STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
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Regina Qu'Appelle Valley

Published under the authority of The Honourable P. Myron Kowalsky, Speaker

[The committee met at 15:10.]

The Chair: — Good afternoon, everyone, and welcome to this session of Crown and Central Agencies Committee. With us today on behalf of the opposition, we have Mr. D'Autremont, Mr. Duncan, and Ms. Harpauer. On behalf of the government, we have Minister Wartman, Minister McCall, and Minister Addley.

Before the committee today — well before we start with committee today I'm tabling one document from Crown Investments Corporation.

Bill No. 13 — The SaskEnergy Amendment Act, 2006

Clause 1

The Chair: — Before the committee today we have consideration of Bill No. 13, The SaskEnergy Amendment Act, 2006. The minister responsible for SaskEnergy is Minister Andrew Thomson, and I'd like to invite you to introduce your officials at this time.

Hon. Mr. Thomson: — Thank you very much, Madam Chair. I am joined today by Doug Kelln who is the president and chief executive officer of SaskEnergy Incorporated. And seated on my right is Mark Guillet who is the vice-president and general counsel and corporate secretary.

Madam Chair, by way of introduction I would simply remind the committee that the Bill that's before us today deals with four substantial changes, I would argue, and a number of housekeeping changes. Among the substantial changes we are looking at are to increase the size of the board from 10 to 12. This will help us deal with some of the corporate governance issues that boards are facing throughout the sector.

Secondly, we are seeking permission to expand our transportation beyond simply natural gas into other areas like carbon dioxide, hydrogen, potentially ethanol. We are also looking to modify the threshold limits for which we can acquire and change our securities. And finally, we are looking to move the debt limit . . . sorry, remove the debt limit of 1.3 billion that's contained in the legislation.

Those are the main changes. There are a number of other minor ones. And we would welcome the questions from the committee today.

The Chair: — Thank you very much, Mr. Minister. So moving on to Bill No. 13, An Act to amend The SaskEnergy Act, any questions? Mr. Duncan.

Mr. Duncan: — Thank you, Madam Chair. Good afternoon, Mr. Minister, and to your officials. Minister, in your brief introduction you talked about the changes to increase the number of board members from 10 to 12. And you touched on it here that this is, I guess, to deal with growing demands in terms of corporate governance and accountability. Can you kind of outline what has changed for members of the board in terms of these corporate issues that require or would necessitate a move to 12 members?

Hon. Mr. Thomson: — Throughout corporate Canada — and indeed, I think, throughout the North American situation — we're seeing a lot more pressure on board members to be able to dedicate time not only on the main board but obviously in the committees.

And one of the areas that, I think, all boards throughout the private and public sector struggle with is to make sure we've got the right mix of people to serve on governance committees. Perhaps the most important one would be audit. And this expansion of the board from 10 to 12 will give us some more flexibility to manage both the skill sets that we believe are needed within the board and also to deal with board turnover.

It is increasingly difficult to find the calibre of candidates that these companies are needing. And obviously SaskEnergy is a sizeable company with a fairly sophisticated business operation. As such, we believe that by expanding from 10 to 12 we'll be in a better position to get the right kind of balance, the right mix of new and old on the board, and to be able to staff the committees.

Mr. Duncan: — Thank you for that. Mr. Minister, the provision of the change to the Act, to the amendment that permits SaskEnergy to transport other products, energy-related products and by-products, can you speak to what will be required on SaskEnergy's part to — in the way of expanding infrastructure — to deal with new ventures along these lines?

Hon. Mr. Thomson: — I'm going to ask Mr. Kelln if he could speak to that.

Mr. Kelln: — Well we certainly operate a pipeline system and had it for many, many years. And in that, we have a couple of things that I think we potentially can offer to assist industry as they move forward. And that's the ability to take . . . if you use natural gas as an example, we take natural gas from many, many producers and deliver it to many, many different points and have gas control infrastructure and those type of things to manage it. So this would be an opportunity of working with industry when they're potentially needing someone to transport.

And we use hydrogen as an example. In the same manner, they're not, they're not wanting to have to physically train track from their location where they go in to out. That's the kind of service we could potentially provide.

Mr. Duncan: — Do you foresee this as utilizing your existing pipeline infrastructure, or would circumstances lead to SaskEnergy adding pipeline to their system to deal with these other products?

Mr. Kelln: — Well I think you could see both examples. Certainly on the existing pipeline side, if we stare a little further out, natural gas has a lot of hydrogen in it already. If you see some decline in natural gas use, logically you would try to transfer that pipeline to be able to haul the hydrogen either in packaged form as natural gas or in separate form. The other possibility could be that, again if there's a need, we could look at new pipeline systems.

Mr. Duncan: — Can you speak to the, I guess the . . . I

understand the rationale for this. But as a corporation, the decision to, I guess, seek the legislative changes to be able to move into other products, I guess, what is the drive behind this change?

Mr. Kelln: — Well I think it's twofold. One is looking into the future. We see that natural gas may be turning into hydrogen. There may be ways to utilize the existing pipeline infrastructure we have in different ways. And I guess we've seen that we've been able to work with industry, the natural gas industry, the oil industry in southeast Saskatchewan. And if there's a way that we can use for example our gas control infrastructure to help industry develop economic activity in this province, we're very pleased to do that.

Mr. Duncan: — When you talk about the relationships with other companies in this field or you spoke about relationships with oil companies, was there a lot of consultation that would go into making these changes?

Mr. Kelln: — Well we've been very careful. We want to seek the changes prior to discussing, but we would build off of, I think, the reputation we have, as certainly . . . just as in the oil patch in southeast Saskatchewan where we certainly want to work with them to make a pipeline available for their associated natural gas. That's the kind of discussions we'd have if this legislative change occurred.

