.

In general what it means is that the implication for CIC's consolidated statements was that the reported level of assets, as well as the reported level of debt in these entities, increased.

**Ms. Harpauer:** — Okay. Then my next question is on the following page, it breaks . . . no, it's not the following page; it's on page 64. You list . . . it itemizes in that particular case consolidated earnings, but it lists what components make up the consolidated numbers and in there is Investment Saskatchewan. And Investment Saskatchewan has been the holder of HARO and the Meadow Lake pulp mill and the Prairie Ventures Fund since its inception, as far as I know. So why were those assets and debts not included since the inception of Investment Saskatchewan, and therefore would have been reported in the consolidated calculations prior to this?

**Mr. Swystun:** — The change in accounting guidance only came into effect for the 2005 financial results, so those investments would have been accounted for by Investment Saskatchewan in the years prior to 2005 using the old rules. So this is a new rule. It came into effect for the 2005 results for the first time.

**Ms. Harpauer:** — Okay. One of us isn't understanding the other. If you took a number of entities — SaskPower, SaskTel, SaskEnergy, etc. — and Investment Saskatchewan, and for example if you took their debt and totalled their debt, then you have the consolidated debt. Am I right?

And if part of Investment Saskatchewan's debt was HARO, Meadow Lake pulp mill, and the Prairie Ventures Fund, then the number that Investment Saskatchewan would be giving you would include those three entities' debt and assets and . . .

**Mr. Swystun:** — In 2005, that's correct.

**Ms. Harpauer:** — But I'm being told, in 2005, that there's a change in the accounting practices and that now those three entities are included in the consolidation numbers. Where were they prior? Were they listed separate and apart?

**Mr. Swystun:** — Madam Chair, in 2004 the accounting treatment for those investments would be something referred to as the equity method of accounting for the investments. Under that method, only the earnings for those investments would be included on Investment Saskatchewan's financial statements. The assets related to those investments and the debt related to those investments would not.

The change in 2005 meant that in addition to earnings being

picked up on the Investment Saskatchewan statements, both those assets and the debt related to the investments would be included. So to answer your question, in 2004 the assets and the debt were simply not included on the statements and that's consistent with generally accepted accounting principles for 2004.

**Ms. Harpauer:** — So that therefore then, when you list the consolidated debt, explains why it is up — increased in 2005 compared to 2004 — is because you brought some entities in there that have . . . They're net result of the debt.

**Mr. Swystun:** — That's correct.

**Ms. Harpauer:** — Thank you. I'm going to refer to my colleague.

**Mr. D'Autremont:** — Thank you.

In 2004 then, when the report was made concerning those entities and their assets and their debt, the committee then wasn't getting a full picture of what was actually owed or what . . . where the assets actually stood in both equity and what was owed in debt. Would that be the case?

**Mr. Swystun:** — Well that would be, I guess, a judgment call. The financial statements are prepared in accordance with generally accepted accounting principles, so it's the accounting profession that provides the guidance on how that reporting is to take place. And of course, there's the external audit and the auditor's opinion on the financial statements.

So I think the auditors would be able to confirm for us that that was the appropriate treatment in 2004. Whether it provided a complete picture or not, as I say, is I suppose a matter of judgment. I suppose I could infer that the fact that the accounting profession saw fit to change that rule might suggest that there's a belief that this current method is in fact an improvement.

**Mr. D'Autremont:** — I wonder if I could direct the same question to the auditors on this particular issue. Would the committee have been receiving a full understanding of the position of those assets and operations when the debt and equity was not being reported?

**Ms. Ferguson:** — Basically really what . . . It's as indicated by management. The financial statements are prepared using a set of rules and the rules are generally accepted accounting principles. And the 2004 were following the accounting principles in place at that time, and the change reflects the change in accounting principles.

So from an understanding point of view really that's the importance of reading the financial statements along with the management discussion and analysis. And so it's using both types of information together to garner that understanding and providing that balance by using, you know, both sources of information. Bruce, do you want to add anything?

**Mr. Willis:** — I think that's a fair statement. The issue here is one of a change in policies. And another example would be there are many equity accounted investments that are not

consolidated in the financial statements because they don't meet the threshold for consolidation. The assets and liabilities of those items are not included as well. So that can occur depending on changes in policy. So the statements were presented in accordance with generally accepted accounting policies at the time.

**Mr. D'Autremont:** — Okay, thank you. It just seems to me that it doesn't give a clear picture to the person who isn't a certified accountant and what's actually happening within the corporation. If I go to my local banker and he wants to know my full financial position and I only tell him what I have to pay this year on my mortgage as part of my financial statement, he doesn't have a clear financial picture of what my debt position is or what my equity position is if I don't report all of the facts and figures. And so I think a full and complete reporting is what's needed and I'm glad to see that this change takes place even though it does show a significant increase — almost 10 per cent increase in the debt position then of CIC as a result of that. And I think the public should have known that before this, at the beginning, rather than just simply in 2005.

**Hon. Mr. Sonntag:** — . . . just to make sure again that it also shows, not necessarily — is it direct, corresponding? — but it also shows an increase in the value of the asset, too.

**Ms. Harpauer:** — The next question I have also deals with debt and reporting of debt. On page 71 of the 2005 annual report, where in that page can I find the debt number that is on page 68 of the annual report? Page 68 of the annual report has the consolidated debt calculation. And yet if I go to page 71, which gives the basic breakdown, nowhere adding up any of the numbers in any of the columns or any of the rows can I come up with that number.

**Mr. Swystun:** — Madam Chair, the consolidated debt figure on page 68 would tie into the consolidated financial statements. The table on page 71 that the member is referring to is a, I guess, a summarization of information contained in the financial statements. The numbers that the debt would relate to on that table on page 71 would be near the middle of the chart under the heading titled balance sheet. There's two headings — one titled current liabilities and a second titled long-term debt — and on those two lines the columns on the far right-hand side of the table show the totals across all business segments.

So the long-term debt figure of 2.977 billion would correspond to long-term debt on the financial statements. The line above it, current liabilities, would consist of short-term debt, but it would not correspond directly to the figure on page 68 because this figure in the table would include all current liabilities. It would include short-term debt as well as other short-term liabilities such as accounts payable.

So you won't see a one-to-one correspondence between the figures in those tables for that reason, and the explanation is just simply that this table is intended to provide segmented information. And due to the large quantity of data, it's fairly highly summarized. So some figures have been rolled together, if you like, and that's why you don't see the direct correspondence.

**Ms. Harpauer:** — I'm not sure why still. If I added the current

liabilities and long-term debt, and the other I'm assuming is other debt, why would it not come to the total of the consolidated debt? Why not?

**Mr. Swystun:** — Madam Chair, the explanation is that the current liabilities figure includes other things including bank indebtedness of — we do have the figures here — of about \$17 million; accounts payable and accrued liabilities of 722 million; dividend payable of 221 million; and then the actual short-term debt component would be notes payable of 109.3 million; and the current portion of long-term debt of 281.6 million. So that in essence would be the reconciliation. And if, you know, if the committee would or if the member would like a reconciliation, we would be pleased to provide that.

**Ms. Harpauer:** — Yes, that would be great. Thank you. I have a couple more questions that aren't related to anything specific that is in the annual report but occurred within the year. One of which is, what was the cost of the summary of the annual report and the utility bundle report that was received in everybody's mailbox throughout the province for 2005? This one . . .

**Hon. Mr. Sonntag:** — Seventy-seven thousand.

**Ms. Harpauer:** — Seventy-seven thousand. Thank you.

The other question I have was a concern that was raised in the . . . I'm not sure which . . . the *Leader-Post* actually in October 2005, which was the number of absenteeism. And CIC stood out with apparently a 61 per cent increase in absenteeism. What are the total employee numbers of CIC?

**Mr. Styles:** — It's based upon about 70 employees. You've got to remember what's included in there as well are people that are in long-term disability. We have a couple that have very significant medical problems, okay, and skews the numbers in a sense.

**Ms. Harpauer:** — With the long-term disability employees would . . . they shouldn't show up as an increase.

**Mr. Styles:** — I'll phrase that a little differently, okay. They haven't got on long-term disability, okay, but they're sort of on their way and they're using sick time. You need to use up your sick time, okay. There is a certain period that you go through before you can apply for long-term disability. Even after you've applied for long-term disability there's a substantial process there and so often if it's an employee that might have 20 years or 25 years they might go through 150 sick days before they ever get to long-term disability or even longer. So those are the things that tend to skew the way the numbers are presently developed. If you were to remove those you'd actually end up with something that might be closer to, you know, industry comparisons. You could actually make industry comparisons and see where you stand but by rolling it all together it's a bit of a hodgepodge.

**Ms. Harpauer:** — Okay. But it has been looked into and assured that there isn't some internal problem that is going on.

**Mr. Styles:** — No. Sick time is monitored, you know, as any other aspect of employee performance.



**Ms. Harpauer:** — Okay. Thank you. The next questions will be on the recently tabled payee disclosure that was tabled at the last meeting and I will turn those questions over to Mr. D'Autremont.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Okay. Thank you very much. Under the payee disclosure list, under grants, contributions, donations, and sponsorships there's a number of \$70 million — \$71 million basically under that list. I wonder if you could explain some of them please. You have a grant or donation to SaskWater for 35 plus million. I wonder if you could explain what that was for.

**Mr. Swystun:** — Sure. Madam Chair, the payment to SaskWater was essentially all a payment made as part of financial restructuring. The amount was used by SaskWater to reduce its long-term debt to a level that was felt to be more sustainable. So the payment in 2005 was characterized as a grant payment. That grouping is a little bit . . . it includes a variety of types of payments. It's a mix of conventional sponsorships as well as grants to subsidiary Crowns. So grants were also paid to STC [Saskatchewan Transportation Company] in 2005, for example.

**Mr. D'Autremont:** — Well the earnings listed on page 64 of the CIC report under consolidated earning comparison shows earnings of \$34 million for SaskWater. So is this basically CIC making a grant to SaskWater so that SaskWater can show a positive balance?

**Mr. Swystun:** — Well that was not the purpose of the payment. The consolidated effect on earnings was that SaskEnergy would, as in the same manner that CIC would treat that payment as an expense, SaskWater would treat it as revenue. So it provides a, I suppose a somewhat skewed picture for SaskWater because included in that SaskWater earnings figure is the grant as well as the operating results. And in 2005 SaskWater experienced a slight operating loss. And so the \$35 million grant would net out against an operating loss of roughly \$1 million to arrive at that \$34 million figure that the member cites.

**Mr. D'Autremont:** — So it makes SaskWater look good. The SGI. There was \$25 million for SGI. I'm assuming that was for the rebate. Is that the case?

**Mr. Swystun:** — Madam Chair, no. In 2005 CIC made an equity advance to SGI to ensure that the corporation was properly capitalized to undertake its growth and diversification strategy. The corporation is expanding SGI CANADA operations into other parts of the country to improve its spread of risk so that its operations and its financial risks are not all concentrated in Saskatchewan.

In order to do that, the corporation has to obtain licences to operate in other provinces. And insurance regulators in each province want to see assurance that any insurer is properly capitalized. So that was the purpose of the \$25 million payment to SGI.

**Mr. D'Autremont:** — This was the expansion. This wouldn't have been the expansion into Ontario though with Coachman,

would it?

**Mr. Swystun:** — A small part of that payment related to improving the capitalization of Coachman Insurance. It largely applied to the expansion into Alberta, though.

**Mr. D'Autremont:** — Okay. Also there were grants to the University of Regina and the University of Saskatchewan totalling about \$1.1 million in total. What were those two grants for?

**Mr. Bellegarde:** — Those were, Madam Chair, for . . . We have educational partnership relationships with each of those institutions, promoting recruitment and retention of Aboriginal students and success as well as a math and science enrichment program at the U of S [University of Saskatchewan]. So there's different programs at each of those institutions.

**Mr. D'Autremont:** — When it comes to providing for educational purposes, though, wouldn't it be better to have that money go through post-secondary education? Obviously the Crown corporation CIC pays a dividend to the Consolidated Fund. Why is it necessary to provide additional funding through CIC rather than through the Consolidated Fund and post-secondary education through Advanced Education?

**Mr. Styles:** — This is part of that \$20 million envelope, okay, funding that is devoted to try to find additional employees for recruitment and retention in the Crown sector — the relationships that we're trying to build here quite definitely with the Aboriginal students throughout the universities, okay, to make sure they we have a relationship with them, can attract them into the Crown sector. So it's a very focused partnership. It does have as an objective, okay, bringing those individuals into the Crown sector, into the various Crowns that we have.

**Mr. D'Autremont:** — Yes, I find that government does this many times. SaskTel provides \$1 million for an MRI [magnetic resonance imaging], SaskEnergy does something else. SaskPower does something else, that are actually roles that government should be fulfilling through the Consolidated Fund and through the monies allocated from the budget process to those particular sectors. And it seems to me that in a number of cases the government through CIC and the Crown corporations is simply trying to circumvent the budgetary process and to provide funding that should be paid for through the Consolidated Fund and the budgetary process. And, you know, there was other things that have happened that way before as well.

A year ago . . . two years ago there was money allocated through CIC for CAIS [Canadian agricultural income stabilization] payments. It's simply a means to avoid the budgetary process through the legislature by going through the Crown corporations and CIC. And I think it's better that it be done in the proper manner which is through, in this case, the Department of Learning; in the case of SaskTel and the MRIs, through the Department of Health. And the government's simply using the Crown corporations as a means to circumvent the budgetary process.

**Hon. Mr. Sonntag:** — I think that's an appropriate response for the minister. I would disagree to at least some degree.

Obviously there's different processes that government could follow. I think it's fair to say that the Crowns, subsidiary Crowns, and CIC itself have been moving to a model that is more reflective of what goes on in the private sector.

You will see many private sector utilities and corporations making investments like the ones that you've referred to and particularly the one that CIC has made and the one that's just been referenced with respect to the grants to the two universities. I mean I think it is appropriate where those grants are coming from right now because these are really investments in the future of the corporations and of the Crown Investments Corporation itself. So it's a difference of opinion.

**Mr. D'Autremont:** — Thank you, Mr. Minister. I don't disagree that these programs need to be in place. I don't disagree that there was a need for a new MRI in Saskatchewan, but we do disagree with the fact that it's being done through the Crown corporations rather than through the budget, the proper provincial budgetary process and the Consolidated Fund.

If there is a need for these kind of training programs for students, for Aboriginal students, then that should be done through the Department of Learning. If there is a need for a new MRI, that's what the Department of Health is there for. That's what our taxes are there for. And to simply load that up as a burden on the users of the Crown corporations I think is a process that's trying to circumvent the proper budgetary process in Saskatchewan, and I think that's the wrong way to go about it. The end result may very well be good and needed, but the process to get there I believe is wrong.

I'd like to go to your list of suppliers and other payments for CIC, which is a total of \$226 million. And it's a very short list compared to some of the other Crown corporations, so I wonder if we could go through it to understand what each of those entities is providing to CIC.

**Mr. Swystun:** — Well we can certainly do our best. Did you actually want to go through it line by . . .

**Mr. D'Autremont:** — Yes. Line by line.

**Mr. Swystun:** — We'd be happy to provide comments on the ones I that do have an awareness of, and then perhaps just undertake to provide information to the member for the ones where we don't have the information at our fingertips.

The first item, Advantage Insight Group, I understand is consulting work related to the polygeneration plant that's under consideration near Belle Plaine. CIC is playing a role in coordinating the government's investigation and research and support into the feasibility of that project proceeding.

The second item, Dennis Bakke, Mr. Bakke provides engineering consulting advice to CIC in respect of its investment in NewGrade Energy. Balfour Moss would obviously be legal work primarily related to an analysis of an environmental liability in the city of Prince Albert, as well as related to work establishing the Saskatchewan Entrepreneurial Fund. BTS Group, I don't believe we have the information at our fingertips, so we'd undertake to provide that to the member.

Canadian Energy Research Institute relates to some consulting work that was done for CIC in relation to electricity supply options, long-term electricity supply options in the province related to some forthcoming decisions for new electricity generation at SaskPower. Capital pension plan payments would simply be employer contributions to the pension plan. Career Edge would relate to . . . Career Edge was essentially the predecessor to the Gradworks program. The internship program was originally administered by Career Edge on behalf of CIC. Payments to CIBC World Markets would relate to work that's done from time to time for CIC in respect of analysis of holdings in the Crown sector for CIC's investments. Circa Installations relates to purchase of furnishings for the new staff at CIC.

Okay the Deloitte figure would relate to consulting work done in respect of the new Crown sector executive compensation system that was recently announced. The payments to Derek Murray Consulting relate to the Entrepreneurial Fund and the Aboriginal business procurement process. Diners Club is payments in respect of travel. Primarily airfare would be charged to a corporate Diners Club card.

Engineering Management Services Croscan, I think we'll have to undertake to provide information to the member on that one.

Great-West Life is group benefits payments in respect of group life insurance and a group dental plan.

Jacobs Canada is related once again to the polygeneration project. KPMG is audit fees.

**A Member:** — A gross underpayment of the value we received.

**Mr. Swystun:** — L.A.B. Consulting, we'll have to undertake to provide that information. Oh, I'm sorry. Yes, thanks. L.A.B. Consulting was actually utilized by the Saskatchewan rate review panel in some of its work related to review of rate applications by Crown Corporations. The rate review panel's costs are of course paid by CIC.

McNair Business Development relates to administration of the Gradworks program. Meyers Norris Penny is in relation to the audit of the utility bundle calculation. Minister of Finance would be primarily dividend as well as tax payments.

Payment to Larry Oakes, Mr. Oakes is a consultant that was engaged by CIC in support of an Aboriginal cultural awareness program.

Points West Consulting is polling and focus group testing. PricewaterhouseCoopers, there's four items for PricewaterhouseCoopers: first related to Investment Saskatchewan and the investment management company establishment, second related to the Saskatchewan Communications Network, third related to investigation into polygeneration as well as heavy oil upgrading opportunities, and the fourth is actually SynEnergy which is also the polygeneration plant.

Receiver General of Canada would simply be tax remittances. SaskTel is the phone bill. Whiterock Domeview is rent on CIC's headquarters.

**Mr. D'Autremont:** — On the Diners Club enRoute card, you send the bill to Diners Club . . . or not the bill, the cheque. But isn't it actually paying for, you say with travel. Is it just travel? Is it Air Canada? Is it WestJet? Whomever it might be, aren't you actually buying the service from them?

**Mr. Swystun:** — Yes, that's correct. The payments are charged to a Diners Club card, and that's why it appears in the report in this fashion. But the payments would be in respect of airfare. I suppose in some cases possibly hotels and things like that as well, or — John corrects me — it's just airfare.

**Mr. D'Autremont:** — I think I can understand why it's done that way. I just, it seems to be a little strange that it wouldn't be broken out, that it's, you know, X-amount of dollars to Air Canada for travel or WestJet, rather than to a credit card company.

**Mr. Swystun:** — Yes. The pay lists the payee, so the payment would be made to Diners Club, and that's why it appears in the report in this manner.

**Mr. D'Autremont:** — The PricewaterhouseCoopers for the Saskatchewan CommunityNet, why is CIC paying for research in that area? Wouldn't that be done through either SaskTel or the ITO [Information Technology Office] office?

**Mr. Swystun:** — I'd have to verify this with the staff member as to the precise reasons. But as I recall CIC is playing a coordinating role, and I think there is some consideration of some involvement by commercial Crowns and that what is . . . essentially be CIC's role and why CIC would be paying these costs.

**Mr. D'Autremont:** — It just seems a little odd to me that there's a Crown . . . excuse me, department employees that deals with the ITO services and with CommunityNet, and SaskTel provides the service for CommunityNet and yet . . . So I don't understand why CIC is involved in it. I wonder if you could clarify more what CIC's involvement in this is.

**Mr. Swystun:** — We could certainly undertake to obtain additional information and provide it.

**Mr. D'Autremont:** — Thank you. Points West Consulting you said was doing polling and focus groups. When was this done?

**Mr. Styles:** — The polling was conducted in September 2005, and the focus group testing was conducted in October 2005.

**Mr. D'Autremont:** — And for what purpose was this polling and focus groups done?

**Mr. Styles:** — The polling as I understand it is regular polling that's carried out by CIC in regards to the commercial view of the individual Crowns that are out there. So it would be essentially testing the customer base, okay, to see how they rank with respect to customer service, things like that. The focus group testing was done around the Saskatchewan Energy Share program.

**Mr. D'Autremont:** — Thank you. Normally the government does polling on a quarterly basis I believe. It may be more often

than that. The minister would be more familiar since he gets first look at the results, but eventually that they are released to the public. Is CIC going to release the results of this polling and focus group tests to the public?

**Mr. Styles:** — The practice in the past has been not to release it because of commercial confidentiality. Not only does it look at each of the individual Crowns or the majority of the Crowns, okay — not each of them but the majority of the Crowns — but it also does similar polling around customer perception, okay, of other private sector companies here in Saskatchewan to see where our Crowns are positioned versus those other entities.

**Mr. D'Autremont:** — In the polling that was done, were there other questions other than those specific to the Crown Corporations included in there?

**Mr. Styles:** — On an annual basis, other questions are inserted that are germane to the issues of the day, okay, to that particular year. So there are other questions that are very specific to again the time frame that's in question. As an example, energy prices rising, okay, you might insert a question or two about customer perception of that, how they view SaskEnergy or SaskPower in that particular light, okay. So each year there are some different questions in addition to the standard set that are advanced.

**Mr. D'Autremont:** — Those general questions though, would they have commercial restrictions placed on them in the sense of being able to release that information if it's not competitive information?

**Mr. Styles:** — They're seen in the same light again because we do work across a variety of companies, okay, not just the Crowns but a number of private sector companies, so we deem the whole poll to be commercially sensitive.

**Mr. D'Autremont:** — Okay thank you. The \$54,000 to Larry Oakes, you say that was for Aboriginal cultural awareness programs. Who was that done for? Was that done for CIC or a particular Crown or . . .

**Mr. Bellegarde:** — As part of the retention issues, we have Aboriginal cultural awareness training programs that we offer to CIC and the Crown sector employees in addition to what they have, the programs they have going on. So Larry came in and did it as part of that overall diversity training, a portion of that, and as well enlarged on a holistic healing in terms of the spiritual aspect of things as well.

So it was . . . You have a two-day, cross-cultural training session, and you also have access to maybe engage in a sweat lodge ceremony, access to healers, whatever, for that whole physical healing as well.

**Mr. D'Autremont:** — Okay. In the consultations with Mr. Oakes, would he be doing the sweat lodge ceremony or would he be advising CIC and the Crowns about how to proceed with that or who to contact or . . .

**Mr. Bellegarde:** — Doing both. He'd organize the healing ceremonies, and he had sessions at the Pasqua Hospital, for example, you know. So for example if 10 employees from SaskEnergy engage in a two-day, cross-cultural, Aboriginal

cultural awareness training program, if they wanted they could engage in having access to the ceremonial healing traditional practice as well, and he'd go and engage and get that set up at the Pasqua. And so he facilitated those developments.

**Mr. D'Autremont:** — So how many of these programs took place?

**Mr. Bellegarde:** — We held a total . . . I think we had about 12 Aboriginal, cross-cultural awareness training sessions last year.

**Mr. D'Autremont:** — So how many employees for CIC or the Crowns would have participated in this?

**Mr. Bellegarde:** — I can get the specific numbers for you, but the numbers were quite large in terms of the . . . well the two . . . ACAP [Aboriginal cultural awareness program] sessions are always full. So going to the actual component, there was still a lot of interest. In fact one of the senior management teams — I won't mention his name — at SaskEnergy partook in this and was very enthusiastic with the alternative holistic healing.

Because again we always espouse that there's many ways to get healed. You know there's conventional Western medicine but, you know, sometimes that just doesn't cut it. And so there's other options or other ways to look at that holistic healing. So we're looking at healthy, productive employee, that holistic healing. So a lot of the non-Aboriginal people partook in that, and they found the experience to be quite beneficial.

**Mr. D'Autremont:** — I wonder if we could get the number of the employees that did participate — not their names but just the numbers — and perhaps which Crown corporations they were associated with.

**Mr. Bellegarde:** — Sure.

**Mr. D'Autremont:** — Okay. Thank you very much on that. I'm done.

**The Chair:** — Ms. Harpauer.

**Ms. Harpauer:** — Thank you, Madam Chair. Seeing that we have no further questions for the CIC 2004 and 2005 annual reports, I move:

That the committee conclude its review of the 2004 and 2005 annual reports, financial statements, and related documents for Crown Investments Corporation of Saskatchewan.

**The Chair:** — Ms. Harpauer has made a motion:

That the committee conclude its review of the 2004, 2005 annual reports, financial statements, and related documents for Crown Investments Corporation of Saskatchewan.

All those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Opposed? Carried. I'd like to thank Minister

Sonntag and his officials for appearing before the committee. Ms. Harpauer.

**Ms. Harpauer:** — I too would like to thank the minister and the officials for helping us through our questions today, and I'm looking forward to actually a lot of information that's forthcoming that you're going to give to us in the future few weeks. Thank you.

**The Chair:** — Thank you, Ms. Harpauer. I'd also like to thank the auditors, Provincial Auditor's office for providing us with the assistance that we required here today as well. And Minister Sonntag would like to say a few words.

**Hon. Mr. Sonntag:** — Sure. I'd also, I mean, obviously thank the committee members for all the work they do. I know there's a lot of research done behind the scenes on behalf of both government and opposition and also know obviously that there's a lot of work done by my officials. And I want to thank them for that. And I really appreciate the generosity and kindness that was displayed in the start of the 2007 year. So this might be something new. Thanks very much again. I appreciate all of the effort that's gone into the reports.

**The Chair:** — Thank you very much, Mr. Sonntag. This committee of Crown and Central Agencies then stands recessed until 1:30 this afternoon. Thank you very much, and we'll see you then.

[The committee recessed for a period of time.]

#### Information Services Corporation of Saskatchewan

**The Chair:** — Good afternoon and welcome to this session of Crown and Central Agencies Committee meeting. We have appearing before us today Minister Eric Cline and the Information Services Corporation. On the government side of the committee we have Minister Addley, Ms. Crofford, and Minister McCall. Ms. Crofford is substituting for Minister Wartman. And on the opposition side, we have Dustin Duncan, Don Morgan substituting for Ms. Harpauer, and Mr. D'Autremont.

Minister Cline, perhaps you'd like to introduce the officials that you have with you today.

**Hon. Mr. Cline:** — Thank you very much, Madam Chair, and members of the committee. Before we begin, with your permission, Madam Chair, before we begin examining the ISC's [Information Services Corporation of Saskatchewan] 2005 annual report, I'd like to introduce the officials here with us today from ISC and make a few introductory remarks.

**The Chair:** — I'll just ask you to introduce your officials first. And then I'll get the Provincial Auditor's office to introduce his officials, and then we'll go with your introductory remarks as well. Thank you.

**Hon. Mr. Cline:** — Thank you. Okay. With me is Mark MacLeod. He is the president and chief executive officer of ISC. He has been with the corporation since June 2002, guiding the company with his leadership and business expertise.

Also joining us is Beverley Bradshaw — seated to my right — the corporation's chief governance officer and acting chief financial officer. Ms. Bradshaw has been with ISC since its inception in January 2000, and she has held positions of increasing responsibility in the Saskatchewan public sector since 1977 actually.

Joining us as well today are Catherine Benning, ISC's registrar, and I'd ask her to take a wave; Ed Desnoyers, controller of surveys, if he could so indicate; Grant Bastedo, director of public affairs; Kathy Hillman-Weir, director of corporate governance and general counsel; Karen Banks, director of strategy for property registries; and Wayne Adams, director of strategy for geomatics. Thank you.

**The Chair:** — Thank you, Minister Cline. And I'd like to now introduce our Provincial Auditor, Fred Wendel, and perhaps you'd like to introduce your officials as well.

**Mr. Wendel:** — Thank you, Madam Chair. Next to me is Mike Heffernan from our office. He leads the work on Information Services Corporation. Over on the far side, Glen Nyhus, who also works on Information Services Corporation from my office; Andrew Martens who attends all the committee meetings as our liaison with the office; and John Aitken from Deloitte and Touche, the appointed auditor.

**The Chair:** — Thank you very much. I'd also like to make mention of the Saskatchewan legislative internship program interns that we have with us in the back today. And perhaps they could just give a wave when I introduce their names. With us today we have Jonathan Selnes, Lucy Pereira, Justine Gilbert, Jarita Greyeyes, and Kiley Frantik. Welcome to today's session of Crown and Central Agencies. Thank you very much.

Now, Minister Cline, you said you had some opening remarks that you'd like to make.

**Hon. Mr. Cline:** — Yes, thank you, Madam Chair. The 2005 annual report was tabled on April 12 of last year. I'd like to briefly share with you some of the financial, operational, and project accomplishments that made 2005 a strong and profitable year for ISC.

Financially ISC had very strong numbers. Its profit for 2005 was \$8.3 million, consistent with the profit in 2004 which was the same amount. Revenues were \$45.8 million compared with 44.1 million in 2004, and it exceeded the revenue target by 1.6 million. Expenses were 37.5 million compared to 35.8 million in 2004 but below budget by \$1.4 million.

Twelve million dollars in debt was repaid in 2005 for a total of approximately 24 million paid down on accumulated deficit in 2004 and 2005. At year end, debt was expected to be \$43.5 million, but due to financial success it was \$39 million at the end of the year.

Operational there were also many successes. In prior years ISC made the reduction of turnaround times a top priority and was successful. Customers now have come to expect the quick turnaround, and ISC continues to deliver on that. Standard land registry transactions were completed in an average of 2.85 business days, whereas 3.5 business days was the average in

2004. Personal property registrations continue to be completed in less than 24 hours. Mineral certification reached its goal of processing in 10 business days by December 2005 and has delivered and maintained an impressive four-day turnaround in 2006.

ISC has a strong focus on business excellence. In 2004 the organization achieved level 1 of the National Quality Institute's public service excellence program. In 2005 work continued, and level 2 was achieved by the spring of 2006.

ISC is also focused on achieving high customer satisfaction. Since 2004 ISC has exceeded 80 per cent customer satisfaction. ISC continues to strive for higher customer satisfaction numbers and is always looking to improve products and services to better serve customer needs.

In 2005 ISC unveiled the online submission tool. An alternative to paper-based submissions, it was developed to reduce data entry and data-entry-related errors that cause packet rejections. The tool makes it easier for ISC customers and saves them time and money.

The new Saskatchewan personal property registry was developed in 2005 to provide a secure, user-friendly way for customers to search and register interests in personal property. The SPPR [Saskatchewan personal property registry] was successfully launched in February 2006. The success of these two major projects was a direct result of ISC's relentless pursuit of quality and strong customer and stakeholder relationships.

Throughout 2005, ISC was very involved in the community. It organized a number of well-received centennial initiatives. One of these initiatives was the presentation of more than 600 land grants to recipients of the Century Family Farm Award. This initiative was continued in 2006 and will continue this year as well.

As you can see, ISC has been very successful and is very well positioned for continued growth and business success. While all the numbers aren't out yet, I can tell you that ISC maintained its momentum and had a very successful 2006. It continued to exceed performance targets and maintain its strong customer focus and pursuit of business excellence.

The continued progress and successes of ISC would not have been possible without the excellent work of a strong and committed team of employees. I want to commend ISC's management team and all ISC employees for the great work they did in 2005 and continue to do. Thank you.

**The Chair:** — Thank you, Minister Cline. Mr. Wendel, would you like to make a few opening comments as well?

**Mr. Wendel:** — Yes. Thank you, Madam Chair. Mike Heffernan will give a brief presentation on the two chapters that are in our two public reports that you're considering today.

**Mr. Heffernan:** — Thank you. We worked with Deloitte's ISC's appointed auditor to form our opinions on ISC's financial statements, internal control, and legislative compliance. We received excellent co-operation from Deloitte's.

In our opinion, for the years 2003, '4 and '5, ISC's financial statements are reliable. ISC had adequate rules and procedures to safeguard public resources except as I'll describe later. Information Services Corp. complied with the authorities governing its financial activities.

In chapter 2 of our 2004 report, we reported on the results of our follow-up of two previous reports on ISC. In our 2001 fall report volume 2, we made five recommendations on ISC's project management practices for the land project. In our 2002 fall report volume 2, we reported on the land project's expected costs, ISC's financing, and ISC's progress in achieving its stated objectives. The Standing Committee on Crown Corporations had asked us to do this work.

We describe the results of our follow-up work on pages 36 to 40 of our 2004 report. To follow up on the work requested by the committee, we audited ISC's schedule of performance information. In our opinion, ISC's schedule for 2003 is reliable.

We also made three recommendations on ISC's performance measurement and reporting processes. In chapter 14 of our 2005 volume 1 report, we recommend that ISC needs to test its business continuity and disaster recovery plans. We also report on ISC's progress on the three recommendations in our 2004 report. During our work for the 2005 audit year, we noted that ISC has tested its business continuity and disaster recovery plans.

In summary, ISC has implemented all of our previous recommendations, and so there are no recommendations for the committee to consider.

In closing we would like to thank ISC's management for the excellent co-operation they provided to us in carrying out our work. Thank you.

**The Chair:** — Thank you very much. Thank you. So we have before us today a consideration of Provincial Auditor's report, Information Services Corporation, chapter 2, 2004 volume 1 and chapter 14, 2005 volume 1, and the consideration of 2004 and 2005 Information Services Corporation annual reports and related documents.

I would just ask that, if anyone that's coming to the microphone, that you please mention your name first to identify yourself and then go on with your comments, okay. Thank you very much. Any questions?

**Mr. Morgan:** — Thank you, Madam Chair. The turnaround times that the minister had indicated and are included in the report, I'm just wanting to inquire as to why the mineral certifications are the longest and what steps are being taken to reduce that timeline.

**Hon. Mr. Cline:** — I'd just make the observation, Madam Chair, to Mr. Morgan at the outset that one of the factors here has been the high volume of activity in the oil and gas sector, and therefore the demands for mineral certifications of course have been going up. And I think this year, according to the organizations that monitor these things, drilling in Saskatchewan will have gone up somewhat over last year whereas it's been dropping in other places largely due to the

lower cost of natural gas.

But to make a long story short, it's been a busy time in Saskatchewan in the oil patch. And notwithstanding that, we're doing more, but reducing the time it takes to do the mineral certifications. And with that I'll ask Mr. MacLeod or a designated official to provide further information.

**Mr. MacLeod:** — The number that I believe you're referring represents the average for the year. And at the end of the year, that number was down under 10 days and I believe for 2006 will average somewhere around six days.

**Mr. Morgan:** — Is there a prospect that it will get better as time passes? Or is the system now working as well as it's going to?

**Mr. MacLeod:** — I think that part of the way . . . Oh boy, be careful. Part of it is that the business processes of the customers, they only want it in a certain window of time. We're at now . . . So I think there is, there's always room on the system but part of it has to do with the customers as well adjusting their business process.

So for the most part, I think we'd be pretty satisfied with — and so would the industry — with four or five days over the course of the year.

**Mr. Morgan:** — On routine transactions, the minister had indicated there was a 2.85 day turnaround, so just under three, which is down from three and a half. Has that come down any since? Is the current numbers any better than that and is it likely to improve further?

**Mr. MacLeod:** — Yes, it's coming down slowly. There again our customer base is . . . What we find is that if our turnaround times get down too low, the amount of rejections increase as there's, you know, as it becomes less . . . There's less punishment for sort of, you know, just doing it quick and submitting it because you'll get it back the same day. So generally we'll run around between two and three days now for the . . . You know that's pretty well what standard is for the turnarounds.

**Mr. Morgan:** — So you're saying that it's a goal not to be any less than two days because you're afraid that the customers would submit shoddy work? Is that . . .

**Mr. MacLeod:** — Under the current pricing scenario that we have, there is no disincentive I guess for shoddy work, to use your words. So under the current system without a contemplation of changing potentially into what we might call rejection fees or something like that, I think we'll stay . . . I think our targets are to go to two days in 2008 I believe.

**Mr. Morgan:** — Have you had discussion about rejection fees or charging a fee on rejection? What was the nature of that and what kind of fees were being contemplated?

**Mr. MacLeod:** — We didn't get into anything specific regarding the nature of the fees. Our discussions have been primarily with select legal community, the Law Society, the home builders, and primarily it's just been around the, you

know, the higher cost of processing a transaction when there's a rejection.

And I think the sentiment is, at least there's a general sentiment at least now to discuss the potential that there might be some form of a, you know, a disincentive for work that is not completed properly or correctly. I mean, most of the rejection, maybe most of the majority of the rejections now I think or a lot of our rejections are coming from, you know, I don't want to say . . . The people who use the system on an ongoing basis, who are regular users of the system, do not have an issue with rejections. It's ones who are less frequent users, you know, and/or someone who's just been less than diligent in doing their work.

**Mr. Morgan:** — I want to ask about the personal property registry for a minute or two. When did that come on stream?

**Mr. MacLeod:** — February of this year.

**Mr. Morgan:** — Of last year?

**Mr. MacLeod:** — 2006. Sorry, yes.

**Mr. Morgan:** — The registry, I presume, was able to migrate or transfer over all of the existing registrations?

**Mr. MacLeod:** — Correct.

**Mr. Morgan:** — Was there a difference in the technology or the database type that was used that had to be converted?

**Mr. MacLeod:** — Can I get clarification? We went from a . . . sorry.

**Mr. Morgan:** — I guess where I'm going is whether the technology of the old system using whatever database technology was there, whether when we transformed or migrated to the new system, whether there was risk of data loss or whether there's been claims of data lost.

**Mr. MacLeod:** — Well I think there was . . . on the transfer there is always, there's certainly a risk that the integrity, there's a risk when you take old data and you move it onto a new system. There always is. We had, I think we had a done a pretty good job on this one to do . . . A lot of the project was concerned with the transfer and conversion of existing data. So you know, test cases and all that kind of stuff, then it was built into the project kind of from the get-go because we realized that we were going to . . . this was not the type of transition where you could slowly transition it over. You had to cut it over in a weekend kind of thing, and you know, boy how do you know after 10 years . . .

**Mr. Morgan:** — You're not aware of any problems that came about or lost registrations?

**Mr. MacLeod:** — Not that I know of, no I don't think so.

**Mr. Morgan:** — And what's the turnaround time on registrations now?

**Mr. MacLeod:** — In personal property? Well it's under a day I

think. It's well under a day.

**Mr. Morgan:** — Okay. Is there consideration being given to have the registrations being done directly online with the live registrations, so it would be instantaneous?

**Hon. Mr. Cline:** — Well, Madam Chair, while we're waiting for an official to comment, I do have information that since implementation of the new system, customers — so that the actual customers of the system — have self-completed 97 per cent of searches and 100 per cent of registrations against targets of 90 per cent. So I assume they're doing a lot directly themselves, but I'll ask the official to confirm that.

**Ms. Bradshaw:** — Yes, the way the new system is set up is . . .

**Hon. Mr. Cline:** — You should identify yourself.

**Ms. Bradshaw:** — I'm sorry. I'm Bev Bradshaw.

**Hon. Mr. Cline:** — Oh I did introduce you, yes. You're still Bev Bradshaw.

**Ms. Bradshaw:** — I'm still Bev Bradshaw for now. The new system is a direct system. The users use it online and 98, 99 per cent of the transactions are done directly by the users online. There is no interface or processing by ISC staff on the PPR [personal property registry] registrations.

**Mr. Morgan:** — Not even the registration on . . . If they have a credit card, they can do their own registration online and their own search online?

**Ms. Bradshaw:** — Yes.

**Mr. Morgan:** — And they don't need to go to a . . . [inaudible] . . . so they can do the registration and search from their home?

**Ms. Bradshaw:** — Yes.

**Mr. Morgan:** — And is that available 24-7?

**Ms. Bradshaw:** — Yes.

**Mr. Morgan:** — What did it cost to implement the new PPR system?

**Ms. Bradshaw:** — \$3.3 million was the total cost between 2005 and 2006 to implement the new system.

**Mr. Morgan:** — Is there ongoing training being provided to other members of the public or staff with regard to use of this system?

**Ms. Bradshaw:** — There was extensive training both in preparation for and during the rollout.

**Mr. Morgan:** — Does ISC break down the employees between which ones work for PPR and which ones work for the land titles registry?

**Ms. Bradshaw:** — The employees who were working discretely with the personal property registry prior to

implementation and those who are still with us following are now members of our customer service centres and so they do . . .

**Mr. Morgan:** — Counter service for either one?

**Ms. Bradshaw:** — They provide service for several of our . . .

**Mr. Morgan:** — Maybe if there is overlapping employees, my question — where I'm going to — is how many employees work doing PPR work and how many work doing land titles work?

**Ms. Bradshaw:** — Now?

**Mr. Morgan:** — Yes, I'm not concerned with during the start-up period.

**Ms. Bradshaw:** — I don't think that we have attempted to calculate the proportion of people doing what. It's something we could follow up with if you're interested.

**Mr. Morgan:** — No that's . . . I just wanted to know if it was something that was tracked separate.

**Mr. MacLeod:** — There were three people transferred. Three personal property staff were transferred as of the implementation.

**Mr. Morgan:** — I had asked a number of questions about turnaround times on the various registries, and I'm wondering what comparison is being done with turnaround times in, say, New Brunswick's Crown Corp. or with other provinces, whether there's comparisons being done on an ongoing basis.

**Mr. MacLeod:** — Catherine can give us specifics. Anecdotally, I think our service levels are pretty good. They're among the better of the country.

**Ms. Benning:** — I'm Catherine Benning so that you know who I am.

Saskatchewan actually does very well in terms of the land registry turnaround time in comparison to a number of other provinces. Alberta right now is struggling with very large volumes, and their turnaround time is multiples of what ours is right now. We're doing very well. Ontario, their turnaround time is in excess of 21 days right now in the Greater Toronto Area, so our under three days is looking very good as well. Manitoba and British Columbia both have various turnaround times depending on which district you're in, and again we compare favourably. So most of the major jurisdictions across Canada are either around the same time frame as us or in excess in terms of number of days.

**Mr. Morgan:** — Do you maintain a spreadsheet, or what methodology do you use to do comparisons with other provinces? Is it something you track regularly?

**Ms. Benning:** — We do do comparisons with the other land registries at least annually. We meet with them annually.

**Mr. Morgan:** — Okay. Is that information that you are able to

provide to us, what the comparisons are?

**Ms. Benning:** — I certainly could. I don't have it at my fingertips today, but I certainly could provide that to you.

**Mr. Morgan:** — If you could, that would be helpful. We know that going into the land registry initially had some cost overruns. And it's good to see that ISC is operating profitably, and we're reducing or eating away at the accumulated deficit that was there. I'm wondering when ISC's projections are that there might be a dividend payable.

**Hon. Mr. Cline:** — Madam Chair, I think I'll begin by saying that we'll undertake to provide Mr. Morgan with the information. We have comparables with the other jurisdictions on that, I think. I just want to put the undertaking on the record from myself.

In terms of the costs of the system, there actually were not costs overruns. We were within budget in building the system. Having said that, there were expenses to building a new system. When the corporation began, it was not making a profit; now it is profitable. We are starting to or continuing to, I should say, pay down the debt of the corporation.

And I think it's fair to say that there are different options I suppose when a corporation is profitable. In the future there should be a balance probably between looking at the level of debt, looking at paying a dividend to the General Revenue Fund, and examining the issue of fees charged to the customers. So I'll make those observations and then ask Mr. MacLeod or his designated official for further comments.

**Mr. MacLeod:** — Right now the target that we've said, stated openly, was that we would pay a dividend back in 2008. There's every reason to believe that we'll hit that or exceed that.

**Mr. Morgan:** — Okay. Minister, you had made the comment that this was not over budget. The cost of the land titles registry was in excess of \$100 million. I just want you to confirm now if you say it was not over budget, that that was the original budget estimate, and that that was within what your expectations were at the time you . . . [inaudible] . . . the project.

**Hon. Mr. Cline:** — Yes, Madam Chair, I'd be very happy to respond to the question. The approved budget to development and implement the LAND [Land Titles Automated Network Development] project was \$58 million. The actual audited — by the Provincial Auditor who's here — cost was \$58.9 million. And I quote from the *Report of the Provincial Auditor 2004* volume 1, quote:

The projected cost on December 31, 2001 was \$60.5 million and the November 1999 budget was \$58 million. ISC reports in its Schedule that it completed the LAND Project at a cost of \$58.9 million.

ISC determined the cost of the LAND Project using Canadian generally accepted accounting principles . . . to get the total cost of the LAND Project. We agree with this calculation.

The actual costs exceeded budget by only 1.7 per cent which is



a significant and uncommon achievement on a project this size. The costs of the LAND project are totally unrelated to the creation of ISC.

The LAND project planned, designed, developed, and implemented technology systems to receive work electronically; store submission, title, and plan information electronically; process title and plan of survey requests; image, store, retrieve, and send related documents; maintain and process account transactions for customers; develop policy business rules and legislation to bring the 100-year-old system into the 21st century; convert title and plan of survey information to electronic format; and prepare and train employees and customers to use a new system.

Now you've heard that the system is very successful in terms of providing service, Madam Chair, and the results are good. I'd like to say — because I don't think it's been said often enough in terms of the people that developed this system — they have provided excellent service to the people of this province and built a very fine system in a much more cost-effective way than has been the case in other jurisdictions, and I'm very proud of the work that they've done. Thank you.

**Mr. Morgan:** — Minister, I just want you to say that this start-up of this system was on budget and what you expected of it because it certainly wasn't the public's perception at the time.

**Hon. Mr. Cline:** — I can't speak for the public's perception, nor can I take responsibility for statements that may be made by members of the opposition, Madam Chair. What I can do is say that items of this nature are referred to various bodies, including the Provincial Auditor. The Provincial Auditor has looked at the cost of the system, and I quoted from the Provincial Auditor's report 2004. I won't repeat what I said. But the Provincial Auditor says that he audited . . . that the project was completed at a cost of \$58.9 million.

And I underline that he says that the ISC used Canadian generally accepted accounting principles to get that cost and that he agrees with the calculation arrived at. Now that's what the Provincial Auditor says, and I agree with the Provincial Auditor with respect. And if the opposition disagrees with the Provincial Auditor, they can take it up with him.

**Mr. Morgan:** — Minister, I presume you'll agree that, in February 2003, cabinet made an order in council — that would be No. 123 of 2003 — where they cancelled the requirement for ISC to pay \$11.7 million annually to the GRF [General Revenue Fund].

**Hon. Mr. Cline:** — I'm well aware of that. Of course I would agree. It's unrelated to the question of what the cost of the system was, which question has now been answered twice.

**Mr. Morgan:** — So since 2003, we're short now \$11.7 million, and we will likely not be having a return until 2008. Is that correct?

**Hon. Mr. Cline:** — Well we'll see what happens in the future. It's already been discussed that dividends were not paid and that the system on a cash basis was not operating at a profit. And one can add up losses or add up profits. But when one asks

what was the cost of building the system, the cost of building the system was the cost identified by the Provincial Auditor. That was the cost, and that's my simple point.

No one denies — because it's been well-known and reports have been filed each and every year audited by the Provincial Auditor — that the ISC started out in a loss position on a cash basis, operating from year to year and now is operating at a profit. And what we'll see in the future, I think, is a good return to the taxpayers and continued good service to the people of the province.

**Mr. Morgan:** — How many years did ISC receive a grant from the province to cover operating expenses?

**Hon. Mr. Cline:** — I'm advised, Madam Chair, to Mr. Morgan, that the grants from CIC for operating purposes were \$4 million in 2001 and \$14.3 million in 2002 for a total of \$18.3 million.

**Mr. Morgan:** — One of the objects of ISC at the time of the inception was that it was going to be able to sell the software and market it elsewhere. Has the software been marketed elsewhere, and does this goal still exist?

**Mr. Cline:** — The software has not been marketed elsewhere. I should say as I've said many times, I guess, when Mr. MacLeod and I first started working on this together in 2003, in the spring of 2003, we indicated that although it was the goal of ISC originally to provide other services outside the province to sell software and so on that we were concerned at that time that we did not feel the customers locally, here at home were getting the service that they should get in the way that they should get it and that there was some confusion in terms of how the system should be used. And it was not user friendly, and we had not communicated efficiently, effectively enough with the customers in our province.

So at that time we acknowledged that we were changing our focus to do things right here to make the system work for people, to make it profitable, and to provide good service in a timely fashion, also to listen carefully to the people of the province and our customers to deal with some legitimate concerns they had about the way the system worked. That became our focus. And we said at the time that our focus would be to become profitable, to pay down debt, and to provide the people of the province with excellent service.

Now I think that's basically what we've been doing, and I think it's been successful. That meant that we turned away from the idea of marketing our software outside the province. Having said that, once we're doing everything we should do here at home in an effective manner and meeting our obligations to the people of the province, then I think it is possible that in the future we could look at marketing services or software to people elsewhere. And I'll ask Mr. MacLeod or a designated official to comment on what thoughts or plans we might have.

**Mr. Morgan:** — In reality, right now it's not being marketed anywhere else nor is it likely to in the near future?

**Hon. Mr. Cline:** — Well I said it was not being marketed anywhere else, but I also said that I would ask Mr. MacLeod to comment on what we will do in the future and what plans we

may have in that regard.

**Mr. MacLeod:** — Well as the minister says, you know, we don't have any immediate plans to be doing anything regarding the software, the system. We have had inquiries about not just the software but the whole idea of helping countries or counties or jurisdictions to, you know, help them to automate their land systems and because we do have one of the better systems in the country, if not the best, we're getting some of these inquiries. We have no plans to be, you know, selling or anything with these folks but they have been talking to us.

**Mr. Morgan:** — I'd like to ask a little bit about some of the charges that are levied by ISC. Under the legislation you can apply for a reduction in fees in some circumstances. I'm wondering how many applications there have been made for that, and how many of them have been granted, and under what type of circumstances?

**Ms. Benning:** — It's Catherine Benning again, in case you've forgotten last time around. We do receive regular applications for reductions in fees. The registrar, through the authority under the Act, has set about certain fee mitigation policies which apply to all circumstances that fit into a set of fact scenarios. And those apply generally, and we receive probably several hundred of those every year, and they are, you know, sort of uniformly granted.

Periodically we get an inquiry for a fee reduction that doesn't fit within our existing policies, and we evaluate those requests and determine whether it is appropriate on an equity basis or whether it is the system itself that is causing the issue. And if appropriate, we grant that fee reduction request as well.

**Mr. Morgan:** — Is your policy on the reduction in writing?

**Ms. Benning:** — The fee reduction policy that applies generally to all applications of a similar nature is available on our website and upon request available in print.

**Mr. Morgan:** — Okay. What kind of circumstances would it be entertained that . . . You had indicated that where the system had made a mistake or created an additional cost, under what other circumstances?

**Ms. Benning:** — The sort of uniform circumstances is when one of our customers is searching our website and inadvertently double clicks on a particular service and therefore is charged twice for a service which they only really wanted once. We . . .

**Mr. Morgan:** — This would be on the nature of a search or something?

**Ms. Benning:** — Yes. Another example in which we sort of uniformly provide a reduction in fees is when we are doing a transform or a subdivision of land. We only charge on the land which is being transferred. So then the new parcel is charged on, but the existing parcel is not. And that is done through our fee mitigation policy as well.

**Mr. Morgan:** — Is that something that has to be requested by the person submitting?

**Ms. Benning:** — Depending on the value, the customer can come to us in advance and we can use what's called fee override. We prefer to do it after the fact because it allows better accounting. And our Provincial Auditor has requested that the fee override is not as an explicit way of tracking that reduction in fees as compared to the manual after the registration process.

**Mr. Morgan:** — Okay. Would it be something that would be entertained where the nature of the transaction was such that money wasn't changing hands, say a transfer between relatives or a business, owning something and transferring it to their own real estate trust or something like that?

**Ms. Benning:** — Those are not circumstances which we currently have provided fee reductions for because those are in fact changes of ownership, whether it is between relatives or related business organizations.

**Mr. Morgan:** — The next thing I want to ask about is the fees charged for survivorship applications. And those are done on, I understand, a fee-based service similar to a transfer that's done with it on the basis of an affidavit of value, and fees are levied the same.

**Ms. Benning:** — The general fee for transfer of land is at point three per cent of the value of the land. Transfers for surviving joint tenants are half that amount or point one five per cent of the value of the land. So there is, you know . . . The charge for surviving joint tenant fees are half of that, of what it would be for a regular transfer.

**Mr. Morgan:** — For the person who only owned half the lands supposedly if there was two of them.

**Ms. Benning:** — ISC is currently involved in an examination of what we call irritants for customers on the fee side of things. And this is one of those issues which we're examining and considering making a change.

**Mr. Morgan:** — Okay. I can share with you that as MLAs [Member of the Legislative Assembly] that's . . . You used the word irritant. And I don't know whether that's a fair word, but it's probably not that far off. It's something we hear about fairly often because the survivorship applications are usually done by somebody that's lost a spouse, and then they thought they owned their house and that when the spouse died they would end up with the house.

And then to find out that they've got to pay, even though it's only charged at one and a half rather than \$3 per 1,000, it's still a fairly significant outlay nowadays with property being worth several hundreds of thousands of dollars. And you have to tell the surviving spouse they will have to pay 3, 4, \$500 for this transfer, not to mention the fees that the lawyers charge to prepare the documents. Just something that I would like to urge the corporation to consider and possibly some method of having the forms done either by the staff or done where they don't need to retain the services of a lawyer, not wanting to do my profession out of any work, but to me it's something that would be a goodwill gesture that I think goes a long ways.

**Ms. Benning:** — Currently ISC, for any of its application forms

that are available on our website, we also have instruction sheets that are very sort of step-by-step instruction sheets which could enable individuals who wish to complete the transaction without the assistance of a lawyer to do so.

**Mr. Morgan:** — I know under the old system the land titles office used to maintain the application for surviving joint tenant right at the counter. The land titles staff would commission the necessary signatures on it, and the person had to bring in a death certificate, pay the — I forget whether it was 10 or \$20 — fee, and the title was issued. The form was sort of completed as a fill-in-the-blank form. And I think there was a sense when going to the new system that that would be something that would be retained. So anyway I just give that to you for your consideration as something that had worked well in the past.

I would like to ask about the nature of how accounts are maintained with ISC. I understand that there's a credit account now, that regular users apply for a credit facility with ISC.

**Ms. Benning:** — I'm probably not the best person to answer this question, and I'll potentially leave that to Bev Bradshaw.

**Mr. Morgan:** — Okay.

**Hon. Mr. Cline:** — Before Ms. Bradshaw answers, Madam Chair, I'd like to say through you to Mr. Morgan that we should certainly take him up on his suggestion that we consider the matters that he has raised about the surviving joint tenants. And I don't know what the answer is, but I do agree that it's something we need to consider. And he points out that maybe it was easier in the past in that situation, and so we need to look at that too. So I'll ask the officials certainly to follow up on those suggestions and see what if anything we can do to improve the situation. Thank you.

**Ms. Bradshaw:** — Yes, we do approve a level of credit for clients who are regular users to charge their work against rather than paying either transaction by transaction or whatever.

**Mr. Morgan:** — Which type of entities would have it, law firms and . . .

**Ms. Bradshaw:** — Law firms, government departments, oil companies.

**Mr. Morgan:** — Okay. So there is private users as well as law firms and government. And what are the typical credit limits on those accounts?

**Ms. Bradshaw:** — Oh I'm sorry. Off the top of my head I would . . . anybody back there? Users request a level to which they think will meet their regular and ongoing needs. But to tell you, you know, exactly we've got accounts at this level, this level, and this level, I just don't have that information here.

**Mr. Morgan:** — How many of the accounts go more than 30 days in arrears and has ISC had to write off accounts?

**Ms. Bradshaw:** — We do not generally have a huge problem with accounts not being kept relatively current. There are occasions that those need to be followed up with, but it's not a substantial problem for us.

**Mr. Morgan:** — Okay. Has ISC written off accounts?

**Ms. Bradshaw:** — . . . on an annual basis a few, but not substantial.

**Mr. Morgan:** — Would that be like 1, 5, 10? And I'm wondering the dollar value of them. Would these be a few hundred or would these be tens of thousands?

**Ms. Bradshaw:** — So maybe five accounts in a year and very minor amounts of money.

**Mr. Morgan:** — Okay. Does that show on the financial statement what the . . .

**Ms. Bradshaw:** — I don't think we have it listed separately.

**Mr. Morgan:** — As a bad debt item, I didn't see.

**Ms. Bradshaw:** — No, it's not. It's just not material. Certainly if that's something, we can follow up with more detailed information.

**Mr. Morgan:** — I know that's a question to put to the Provincial Auditor. I guess when we're responsible indirectly to the taxpayer, we want to know what debt collection process is. And I realize when you're dealing with financial institutions and government departments, likely the bills are probably paid in a timely manner.

But when there are a number of outside users of the system, I guess my question is, how many there would be, what the aggregate amount would be in the year, and what credit-granting methodology is there? Maybe that's a fair question to put to Mr. Wendel.

**Mr. Wendel:** — I think I'll have Mr. Aitken from Deloitte and Touche answer that question, Mr. Morgan.

**Mr. Aitken:** — I'll just use the speaker here. I have a language problem as well, so it compounds it. I can't quote, I can't quote figures, facts and figures to you, but I've been down as the auditor since the inception of this corporation on that particular issue because there is a sensitivity around writing off of these fees because there's an element of a provincial responsibility opposite the land titles system.

And my observations as the outside auditor is that the incidents, as Ms. Bradshaw mentioned, of bad debts is extremely low as to be almost negligible. And when you compare that to the amount of transactions and the credit limit concept, you fast discover who the major legal firms are who are conducting, you know, the land titles transactions. And the list is probably what you would anticipate at the major law firms. There seems to be some preference to Saskatoon over Regina which I found interesting as a Reginan.

But that aside, when you get into the . . . Is there a credit risk here and other incidences where a judgment has been made to make write-offs? As the auditor it was so negligible, as Bev said, as to pass. It's just not been an issue. That's my best effort at responding to that question.

**Ms. Bradshaw:** — I could offer one other procedural piece, and that is our practice with respect to customers who have used up whatever their credit limit is. We will not do additional work until they have replenished that account. So that is one of the reasons why we would not end up with customers with large arrears that go uncollected.

**Mr. Morgan:** — Yes, that was sort of . . . My one question was that whether you go over the credit limit or suspend service, and how far in arrears would an account be before you would suspend service even if it was within the credit limit?

**Ms. Bradshaw:** — As long as it's within the credit limit, it's not an issue.

**Mr. Morgan:** — So if somebody had, say, a \$10,000 credit limit and they were \$5,000 and hadn't used their account for several months, that could just stay there?

**Ms. Bradshaw:** — We would start following up on it, but we wouldn't be suspending it at that point.

**Mr. Morgan:** — Okay. But you would treat the person that owed the \$5,000, as long as there was a \$10,000 credit limit, as an account in good standing even though it had been there for many months. There isn't an obligation to rotate their charges that they . . .

**Ms. Bradshaw:** — I wouldn't say we would do nothing. Again I don't have sort of the precise list of procedures here, but as long as they're within the credit limit that's been approved. If there was something that's been in arrears for an extended period, we would start providing notices, and we would start following up. That may result in a reduction to their credit limit or suspension of service, but generally if there's still room in the account we're more flexible I guess with continuing to provide service.

**Mr. Morgan:** — We've seen a significant amount of activity in the oil and gas sector that will generate revenue for ISC, as well as in housing and commercial land transaction. I'm presuming that ISC treats some of these things as being part of an extremely robust economy and isn't budgeting that on a long term or that you're making as part of your financial projections a scenario where the economy falls back to a less overheated pace.

**Hon. Mr. Cline:** — I might jump in here. Madam Chair, to Mr. Morgan, just an observation on the question of the credit limits and so on. I think from a practical perspective it may be of interest for the committee to consider that really a credit is going to be provided to an organization, a company, a law firm that uses the system on a regular basis. I mean, that would be the reason that they would want a credit.

If they were an irregular user, they wouldn't probably have a credit. They would just pay on a fee-for-service basis as they go along, the point being that they're going to pay their bills because if they don't pay their bills and the next time they want to get a service which they obviously need because they're a business that needs the credit, the service isn't going to be provided. So people will pay their bills, and as we've heard from the auditors, it isn't a problem.

You're probably not going to get a lot of people not having active accounts for a long time simply because the reason they have the credit is because they're regular users of the system which is also the reason that the credit is granted and at a certain level.

In terms of the projections I don't think we have multi-year projections of, you know, what's going to happen in the economy, fees, and so on, but as Minister of ISC and as well Industry and Resources I can assure the committee that we have a lot of confidence in the economy of Saskatchewan. It's strong as Mr. Morgan says. It's robust.

The fundamentals are there because of a variety of policy changes that our government has brought about, and we're very optimistic and confident that economic growth will continue into the foreseeable future. So in any projections we do come up with, our confidence in the economy will certainly be projected, and I thank the member for the question, Madam Chair.

**Mr. Morgan:** — I'm certainly hoping for some things that might happen in the next election that would justify that confidence. However the things that you feel might justify it and that I might we may agree to disagree on.

In any event what my concern is, is that we've developed the business model based on a large amount of economic activity taking place, and I think both you and I would like to see that economy take place. And I don't know how . . . if the revenues fell off, if there was a drop off in the housing market or oil and gas, whether the costs at ISC would drop back proportionately or whether those are fixed costs by way of staff, etc., that would stay the same even if volume did drop off.

And I am certainly pleased to see the revenue coming at the present rate, and we hope it would continue, but in the event that it does drop off, I don't know how . . . I guess my question is about, to ISC, about how they scale back.

**Hon. Mr. Cline:** — Well again we don't anticipate that kind of really any kind of significant revenue fall-off, and the corporation has been making money not just this current year but in previous years where the economy perhaps hasn't been quite as robust as it is at the present time. But we don't foresee any difficulty in that regard. We don't see revenues dropping to a level that would cause any difficulty.

We have to consider that we've been paying down the debt of the corporation as well, and as Mr. MacLeod said we're hopeful that we will exceed our target of paying a dividend which we set for 2008. So that would indicate to me that we just don't anticipate that we're going to have problems from a revenue perspective.

**Mr. Morgan:** — But where I'm going with this is the economic activity of the province generates the revenue for ISC. And as much as I appreciate your confidence in the economy, that's something that's completely outside of the control of ISC. It's not like a private sector corporation that can market its services or do something else. If people don't buy houses, I think perhaps . . . But I take it from your answer that you are prepared to live with your projections for a robust economy, and there is

no scale-back plans within ISC in case the revenues were to drop off. And I'm assuming . . .

**Hon. Mr. Cline:** — I think that's fair. We don't project a slowdown of the economy of Saskatchewan. We think it's going to continue, and we've planned accordingly.

**Mr. Morgan:** — I think Mr. D'Autremont has a question before I move on.

**Mr. D'Autremont:** — On the issue of credit that's given to corporations interested in or other individuals, there are also people who have overpaid ISC and have a credit and what happens in those cases?

**Ms. Bradshaw:** — Refunds are provided when they're requested.

**Mr. D'Autremont:** — When they're requested. And if they don't request a refund, it's a minimal amount of money, what happens?

**Ms. Bradshaw:** — When we monitor accounts, we would . . . if they're ongoing users there's going to be constant further charges against the account. If an account were overpaid and it sat and it sat and it sat and it sat, we would certainly follow up with that. We often pay refunds on the personal property registry — small dollar amounts — on a regular basis. There are fewer refunds because of accumulated overpayments on accounts on the land registry side.

**Mr. D'Autremont:** — How long would an account that has some credit built up on it have to sit dormant before a refund would be issued?

**Ms. Bradshaw:** — One year?

**Mr. MacLeod:** — Guaranteed out in a year.

**Mr. D'Autremont:** — Okay.

**Mr. MacLeod:** — So the most it would be is 364 days.

**Mr. D'Autremont:** — Okay. Thank you. That was all I . . .

**Mr. MacLeod:** — Just with respect to the credit and just as an FYI [for your information], ISC never used to offer credit. Right? That was a request of the customers to . . . We were cash only. So if you didn't actually have money sitting in the account . . .

**Mr. Morgan:** — I wasn't criticizing . . .

**Mr. MacLeod:** — Right?

**Mr. Morgan:** — The practice of doing it at all.

**Mr. MacLeod:** — No, no.

**Mr. Morgan:** — I supported the practice of . . .

**Mr. MacLeod:** — Right.

**Mr. Morgan:** — Having a credit facility there. I just want to make sure that the credit facility is being run with a good business model. And I heard from KPMG that the writeoffs are negligible. So that I'm pleased with.

I guess I'm a little bit concerned that somebody could live within this credit limit for many months in a row but if the account is continuing a turnover, I mean it's part of the operating expense.

I'd like to move on and talk about one of the auditor's recommendation and that was the business continuity and disaster recovery plans. I wonder if you could tell us what that plan is, how it would work, and if there was a catastrophic collapse of the system, how the recovery would be implemented and how long it might take to get back online.

**Hon. Mr. Cline:** — Madam Chair, I'm going to ask Mr. MacLeod or another official to comment on that. But I do want to say — because Mr. Aitken will want this to be corrected — that he is with Deloitte not KPMG.

**Mr. Morgan:** — I was just corrected by my colleague. My apologies.

**Mr. Aitken:** — That's fine.

**Hon. Mr. Cline:** — And unlike all other accounting firms, they have not yet merged so he's still with Deloitte.

**Mr. Morgan:** — My apologies again.

**Ms. Bradshaw:** — With respect to continuity planning and disaster recovery planning and with respect specifically to the issues that were flagged with the Provincial Auditor, as the first part of my answer I guess from our first comment, we have in fact, in September 2005, done the kind of testing that's required on our business continuity plan.

We have, in this past year, developed a business continuity plan for our 1st Avenue location and did a test of that in December. We also, in March 2005, ran a test of the technology disaster recovery plan which resulted in some identification of gaps and things of that sort.

Redid that again this past fall. I'm going to say December but I might be a little bit off on the dates of that. Are demonstrating that we can recover within the 72 hours, which is our target for technology recovery.

**Mr. Morgan:** — This would be a loss of all of the data. You'd go to a backup system to . . .

**Ms. Bradshaw:** — Yes, there's a backup in terms of both hardware and software and data, a combination of supports through our technology partner ISM [Information Systems Management Corporation] and a hot site located at our 1st Avenue facility as a further backup.

**Mr. MacLeod:** — That's more than just data loss; that's actually system loss, you know. You know, data loss and recovery from a backup for us doesn't take that long. This is disaster, you know. Something happens whereby you have no

access to your systems for whatever reason. You know, like it's something's happened and somebody's ripped out something and you have no access to your systems whatsoever. You know, that's what disaster . . . that's sort of the disaster recovery procedures are more geared towards. The backup and recovery is relatively straightforward for us.

**Mr. Morgan:** — To implement this plan, what were the costs to develop the plan or have the necessary hardware in place to deal with a disaster?

**Ms. Bradshaw:** — I don't have specifically that information tracked or at hand.

**Mr. Morgan:** — Okay. Would it have been significant, money? Did it involve purchasing equipment? Did it involve hiring staff?

**Mr. MacLeod:** — Usually what it does is it's a combination of some cascading of older equipment, some arrangements that you already have with your technology partner. So when they're providing a certain amount of service, they are expected to provide a certain amount of backup with it as well. And there was a certain amount of money that would've been spent on developing the business continuity plan at the very beginning. So some of it is easy to identify what the costs are. Some of it's little bit tougher to identify what the costs are.

It's not a significant amount of money relatively speaking in terms of the costs of the operation of the system. You know, I might be guessing to think if it's 2 or 3 per cent.

**Mr. Morgan:** — The PPR system does the registrations directly online, and there was . . . when the land system was coming on, that was one of the features that was touted was going to be added later on, would be a direct online registration. I know there's now an online submission service, but the online submission service I understand all it is sort of an expedited service where the stuff is reviewed once again and inputted directly by ISC staff. It's not a direct online registration. Is that correct?

**Mr. MacLeod:** — Yes. The ISC staff still hit the register button. Online submission though eliminates the second keying. Under the old . . . When the system was first implemented, customers would submit their packets either via fax or via Word documents or whatever it was, and those would be keyed in by the ISC staff and then checked . . .

**Mr. Morgan:** — Or by email.

**Mr. MacLeod:** — Yes, or by email. And then it would . . . But it never was emailed right into sort of the system with this . . .

**Mr. Morgan:** — Right.

**Mr. MacLeod:** — So online submissions sort of make sure that when you're filling out and completing your forms, it's actually pinging the system to make sure that you've keyed in the right title number and the names are matching and things like that. When you send . . . But we are the ones who still hit register. You can't register.

**Mr. Morgan:** — How many firms are using the online submission now? I guess my next question is, is it available to any user that now wants to use it?

**Mr. MacLeod:** — . . . rolled it out to everybody now.

**Mr. Morgan:** — When was it rolled out?

**A Member:** — December.

**Mr. MacLeod:** — Sorry. December it was made available to everyone.

**Mr. Morgan:** — Okay. And I guess I'm wondering what percentage of your users or what percentage of your transactions might be . . .

**Mr. MacLeod:** — Yes, about 40 per cent of our transactions I think now are being used on online submission, roughly 40 per cent.

**Mr. Morgan:** — Is it your . . . you referred to it as somebody at ISC actually hitting the register button, so somebody at ISC looks at it at least briefly to make sure that there's nothing odd or bizarre? Like, what would they be looking for that would prevent them from hitting the button?

**Mr. MacLeod:** — Authorizations, attachments, making sure the right enclosures are there.

**Mr. Morgan:** — So they'll have a checklist to use?

**Mr. MacLeod:** — Oh gosh, yes. Yes.

**Mr. Morgan:** — And what's the turnaround time for online submissions?

**Mr. MacLeod:** — Well it's the same right now as the manual submission partially due to the registrar's recommendations that, you know, the maintaining of the integrity of the Torrens and the ability to sort of jump the, you know, jumping the queue. So it's the same turnaround time whether you're doing online submission or whether you're doing it personally.

**Mr. Morgan:** — And that's an intentional thing that . . .

**Mr. MacLeod:** — For now.

**Mr. Morgan:** — When there's an online submission, before hitting the . . . they would wait till roughly the same time that . . .

**Mr. MacLeod:** — Well it's just queued. It's just queued, right, so the submission would go . . .

**Mr. Morgan:** — So it goes in the queue with everything else.

**Mr. MacLeod:** — It just goes in the queue.

**Mr. Morgan:** — So you're not any faster to use an online submission.

**Mr. MacLeod:** — No, but your rejection rate is down by about

... The rejections of a non-online submitted packet are around 25 per cent. The rejections of a online-submission submitted packet are around 7 per cent, so you have a higher probability of ...

**Mr. Morgan:** — Because you refer to it as the ping, the checks that the system does itself. Okay. And the expectation is that everybody will use that system or that you will try and encourage the law firms and the larger users to ...

**Mr. MacLeod:** — Yes, the challenge or the little bit of it which we're working on now is it doesn't do all of the transactions that law firms might want to do. So one of the reasons why the take-up's at 40 per cent as opposed to, you know, higher is because there's a certain amount of things that ... that system doesn't do everything within the LAND system. That was just a certain amount of types of transactions with online submission ... was dealing with.

**Mr. Morgan:** — Are you ever going to get to the point where the registrar does not have to control, as you said, the register button?

**Mr. MacLeod:** — The problem is not a technology problem. The problem is ...

**Mr. Morgan:** — A security problem and it ... [inaudible] ... over with users in the ... [inaudible] ... of a Torrens system.

**Mr. MacLeod:** — Well, liability, liability. Do the lawyers want to, for example, carry the liability of pressing the register button? You know I mean we have an assurance provision that when we press the register button we're guaranteeing a certain integrity of a transaction. And if that goes sideways for whatever reason, and our guarantee says we will pay a certain amount of money through our assurance provisions and if we're going to let someone else do that, are they prepared to carry the liability?

There's a number of things. So the technology's not the problem, or we could do it technically. The issue is about whether or not our stakeholders and customers and registrars and all those folks are prepared to go to that spot.

**Mr. Morgan:** — Is it under discussion at this point, or is it something you're ... waiting to see how this works?

**Mr. MacLeod:** — No, we're clearly having discussions with the legal community right now about you know, kind of, I use the term, what's next.

**Mr. Morgan:** — Okay.

**Mr. MacLeod:** — I mean we're talking about some things like simple corrections to start rather than entire registrations.

**Mr. Morgan:** — You had raised the issue about who is liable on this type of transaction, and I guess that's sort of where I want to move to next, and that's the issue of identity theft and fraudulent use of the system.

My understanding right now is that ISC does not give direction to or any assistance to users of the systems to try and prevent

fraudulent use of the system. That's the users of the system, their responsibility to ascertain the identity of their clients and to ensure that those that are completing documents are who they say they are. And you haven't given anything by way of assistance or direction or ...

**Mr. MacLeod:** — Well I might be a little bit. Our responsibilities, through our discussions with the Bar Association and others, is that our responsibility is to register, and you know when the criteria is met, we register. And if someone by chance happens to have been an imposter in a law office or something like that — and we have no way of knowing it — what we have done is put together a fraud committee that is made up of the bankers association, financial institutions, the Law Society and bar associations and, you know, we talked pretty openly with them about having common procedures around things like photo ID [identification] and that kind of stuff so that, you know ... because it affects us all. So to say we don't do anything, we don't do legally anything, I think ...

**Mr. Morgan:** — Would you be at a point where you might consider sending out some directives or recommended procedure to law firms and other users of the system that they look for photo ID, maintain copies of photo ID. Is that something that ISC has considered or would consider?

**Hon. Mr. Cline:** — I'd like to add to this for the record, Madam Chair, that this problem of fraud which has been in the news is not a problem that is peculiar to this jurisdiction — Saskatchewan. It is something, as Mr. Morgan knows, is of concern to all provinces, I guess all countries, and even all around the world.

It is important to note that incidents of fraud are very, very rare in Saskatchewan. That does not mean that we should not take them seriously or try to implement even further measures to prevent fraud, and certainly the things Mr. Morgan is mentioning are things that we are discussing currently with the legal profession, financial institutions, and others to see what we can do.

But I do want the record to show ... I'm sure Mr. Morgan didn't mean to suggest that we were not concerned about fraud or taking any measures. I just want the record to show that fraud is less common in Saskatchewan than elsewhere, and I have been advised by the Information Services Corporation that some of our procedures go a little bit further than some jurisdictions in trying to prevent fraud.

As most people will know, it's not always possible to prevent people that engage in fraud from doing fraud. That's an age-old problem, and people will always find ways to try to circumvent a system.

However what we do do is we require all land transfers to be signed by the landowners in front of a Saskatchewan lawyer or witness as a precaution. A witness has to swear an affidavit saying that they saw the landowner sign the land transfer and that the landowner is who he or she says he or she is. The affidavit has to be signed by a Commissioner for Oaths or notary public.

We are the only jurisdiction in Canada that deploys notices as a security measure, and other jurisdictions have expressed interest in this process. In other words, if somebody has transferred a piece of property, we send out a notification to the address that we have for that owner that that transaction's taken place in the hope that if the person is not involved, they will make an inquiry, why has something happened to my property without my knowledge? Sometimes people ask us — I've been asked — why we send these notices out. That's why. It's not a simple waste of money and postage. It's to alert people that something has occurred with their property. And as I said, we are the only jurisdiction that does that.

We send notices to those who own land or have an interest in it, such as a mortgage. Whenever we register a transaction affecting that land so that the other parties are advised as well, notices are sent to those individuals that have a complete postal address, email address, or fax number registered with ISC. And this would alert owners to transactions that have occurred without their authorization. Of course customers should ensure their address information is current with ISC. If people move, they need to notify ISC.

Now having said that, our system is certainly not foolproof. I believe there were two instances of fraud, one in 1977, and one more recently to put that in perspective. But that doesn't mean that fraud doesn't need to be safeguarded against. And it's an issue that we take very seriously. We are engaging, as I said, people from the legal community, the financial community, other public sector agencies, land titles officials from other provinces as well as other stakeholders about developing coordinated fraud prevention strategies. We're trying to see what else can we do.

And new change of address procedures will be implemented in the coming weeks, including new forms, a requirement for signatures, information on the parties submitting the request, and sending a notice to the old address each time a change of address request is processed. In other words, if somebody sends us a change of address, we will notify the former address that that is proposed to be changed to alert owners when an unauthorized change of address has occurred.

So we're doing those things. There are other things we could do. Mr. Morgan has made some suggestions. And I would ask that the officials take those suggestions into account in looking at what we can do, in addition to any other suggestions that members of the committee may have. Thank you.

**Mr. Morgan:** — Thank you. I'm pleased that our system includes sending out notices. I understand from talking to one of the mining companies is that they have one person employed on a full-time basis just dealing with the notices that they get that are often ones that were done accidentally, in error, or whatever else — not by ISC but other people dealing with things with wrong addresses, etc., and a variety of issues that are there. But it's a full-time job just to deal with the notices that they get to make sure that they are for what they've said they are, or that somebody hasn't accidentally discharged something or done something else. And in any event that's probably a good safeguard that we have.

The recent fraud case that I'm aware of is that somebody

fraudulently transferred a title to a nonexistent person using the services of a lawyer, then mortgaged the property and absconded with the mortgage proceeds. Somebody acted fraudulently using identify theft and posed as a vendor. The transaction was conducted through a law firm that did all of the normal checks that would be required — photocopy of ID — so whoever had got it, from reading the case, is that it was done with a relatively high degree of sophistication.

What I found surprising was that they chose to only do it with one property before they left. Given the level of sophistication that was there and the fact that they went to that much trouble, I'm surprised they didn't do it with 10 or 20 properties at the same time. It was a property I think owned by either somebody that had died or was a snowbird and they were able to get access to the property and do it.

The Act now requires under our current legislation . . . In that situation they cancelled the fraudulent title, reissued it in the name of the bona fide owner, and the person or the entity that was short at the end of the day was I believe the Bank of Commerce who had advanced on the mortgage on the thing. The owner applied for compensation or for help under our land titles Act, received it by getting the transfer back. The transfer back or the order for the title to go back to the original owner was made so that the mortgage was not on it when it went back, so the people that were short on it was the bank. The bank sued the land titles system or sued the province unsuccessfully, and it was outside the scope of our legislation.

I'm not sure where our province wants to be with regard to protection against fraud, but I have concerns about the willingness of financial institutions to conduct business in our province and their willingness to lend money where our system doesn't provide them any guarantees. They did everything exactly right and didn't get the same protection as the owners.

Now I realize the bank may well be able to afford the loss better than an individual owner, but a bank is out a substantial amount of money nonetheless. They processed a mortgage application, did all of the usual things that they would, retained the services of Saskatchewan counsel, had all the identity checks. They got no recovery, and the individual owner that was defrauded of the title was fully compensated.

And I'm wondering whether the province or ISC has taken a position with regard to whether other third parties could . . . And where I'm going with this . . . and I apologize for being so long as it may well not have been a bank that was defrauded. It may have been a subsequent purchaser, and the property could have conceivably gone through two or three bona fide purchasers, and each and every one of those may well have been short. And the only person that would have been protected would have been the original owner.

**Hon. Mr. Cline:** — Well it's a very good question. I think the first observation I'd like to make is that, Madam Chair, Mr. Morgan wonders whether banks or financial institutions might be less willing to do business in this jurisdiction. This is not an issue that would be peculiar to Saskatchewan. In other words, if it's a problem, it's a problem in British Columbia, Alberta, Saskatchewan, Manitoba, and so on.



So there's no reason why Saskatchewan — because this occurred here, because it's occurred elsewhere as well — would be negatively impacted by financial institutions not wanting to grant mortgages anywhere than anywhere else. In fact I would suggest for the reasons I indicated before, they'd probably be in a slightly better position in Saskatchewan than in some jurisdictions.

Having said that, I'm advised that there's one jurisdiction, which is Ontario, that is doing something to provide some kind of level of compensation to someone in the position of the bank or otherwise if they have followed some level of due diligence. And so I guess I would say that under the law, I guess, the courts have said that the current law doesn't protect the bank here.

I'm advised that one jurisdiction at least out of the 10 provinces has said they're going to look into it or have done something. I think before I ask the officials to add anything they feel is appropriate, we should look into whether therefore we should be doing something in that regard as well, and certainly we can do that. So I'll see if one of the officials has any additional information.

**Mr. MacLeod:** — Well I guess in that particular case that in addition to what the minister said about, you know, the system being pretty strong in terms of safeguards and stuff, I can double-check, but I think in the case of the bank — this particular one — the bank's law firm did not follow all the appropriate procedures in terms of proper identification and that, and that's how this happened. As a matter of fact had all the procedures been followed according to sort of protocol — I could say law, but certainly protocol — they would have caught this because this person, I think, had identification but not photo identification, and that's where things went.

**Mr. Morgan:** — I know the case sent a ripple through the legal community. I know when I started practising, people didn't get cheques certified. It was well, nobody would bounce a cheque for \$40,000 to pay for a house. They might bounce one for 200 by mistake to pay for some costs, but they'll never bounce a big cheque. They would certainly do that right. And we lived in a trusting society. We didn't lock our doors. We've come a long ways.

And the minister's absolutely right that this isn't a Saskatchewan-made problem, and we're lucky we've only seen a small edge of it. So as a wake-up call to the legal community, I think it's probably been significant. And my hope is that ISC has looked at it and the government has looked at it as to should we be giving directives or should we be giving suggested methods of practice, not just to the lawyers that are using it but we have other users that do it as well. Some financial institutions prepare and register their own documents. And there's others that choose to do it as well.

And then my, sort of my next area of concern deals with title insurance. We know what's happened with the bank, and had that bank chosen to purchase title insurance they would have been protected in this case. The title insurer would have paid even though that title was issued fraudulently and they had no recovery under The Land Titles Act. And I've talked to lawyers that have concerns about the existence of title insurance and

would rather not see it.

Now if I was a lender knowing what happened to the Bank of Commerce, knowing that it's a cost that I pass on, I would probably want to say we're going to have title insurance on every mortgage. So knowing that the public at the end of the day is going to bear this cost one way or another — whether it's through the services provided with title insurers or whether it's through the land titles system — I guess my question is, does ISC take a position on this and make recommendations to the minister? And if they do in confidence, I respect that. But it's something I would think that the minister and ISC would want to look at knowing that there is a cost to this and that . . . [inaudible] . . . fraud will happen again.

**Hon. Mr. Cline:** — I should say in answer to the first question about whether we should be sending out directives as to procedures and so on — yes, I think we should. I think I said before that we're meeting with lawyers, banks, etc., to try to see what we can do to prevent fraud. And I would hope that out of that process comes some ideas to make our system even better. And obviously I would say that we should then engage in a dialogue with the legal community, banks, anyone else that we need to, to say these are the things that you should do. These are the procedures you should follow. And maybe we need some new procedures. And so that's what we're looking at because we want to make the system as safe and secure as we can.

In terms of the question of title insurance, you know, it depends what is being suggested. I mean there is title insurance of a sort through the assurance fund, as everybody here knows, that we provide. We provide a guarantee of title once we have put the title out.

Title insurance is a private industry over and above what the land titles system does, and I think Mr. Morgan indicated, Madam Chair, that there are some lawyers that don't like title insurance. What I'm trying to say is I don't know what is being suggested. If it's being suggested by some lawyers — not by Mr. Morgan — that title insurance be abolished or somehow outlawed, I don't think that would be a reasonable thing to do.

In other words if people want to get additional insurance, such as Mr. Morgan has identified might have been helpful to the bank in the instance we were talking about, then I think they should be free to purchase that in the marketplace. That's one question. Oh I'm advised that they actually did have title insurance, so good for the bank.

**Mr. Morgan:** — I think that claim was a subrogated claim rather than title insurance . . .

**Hon. Mr. Cline:** — Okay. But in any event, if the question is, would we take steps to abolish title insurance because some people don't like it, my answer is I don't know. I don't think we'd do that. I think if people want to get it in the marketplace and people want to sell it and they're properly licensed, that should be their right or option.

And then if the question is — or suggestion — well should title insurance be made compulsory in addition to the assurance fund of the system, I don't think there's an obvious case that that should be done. One could ask — and some lawyers I think

have suggested — should the assurance fund be expanded to cover some situations that it doesn't now? And Mr. Morgan has already raised the possibility that perhaps it should be extended to financial institutions such as in the instance we were talking about.

So I think that that's . . . I guess I would have to say if we're being asked the question where do we stand on title insurance, I would ask from what point of view? What is being suggested, that it be outlawed, that it be compulsory, that it replace the assurance fund? Or is the notion that the assurance fund should be expanded because those are all options.

**Mr. Morgan:** — I guess what I'm looking for is . . . And you're right; you raise the issues that are there. You identified the issues that I've raised. And I'm wondering whether ISC or the department has taken a position on any of those things.

Personally I believe title insurance provides a service that's likely going to be increasing and necessary in the marketplace. It covers a variety of other issues, zoning infractions, encroachments, the gaps in time between when the documents are submitted and registered, and a variety of other things. So there's no doubt there's a need for it.

My understanding is that title insurance insurers are governed by the insurance Act and are all licensed and provide a relatively good calibre of service. I think the discomfort that comes from the legal profession is not knowing that it's there, is the possibility that the title insurance companies may want to get into conveyancing as well as they have in a number of other jurisdictions. And I'll leave that debate for something with the Law Society and something in the future.

But at this point, the services provided are certainly essential. And given the gaps that we have in our current assurance fund, I wonder whether we want to address some of those in a proactive way knowing that there's costs that are . . .

**Hon. Mr. Cline:** — I think, Madam Chair, that that provides some, you know, additional clarity on the nature of the inquiry. And I think that, generally speaking, I would agree with the approach that Mr. Morgan is suggesting as I understand it; that is that, in answer to the specific question has ISC arrived at a decision or recommendation on this, the answer is no. They've been looking at it.

One option is to make no changes at all, certainly. But I think I would say — as minister at least of ISC, but the Minister of Justice would have something to say about it as well — there's no reason why we should disallow people from getting private title insurance if they so desire, as I said before and as Mr. Morgan is indicating also.

Then the real question I think is . . . Because I don't think anybody's suggesting that the assurance fund would go and be replaced by title insurance. So the question is whether the assurance fund should be supplemented to cover some situations it does not now cover. And certainly I think there are some lawyers that have suggested that ISC . . . And I think that that's something that we should look at, whether the assurance fund should cover some additional matters that it does not now cover. And that is something that's being considered by ISC.

**Mr. Morgan:** — I'll leave that discussion to the department officials and to ISC. But I'd like to invite them to consider that in the context that what would have happened if it wouldn't have been a chartered bank in this case? What would have happened if it would have been another bona fide purchaser, an individual rather than a financial institution that had title insurance that was there, or maybe a subsequent chain of them? That third party purchaser would have had no protection, would have been in the same position as the bank because they obtained their title from a person that was the fraudster in it. So anyway I'll leave that with you.

I only have a couple of other things and then I'll be finished. In the past as a result of the conversion from what is referred to as the old world system to the new ISC system, various problem files were targeted where the title count didn't line up, or a variety of other issues, and then those titles were put in suspension or in some kind of a system where they couldn't be dealt with until those issues were resolved. I'm wondering how many of those exist now that ISC knows about and what the turnaround time is for resolving title system errors.

**Mr. MacLeod:** — We've got those numbers. Some of them . . . We now have a consistent turnaround on what we call these complex ones which are ones where you go, you know, it's not quite as simple, what the heck's happened here? And that's now most of those are going in under, turning those around in under six weeks. Sometimes we need consents from someone else where there's a window of time, you know, but most of those are . . . So those have gone from a number of months down to a number of weeks.

**Ms. Benning:** — I think I may be able to draw some additional light on that. We identify errors, and we apply what's called a lock to a title which prevents dealings until such time as we're able to correct it. The lock is easily identifiable on a free search of our land registry system on the web, and that essentially notifies the customer that there's a problem.

Once they are aware of it, they give us a call. They let us know that they're interested in dealing with a particular title or interest that's affected by a lock. It is then dealt with on a priority basis. We do corrections based on a demand from the customer. So if the customer is interested in dealing with the property, it is then dealt with. Most sort of common errors are corrected within a week's time frame. The more complicated ones may take up to six weeks. And the very most complicated that require the consent of other parties to, you know, other interest holders or a title owner, may take longer because of acquiring consent.

But the customer is easily able to identify that there is a problem and that we then put that file on priority to get it corrected so it doesn't delay the transaction.

**Mr. Morgan:** — There's titles that have mistakes on them that you're not aware of, flawed titles that are there that, when you go to deal with them, that's when you discover the mistake. So that title would get locked, I presume, at that time and would go through a correction process.

**Ms. Benning:** — Yes.

**Mr. Morgan:** — So at this point you couldn't speculate how many flawed titles that are there, that you don't know what the mistake is.

**Ms. Benning:** — No, we don't know the total number of errors within the system, and I would . . .

**Mr. Morgan:** — Okay. How many locked titles are there right now?

**Ms. Benning:** — I actually don't have those statistics with me. But when we did an audit of the conversion activity, when we took the paper titles and put them into electronic . . . And we found a very low error rate in the conversion process, approximately 3 per cent for the conversion process and discovered in our audit that, for most individuals most of the time, once that error is identified, we're able to turn it around and get it corrected in a timely way so that we don't impact transactions, and that the number of claims against our insurance provisions have been very low for conversion related errors as well as other errors.

**Mr. Morgan:** — I guess my question is, if you can undertake to get it, if the information is . . . [inaudible] . . . I'd like to know how many locked titles still exist and what the plan is to deal with them. And I appreciate that the procedure you're using, where if a transaction comes up dealing with a title, you focus on getting that one addressed in a priority basis. But I presume the other ones, the system, you're using available staff to try and clean those up. So I guess what I'd like to know is, how many are there and how long do you expect them to be there?

**Hon. Mr. Cline:** — Well I'll say for the record, Madam Chair, we certainly will give the undertaking to attempt to provide that information. So we'll follow up in writing along with the other undertakings.

**Mr. Morgan:** — Okay. That would be . . . And then is there staff working to unlock titles, or are you only doing it as requests come in to deal with them?

**Ms. Benning:** — Our focus is on on-demand requests. However we do have, when we have a sort of a lull in requests, we do proactively examine and correct titles that contain errors.

**Mr. Morgan:** — So okay, I agree with that. I wasn't challenging that at all. I just wondered what it was. So you don't have a timeline to have it . . .

**Ms. Benning:** — No, we do not.

**Mr. Morgan:** — The ISC right now provides sort of services in the land area and in personal property registry through that system. I understand that ISC has in the past provided mapping services or maps. I'm wondering what the nature of that service is and what sort of the plans are for ISC in the future as far as providing maps or providing map data or integrating ISC data with other agencies, municipalities, etc., to provide?

**Hon. Mr. Cline:** — I'll see who can answer that question. Thank you.

**Mr. MacLeod:** — Well ISC has — I'll get Wayne to provide

any further specific detail — but ISC does have sort of the basic cadastral data for the province which is the, you know, the corners of the land. And you know, we have that data. We have sold that data in a variety of formats historically. That data is kept current through our planned processing system. And you know, when someone adds a subdivision or something, you know, the map gets updated.

We are proceeding with a . . . so we typically sold that map or, you know, there's township maps and things like that. But we are moving away from . . . or we're moving towards I shall say the provisioning of the free, what we call the base map. So that which we do for a living — you know, the subdivisions and things — we're moving to that you can now get for free which is as of June of the previous year. What you don't get for free is that which is sort of current as of today or yesterday, you know.

**Mr. Morgan:** — What is it that you get? You can get a map of any given area with the owners as of last June for free?

**Mr. MacLeod:** — Did you say ownership? What did you say?

**Mr. Morgan:** — I'm just asking what you get. What do you get for free?

**Mr. MacLeod:** — What's in the base map, Wayne?

**Mr. Adams:** — Wayne Adams, director of strategy for geomatics. What we provide right now would be more along the lines of a topographic map, so it shows highlights like roads, buildings, contours. That's what we provide for free.

**Mr. Morgan:** — And that's information that would have been obtained by ISC at the time a subdivision plan was filed or . . .

**Mr. Adams:** — No, that information is derived from a federal product called a topographic map that's created actually in Ottawa. And we are sort of distributors of that product. So we provide that product as a free product to customers.

**Mr. Morgan:** — And then that's provided for free to anyone that wants it?

**Mr. Adams:** — Correct.

**Mr. Morgan:** — And then the information you said that would be provided a fee, that would be the changes to it since the last time the feds did the . . .

**Mr. Adams:** — The products that we provide for free are around, for instance, what we call the property map, so a map that contains property boundaries that we update in real time on a daily basis, so it's current daily. That product is free.

**Mr. Morgan:** — Would that include the registered owners as well?

**Mr. Adams:** — What it would have is the parcel numbers which has a direct link to the owners, yes.

**Mr. Morgan:** — So a person could go back, search the parcel number, find the registered owner, insert it on their . . . make a map of a municipality or whatever. But you don't provide that

information. You don't apply . . .

**Mr. Adams:** — What we provide is, we provide the cadastral map to small urban communities. It's a service that we had inherited through SaskGeomatics and later ISC that was provided by, I believe, Rural Development.

**Mr. Morgan:** — I'll tell you where I'm going with this. I understand that this is data that is accumulated by ISC through either the relationship with the federal government or by the filing of plans and the registration of transfers. And I don't have a problem with that information being provided either for free or on a reasonable fee-for-service to recover the costs.

My concern is whether ISC plans to do anything else with this data that would compete with private map services. And so I just want to confirm that there is no intention to do anything more than what you've indicated.

**Mr. Adams:** — No.

**Mr. MacLeod:** — . . . mapping business.

**Mr. Morgan:** — You're getting out of the mapping services.

**Mr. MacLeod:** — No, just some of them. We're getting out of charging for some of these services.

**Mr. Morgan:** — Is ISC looking at any other projects right now? Right now we've got personal property registry. We have the land registry system. Is there under any kind of contemplation, willingness, or discussion to provide service to any other government or private agency?

**Mr. MacLeod:** — I think 2007 will be mostly an exploratory year. We are looking at expanding our online submission service to be a little bit more friendly to the oil and gas industry. We are in active discussions and will be for a good part of the year around, you know, kind of what's next for the land title system, if I can use that term. You know, things like what, you know, what are we doing . . .

**Mr. Morgan:** — But no desire to go outside of the land title registry system and the personal property registry at this point? You haven't been approached by other government departments? Say for example the Minister of Justice coming to you and saying, can you count the number of police officers in this province by municipality? It was just something that . . .

**Hon. Mr. Cline:** — It's becoming too high a number. As we add more and more police officers, it's hard even for computers to count that high.

**Mr. Morgan:** — Well perhaps if he had a fixed number, a finite number that he could use that's beyond the number of fingers and toes here, we would certainly like to give him some help with counting. And I thought, given the success of ISC, it was a recommendation that I wanted to make.

**Mr. MacLeod:** — We have been approached by various departments as well about whether or not ISC could do a better job of managing some of their land interests or some of their interests that might be related to the same customer base so . . .

**Mr. Morgan:** — What I'm thinking of — seriously, leaving aside the jest — whether ISC would have a role in dealing with mapping . . . or not mapping but providing database services for Department of Community Resources with users of their system or with Department of Health records for health registrants. Because you've developed some expertise in the area of security and in the area of doing that and I'm just . . . I don't know whether you've been approached by the departments or are considering .

**Mr. MacLeod:** — Those would be ones that we would consider and the other one . . . which we've been talking to, and the other one is, also potentially is, you know, looking at is there something we can do around corporations, you know, things where there's some synergies.

**Mr. Morgan:** — But no active proposals underway at the present time, is there? I think Mr. D'Autremont's got . . .

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you very much. In the annual reports in both 2004 and 2005 — in 2004 it's on page 30 and in 2005 it's page 46 — under current assets it shows grants receivable from CIC. And I'm just wondering about those. When did the LAND project, when was it completed?

**Ms. Bradshaw:** — Conversion of all records was concluded in 2003.

**Mr. D'Autremont:** — 2003. So in relationship to these grants receivable from CIC, which are supposed to be in place according to the notes — it's order in council 590 from 2001 — for people who are retired because of their job loss as a result for the LAND project, why do those continue to be carried forward both in 2004 and 2005 if the LAND project was completed in 2003?

**Ms. Bradshaw:** — There was a commitment made at the time, a total of \$5.4 million, that would support an early retirement program for people who would not have jobs with the new LAND system. And so that grant was provided, and it has short-term and long-term components. Each year as some of that early retirement supplement is paid to those individuals, the amount of the total grant is used up. So there will be amounts continued to be reflected in our financial statements until in fact the last of those employees receives their last early retirement supplemental payment.

**Mr. D'Autremont:** — Okay. So this isn't a payment to someone who is currently retiring; it's someone who has previously lost their job. But you're compensating them on an ongoing basis, on a monthly annual basis — whatever it be — to top up their pension, whatever it was.

**Ms. Bradshaw:** — It was one of the initiatives that was put in place to assist with the substantial change in the numbers of staff from the old world, with the implementation of the new system.

**Mr. D'Autremont:** — Okay then. I was wondering if it was a current ongoing . . . Somebody retired; they received a payment. And I was wondering why if it was related to the

LAND project and it was completed in 2003. Okay. Thank you on that.

Both again in 2004 and 2005, it shows that under the province of Saskatchewan equity, equity advances of \$12 million. That's the same money that was originally advanced to ISC. So it's not an annual payment of \$12 million.

**Mr. MacLeod:** — That's correct.

**Ms. Bradshaw:** — It's like a shareholders' interest by CIC in ISC, and it sits there.

**Mr. D'Autremont:** — Okay. On page 31 of the 2004 report under expenses, you have wage and salaries. You have a significant decrease from 2003 to 2004, a decrease of approximately 31 per cent. What was that the result of?

**Ms. Bradshaw:** — The total amount of salaries in 2004 is somewhat artificial in that one of the things that's required when we develop the financial statements each year is make an estimation for costs associated with that year that we're finishing but that may not yet be paid out until a subsequent year.

At the end of 2003, there were monies put . . . not monies put aside, but they were recognized as an expense for 2003. What was expected to be payouts related to a review of classification systems associated with the transfer of staff from SPMC [Saskatchewan Property Management Corporation] into ISC and as well potential severance payments. In the end during the course of 2004, the actuals that were paid out associated with those areas were substantially less than we had anticipated. So there was a reversing entry that made the 2004 total number look a little less. You'll see 2003 goes up; 2004 goes down; then 2005 seems to go up a lot. 2004 is a little artificially . . . It looks lower because 2003 was probably, because of this estimation '03 expenses were overstated a bit, '04 was the reversing entry, and then we move on to '05.

**Mr. MacLeod:** — There was also substantially fewer employees.

**Mr. D'Autremont:** — That was my next question. What were the FTE [full-time equivalent] numbers in 2003 versus 2004 versus 2005?

**Mr. MacLeod:** — It went down almost by half. I've got it here somewhere.

**Mr. D'Autremont:** — Salaries didn't drop by half though.

**Mr. MacLeod:** — No but . . .

**Ms. Bradshaw:** — Well some of the salaries for those employees that were with us in 2003 were still being capitalized as part of the project. They weren't all operating cost salaries. And I do have those numbers. They are, 2002 we had 474 employees. We actually began to reduce from 2001 — 510 down to 474, 281 in 2003, 257 in 2004, 251 in 2005. That's roughly the level we stabilized at.

**Mr. D'Autremont:** — So you've gone from in 2002, 474 down

to 251 in 2005 which is close to half.

**Mr. MacLeod:** — It was 510 the year before too. So even closer to half.

**Mr. D'Autremont:** — Yet your . . . I don't have the numbers for the salaries in 2002 or 2001, but 2003 at eighteen million six, and you're at thirteen million nine for 2005. You've had a reduction of 50 per cent and yet the salaries haven't reflected that. So what changes occurred in there that caused that the salaries . . . because that's an 8.6 per cent increase in 2004 to 2005 which I believe was still under the 0, 1, and 1 at the time.

**Mr. MacLeod:** — Part of it is . . . Of the 18 million in salaries in 2003, a lot of those were salaries which were associated with people who were doing the conversion work, so generally a little bit lower on a dollar per head basis. So that's part of it for sure. The other one is I know some of our services, some of our folks, we were doing some work we were doing through contract basis that we then moved into. You know, we were getting contractors to do a certain amount of work for a certain amount of time, and then after a while you'd staff it yourself. So there was also a little bit of movement there.

**Ms. Bradshaw:** — It probably began because '04 doesn't reflect our actual operating costs of salaries because of those offsetting entries from '03. So in terms of the actual salary costs in '04, they're higher than are shown here because of that offsetting entry.

**Mr. D'Autremont:** — So what would the actual salary costs in '04 have been?

**Ms. Bradshaw:** — I believe the net impact was in the neighbourhood of \$700,000 in terms of an offsetting entry. It's a little bit by memory which . . .

**Mr. D'Autremont:** — So roughly 13.5 million. When you mention that you had individual contractors hired, where would those salaries show up? Would they be under professional services? They wouldn't have shown up under salaries.

**Mr. McLeod:** — No.

**Mr. D'Autremont:** — And yet in 2005 . . . Your professional services in 2003 were 2.6 million, went to 1.7 million in 2004, and in 2005 went up to 2.2 million. So it wasn't a significant change there over the three-year period. And so if it was salaries that were there for contractors that were part of your expenses in 2003 and you've basically maintained the same salary level, or same professional services cost — not necessarily all salary I gather — and yet you've had a significant decrease in 2004 in salaries and an increase again in 2005. It's not just the contractors that are no longer there that have decreased that cost. So what else has decreased that cost in salaries? . . . [inaudible interjection] . . . Well has gone from 18-plus million in 2003, down to 13.5 adjusted in 2004 and 14 million in 2005 and your professional services have remained roughly the same.

**Mr. MacLeod:** — So there's fewer people, so that's part of the decrease. But the . . . Right? There's some of that. There may have been, I'm trying to think of if there was . . . There was an reorganization in there. In 2003, Bev? Would it . . .

**Ms. Bradshaw:** — 2003, April.

**Mr. MacLeod:** — Which would have inflated our costs slightly on 2003 because there were layoffs and things like that.

**Mr. D'Autremont:** — When did that happen in 2003, April?

**Ms. Bradshaw:** — In April 2003. So there was some severance costs in 2003 which would have been a pressure in that year. There were these adjustments regarding what we expected as . . . salaries we thought we would have to pay in '04. So there was, that I spoke to earlier, that were estimated at the end of 2003 and those would be the main numbers.

**Mr. D'Autremont:** — So the people, the roughly 259 people reduction from 2002 to today, would have reflected that impact of roughly \$6 million of salaries.

**Mr. MacLeod:** — Yes. Like I said, there was a couple of anomalies in there. One of them is reorg. costs and restructuring costs. And one of them was this amount we put aside for re-class, that we had to charge the next year that never really happened. So you know, you ended up showing one year that's a little bit . . .

But for the most part, I think it's just we have less people. We removed a layer of management when we did that restructure, and I think our . . . You know, one of the things we didn't mention earlier is our costs about . . . when we were talking to Mr. Morgan about, you know, the economy and where it's going, is that our costs are pegged to revenues. So if revenues slow down, costs slow down.

**Ms. Bradshaw:** — One of the factors that varies from year to year is the amount of employee time that is involved in projects that are being capitalized projects. And so, for example, the time people put into the personal property registry project, getting ready to roll it out and the time put into OLS [online submission], those get transferred from the salary account to a capitalized project cost. And so that has an impact year to year in differing amounts, depending on how many and how big the projects are that are capital kinds of projects.

So even though the numbers — you know, say, 257, 251 — in terms of the overall employee count doesn't change a lot, different amounts of those people may well be being involved in projects. And the costs associated with those people are being charged then to the capital projects that they've been working on.

**Mr. D'Autremont:** — So if you had a capital project such as replacing the IT [information technology] equipment, the salaries associated with the people involved in that would show up as capital costs.

**Ms. Bradshaw:** — Replacing the IT equipment would be more of an acquisition or a purchase, for the most part, and the people's time in terms of procuring that is part of their normal course of business.

When we talk about capitalizing employee time on a project, it's like all the work done during the LAND project, for example, the time of the people who converted the data from

the old paper-based form to electronic form that's actually part of the creation of the new asset, the new database asset. Those costs are capitalized as part of the project. The development costs, the technology people who might be writing the new system, and the time and effort that goes into that gets capitalized as part of the project.

**Mr. D'Autremont:** — So wages and salaries doesn't necessarily reflect the wages and salaries paid out by ISC.

**Ms. Bradshaw:** — It reflects the wages and salaries associated with operations.

**Mr. D'Autremont:** — Strictly with operations. Okay thank you. Has there been changes within the regulations in dealing with the registration of properties? And what I'm thinking about here is the distances from the edge of a property that buildings have to be.

**Hon. Mr. Cline:** — Madam Chair, to Mr. D'Autremont, no, we don't regulate that sort of thing. That is a function of the municipal zoning bylaws by and large. It's not something that we would be involved with.

**Mr. D'Autremont:** — It was ISC that refused to register the property. And they questioned that because it was an old property, and they were simply transferring it from one family member to another. And yet the registration was refused because there was a building that was too close to the edge.

**Hon. Mr. Cline:** — Well we could look into that. I wasn't aware that we made any regulations about how close the buildings should be to the edge, but it may be that if there's some municipal rule that stands in the way of registration. But generally speaking I felt that it was municipal requirements and sometimes financial institution requirements more so than land titles. But I could be corrected if I'm unaware that we have such a regulation.

**Ms. Bradshaw:** — We apparently don't even examine for a circumstance like that existing. We don't make the regulations for sure. And Catherine has just advised that we don't even look to see . . .

**Hon. Mr. Cline:** — I think what happens, if I recall this correctly from my practice of law days, that I think that, you know, you have to have a surveyor's certificate to satisfy the bank that your building is within the property. And if you don't have that or if some exemption isn't granted by the municipality or otherwise, then probably the financial institution will say we won't give you the money to buy the property but . . . So that sort of thing goes on from other parties. But as I say, I don't believe that's something that we impose.

**Mr. D'Autremont:** — From my understanding of the case, which is very limited, there was no bank and financial institution involved in it. But . . .

**Mr. MacLeod:** — Just forward it to my office, and we'll just . . .

**Mr. D'Autremont:** — Yes. It may have resolved itself by now. That's why I was wondering if there had been a change in some

of the regulations.

**Mr. MacLeod:** — Why don't we just . . . Like, if you do that anyway, then at least if nothing else, we'll just clarify it for all of us so that we know, if you wouldn't mind . . .

**Mr. D'Autremont:** — Thank you very much.

**Mr. Morgan:** — Madam Chair, I think Mr. Duncan has some questions as well.

**The Chair:** — Thank you. Mr. Duncan.

**Mr. Duncan:** — Thank you, Madam Chair. Mr. Minister, I just have a few questions, and I hope you don't mind. They're not really in reference to the annual reports but to a recent news article I saw in the *Leader-Post* dated January 4. And it's about the youth task force that's being set up within ISC. I'm just wondering if you could provide a bit of background of how this came about. Who led the creation of it?

**Hon. Mr. Cline:** — Yes. Well, Madam Chair, I'm very pleased to say to Mr. Duncan, through you, that it was an initiative that was conceived by our president and CEO, Mr. MacLeod, here. And I was very pleased that the corporation is making an effort to get the young people that work within the corporation together. I believe there are a number that meet regularly, and I believe they're between the ages of 23 and 35.

And the idea is we want them to think about having careers of course in Saskatchewan but also in ISC. We want to have a succession planning as people retire, that we have capable young people coming in. And I believe — and Mr. MacLeod can add to this — that he felt that one of the ways to encourage young people to want to have careers in ISC was to engage them, to listen to their ideas, to perhaps get their suggestions, and then follow up, also just to mentor them. I believe that there's a way in which they're connected to more senior people within the corporation to bring them along. And I have to say I was very pleased that ISC was doing this.

I don't know if other government departments or corporations are doing this, but it seems to me to be a good thing to do to engage our younger people this way. And so that was the intent of it I believe, and I commend Mr. MacLeod and the staff at ISC and the young people that are spending time to do this. And Mr. MacLeod may wish to supplement that answer.

**Mr. MacLeod:** — I guess we have this . . . Being a bit of a student of the province, not just a provincial Crown corporation, I'm pretty interested in the future of this place. And I think I've been pretty involved in the past in the development of lots of . . . been on lots of committees and all that stuff. And one of the committees that I helped get going was this youth task force through the economic development authority. And matter of fact, if you look at the Chairs of that youth task force, you'll see that all three of them have come from ISC.

And so the idea is that we kind of have this interesting company whereby we have a five-year-old company that's running a 100-year-old system. And there's a lot of ingrained perspectives and a lot of really, really some great expertise that's in this company. And you know we want to attract the future. You

know we need to build succession. So we just started working with our youth in this, and they're driving a lot of it. And so I think it's really been cool.

And I think one of the things that they've acknowledged is, it's how do we bridge the gap between those that have so much experience and expertise with the new folks coming in who, you know, 20 years ago spending three years at a land titles desk was the way you got to be a land titles clerk. And now it just isn't likely you're going to get a lot of people that want to do that. So how does, you know, how . . . So this group is . . . And we're trying to drive innovation, and we're trying to drive free thinking in this company and so what better way to do it.

**Hon. Mr. Cline:** — I think if I might add as well, Madam Chair, that one of the things about ISC is of course, as Mr. MacLeod said, it's a very innovative company. The technology is very cutting edge. And as most of us know younger people sometimes are more attune at technology and technological advances than people even my age for example. And they may have a perspective or idea that even Mr. MacLeod at his age may not have. So it is very fitting in a company of innovation, such as I think ISC is, that we engage young people as much as we can.

**Mr. MacLeod:** — They've been a breath of fresh air; they really have. It's just . . . They're a lot of fun.

**Mr. Duncan:** — Well I think it might be a bit of a reflection on the innovative nature of the company when the chief executive of the company uses the word cool in a committee meeting at the legislature. I don't think that might not have ever been done before in other Crown corporations.

**Hon. Mr. Cline:** — Not since the 1960s.

**Mr. Duncan:** — There is a reference, and I imagine you've had a look at the article, but there's a reference to some of the ideas and solutions that the task force has come up with, and it references some training technology. Are these recommendations that the task force has put to you, or has it gone so far as some of these are being accepted?

**Mr. MacLeod:** — Well some are being looked at. Some they recommended, and some I suppose they've been accepted, you know. You know, it's one of the challenges with these things. If they were easy to do, a lot of companies I think would be doing them. And so we've had a couple of what I would sort of say to be, politely say, false starts. I'm going to be careful on that. But just we looked at it and didn't get very far, looked at it and didn't . . . And this is the first that we've really I think got some traction on it.

So some things they're recommending. Some things they're looking at, and some things we're going to do.

**Mr. Duncan:** — Okay. Well I appreciate your comments on it. I'll be interested to follow the progress of the task force and perhaps ask them some more questions at a later date. But I appreciate that. Thank you.

**The Chair:** — Thank you. Any other questions. Mr. Morgan. Oh, Mr. D'Autremont.

**Mr. D'Autremont:** — We never actually asked very many questions of the Provincial Auditor. So just to make it worth his while too, I would ask him at least one specific question.

On page no. 203 of the auditor's report, you don't have a formal recommendation, but you say, "We continue to recommend that ISC use its internal auditor to review its performance measure systems and to verify the results." Further on you talk about it being done in 2005.

What are you looking for the internal auditor to measure in their performance systems?

**Mr. Nyhus:** — Hi. My name is Glen Nyhus. What we were looking for there was . . . As you know, the corporation publishes its balanced scorecards, targets, and measures. And the recommendation was to have some checking or some verification of the accuracy and reliability of the information, and that was the intent.

**Mr. D'Autremont:** — Well I guess that brings me back to the question or the answer that was provided to us for the 2004 salary which was 12 million and 700,000 or 800,000, whatever the number was. And then Beverley — I can't remember what your last name is; sorry about that — responded that actually the 2004 salaries were about 13.5 million. So how do we verify that that information is correct? I'm sure it makes accepted accounting practices that it was 12.8 million, and yet the official says, well it's actually about 13.5 million. So, you know, how do these scorecards measure up when when the official comes in and says, well those numbers aren't exactly right?

**Mr. Nyhus:** — I believe what Ms. Bradshaw was referring to was that at the end of 2003 there was estimates made of possible expenses that they would have to incur. And I believe that those expenses did not turn out to be what they thought they would be. And so under generally accepted accounting principles, when the estimate . . . If there's any unused amount, you account for them in the next year. And that's why it would reverse as she said.

**Mr. D'Autremont:** — But these are statements of operations and deficits. So should they not be accurate for the years in place? So if the salary, wages and salaries for the corporation are \$12.862 million, should that not be according to these financial statements, checked by the internal auditor, checked by the Provincial Auditor? Should we not be able to take those numbers as gospel?

**Mr. Nyhus:** — Well the accounting does involve estimates. And sometimes estimates in hindsight are more than what was the actual amount, and therefore, you know, they're not exactly to the dollar.

**Mr. D'Autremont:** — Okay. I can see in your budgetary process that you're making estimates. But from my understanding of these statements, these are not budgetary estimates. These are supposed to be the actual expenses, revenues and expenses for the corporation. Is that not the case for financial statements?

**Mr. Wendel:** — If I could, Madam Chair. For accounting purposes, you would have the actual expenses and any

estimates you think of, expenses that you know you've incurred and you can't quantify specifically. So you make your best estimate for that, and you include that as an expense. If the next year you find that you estimated a little too high or a little too low, you'd just account for that in the next year. That's just standard accounting practice.

**Mr. D'Autremont:** — Well as a farmer, when I go in to do my taxes, the tax guy doesn't like estimates all that well.

**Mr. Aitken:** — Mr. D'Autremont, I feel I must jump in here because not KPMG but Deloitte has its name to these financial statements too, and so I feel as though I got to defend this.

As a farmer, Mr. D'Autremont, I agree. Farmers are on — some call it — the luxury of the cash basis of accounting, which is I deposit and I pay. Therefore I add up what I deposit and what I pay, and there's my position — very easy.

You've observed something that has got us all scrambling around here because you asked a question: if I look at the financial statements on that statement of income and operations on a particular year and then use that as a comparison to say, so what happened to your payroll during these years, it appears logical — other than the flaw is within the starting point, which was the 2002 number or the 2003 number you've looked at. That is the result of an allocation process. There is the payroll which was . . . And this came up at the last meeting of this group, this discussion. A large amount of the payroll at ISC was actually devoted not to operations but rather to conversion.

And you'll remember that the conversion of that data that was in the land titles system in paper being converted across was a significant undertaking. So over the initial periods 2000-2001, 2002-2003, significant amount of the payroll was being created as an asset on your books, not showing up in that expense called salaries and . . .

So to then take that number and compare across, you end up with . . . There's a lot of other complicating factors. So all I really say is the words that we use — here are your salary cost as determined in accordance with generally accepted accounting principles — is different than saying here's the payroll — significant differences between the two because the effort to create that asset shouldn't . . . There's a principle called matching of revenues and expenses which is extremely important to accountants, that requires us to only charge those — as the chief financial officer said — those operating salaries to that statement.

What Mr. Nyhus was referring to was another complicating factor along the way which is when there are early retirements, the estimation that was going on was an offer, a downsizing that the president referred to. At that point in time you must, as required by accounting principles, estimate what the pick-up rate was of the employee saying, I accept that offer. When you have that amount of uncertainty around, what's the pick-up rate going to be?

And lots of other Crown corporations went through this. I can think of SaskTel and others over that same period. That's where the estimation . . . And it could be reasonably significant as opposed to a salary is a salary, yes, but it's where we allocate it



to. And in some ways you could say this is the lawyers or this is the accountants finding of their own work. We've been accused of that. But really there is a principle involved, and it's the so-called matching principle. That's, sorry, my long-winded . . . But that salary level is arrived at through a number of processes.

**Mr. D'Autremont:** — Shouldn't then, since there are a number of processes involved in this including estimates, somehow be signified in the annual report that this includes estimates and not the actual expenditures.

**Mr. Aitken:** — And the answer to that, Mr. D'Autremont, there is that disclosure. It's in the note 2 or note 3. Some call it a bit of a cop out, that disclosure, because it just says these financial statements are prepared in accordance with generally accepted accounting principles which involves estimates. There is no one particular estimate that is referred in that note. It complies with the generally accepted . . .

If you look at the financial statements of any major corporation in Canada, they'll have that same note almost verbatim. So it does . . . [inaudible] . . . the reader to your exact point, which is, isn't there an awful lot of estimations. If it's a key performance factor, how do I know you're not fudging the estimates? That's actually a big part of what we go through in our audits is arriving at the basis of estimate is a reliable estimate. So not to say we don't look at it, but an estimate is an estimate.

**Mr. D'Autremont:** — Generally accepted accounting practice seems to cover a lot of sins.

**Mr. Aitken:** — I'm not answerable for all of these sins though.

**Mr. Morgan:** — Madam Chair, perhaps we could move on to voting the estimates.

**The Chair:** — Thank you very much.

**Mr. Morgan:** — Before you do that I would like to thank the officials from ISC for their well prepared answers. I know it's a gruelling process to get ready for this and then find out that their particular question that they thought was coming wasn't asked. If they wanted to submit the questions in advance that they think we will ask, we'll be able to do a better job of asking the questions next year. But in any event I certainly appreciate their hard work and them being here today. Thanks.

**The Chair:** — Mr. Cline.

**Hon. Mr. Cline:** — Thank you, Madam Chair. I'd like to thank you and the members of the committee for the dialogue we had today, and I'd also like to thank the officials for their assistance here today and for the work they do throughout the year and with that thank you very much, and we'll look forward to our next appearance before your committee.

**The Chair:** — Thank you. As committee Chair I also want to thank Minister Cline and his officials for appearing before the committee today as well as the Provincial Auditor's office and Deloitte & Touche. Mr. D'Autremont, did you have . . .

We are going to just move on to the Provincial Auditor's

recommendations first. So Provincial Auditor's recommendation from the 2004 report volume 1, recommendation no. 1 on page 35. Is there someone who would like to recommend compliance?

**Hon. Mr. McCall:** — I so move, Madam Chair.

**The Chair:** — Thank you, Minister McCall. Those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Opposed? Carried. Thank you.

Provincial Auditor's report 2004 volume 1, page 36, item of recommendation no. 2 and 3. Is there anyone that would like to move concurrence and compliance?

**Hon. Mr. McCall:** — I so move, Madam Chair.

**The Chair:** — Thank you, Minister McCall. All those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Opposed? Thank you. Carried.

And moving on to Provincial Auditor's report, 2005 report volume 1, recommendation no. 1 on page 203. Is there anyone who would like to move a motion of compliance?

**Hon. Mr. McCall:** — I so move, Madam Chair.

**The Chair:** — Thank you, Minister McCall. All those in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Any opposed? Carried. Thank you. Mr. D'Autremont.

**Mr. D'Autremont:** — I'd like to move:

That the committee conclude its review of the 2004 and 2005 annual reports, financial statements, and related documents for Information Services Corporation.

**The Chair:** — Mr. D'Autremont has moved a motion:

That the committee conclude its review of the 2004 and 2005 annual reports, financial statements, and related documents for Information Services Corporation.

All those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Opposed? Motion is carried. Thank you very much. That concludes . . . oh no, sorry, we have one document to table, and it's from Investment Saskatchewan dated December 6, 2006. So we will be tabling that document as well.

That concludes today's meeting of Crown and Central Agencies. We are adjourned until tomorrow. I'd like to have a motion to adjourn until tomorrow.

**Hon. Mr. Addley:** — I'll move we adjourn.

**The Chair:** — Mr. Addley. Thank you very much. So we'll reconvene tomorrow morning at 10 a.m. Thank you.

[The committee adjourned at 15:57.]