Mr. Duncan: — Further along in the Bill that we're discussing here today, these changes would allow SaskEnergy and TransGas to relocate pipeline when there's an encroachment. Currently I believe the Act only allows SaskEnergy or TransGas to remove a building or structure, but this would actually . . . You'd now be able to move the pipeline.

Can you outline, I guess, what the process for consultation is before any changes are made that will result in a Bill, for a private landowner or somebody that actually owns the facilities?

Mr. Kelln: — We go through an extensive process. I mean, at the end of the day we want — and certainly the landowner or the occupant as well — want a safe situation. So we've taken it, and certainly over the last number of years . . . We've had 50 years of pipelines in this province. There's times where there's an issue, and we work together with that customer to come up with a resolution that fits for both of us. And I think we've been able to do that for the most part.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'd like to welcome the minister and his officials here today. I'd like to carry on with some of the issues that my colleague has raised. The changes on the board, you talked about the need for increasing the number of board members from nine to 12 because of the additional workload that is taking place based on the changes within the boards in the last number of years, I'm suspecting, basically because of — whatever it's called — Sarbanes-Oxley and the Enron type of things. That's now been in place a couple of, three years. So obviously SaskEnergy has some history with that changing relationship of the board and industry to their fiduciary duties.

How much additional work has SaskEnergy seen for its board over the last two years, let's say, compared to previously? How much has that workload grown? How much more committee work is involved? How much more time are the current members spending on carrying out their board duties?

Hon. Mr. Thomson: — It's somewhat difficult, I guess, to quantify it except to say that with the five committees that are in place on the board and the requirement of us to make sure board directors are aware of their responsibilities . . . And obviously as a result of that increased awareness and the greater degree of transparency we're expecting, board members are spending more time dealing with issues, both in and out of committees.

Now one of the difficulties we have had just recently is, as we've gone to make renewals on the board, is that where directors — it's not, I don't think, a surprise to any of us — but people would often have two or three directorships and may serve on more than one board. So it may not just be SaskEnergy; they may be on one or two private sector companies. The difficulty has been to find people who are able to commit the amount of time to serve on that, and so there tend to be a smaller pool of directors to choose from.

One of the big difficulties we have is simply matching up the number of new people to come in, take on particularly leadership roles whether that's chairman of audit or the vice-chairman of the board or chairperson of the board, and then to be able at the same time to make sure that we've got the experience, the right experience mix in there. It is a peculiar phenomenon that we're seeing in the corporate world today. I know the member's aware of that. And SaskEnergy, even though it's a Crown Corporation, isn't really exempt from those kind of difficulties.

So our belief is that by going to 12 members on the board — which will put us, I think, on par with Power and SaskTel — that we will be in a better position to get the right mix of individuals on the board and be able to hopefully mitigate the difficulties in terms of getting that right mix of experience and new voices.

Mr. D'Autremont: — With the new changes in the corporate structure of corporations basically in North America, what new responsibilities, what new liabilities have the directors or the board members of SaskEnergy had to take on to themselves personally? Or have they had to take any on?

Hon. Mr. Thomson: — Maybe I'll pass to the general counsel to . . .

Mr. Guillet: — Sure. With the changes that have been ongoing in the past few years, our board has faced dealing with more governance-related issues and the new committee. The liabilities have increased, I guess, somewhat. They are different than a private sector company, though, the liabilities faced for our board members in that it's a different type shareholder structure that they are. So they are not at par, I guess, with the Sarbanes-Oxley type liabilities that they would face in a private sector company.

But there has been increasing requirements for the due diligence

aspects for board members in preparation in dealing with the issues. For instance in our audit committee, we have much more audit committee meetings now because of just the number of issues and the change in the accounting rules that have been taking place. So the committee members on the audit committee have been much busier in the last couple of years than they have been in the past five years, for instance.

Mr. D'Autremont: — Well you must keep track, though, of the number of board meetings, both the general board meetings where all members would be present either in person or through telephone connections. And you must keep track of the number of committee meetings that the individual, the five different committees that you have would meet. Have those numbers changed, say, from three years ago till this past year? And you know, is it a 10 per cent increase, a 50 per cent increase? What kind of additional workload in that sense has come on board?

You may not have the hours tracked because I suspect board members don't get paid by the hour but rather by the meeting, but you must be able to track the number of meetings that have been held.

Mr. Guillet: — Yes, we do track the number of meetings that the board has. In the past three years . . . I don't have the numbers directly with me right now. They are tracked. We do actually publish our number of board meetings in our annual report each year. They're tracked because we provide disclosure in accordance with, at one time it was the TSX [Toronto Stock Exchange] guidelines which are now the CSA [Canadian Standards Association] guidelines.

The committee meetings have, as indicated, the audit finance committee has increased numbers. I don't have the numbers with me at hand, but I can indicate that in the past three years, yes they have increased significantly on the audit finance committee just by the volume of materials that are being maintained in the minutes. I don't have those statistics with me at this time, though.

One other additional item is, is that our committee structure has a new committee that was put in place two years ago, so they have one extra committee now, that our board has.

Mr. D'Autremont: — I wonder if you could supply us with an indication of the number of meetings so that we can have a feeling and understanding of how the board governance has changed with the changing rules and regulations that are in place within the accounting industry and within the corporate industry as far as governance is concerned.

Hon. Mr. Thomson: — Certainly we can do that from a SaskEnergy perspective. This may also be of interest to generally from the CIC [Crown Investments Corporation of Saskatchewan] side. I'll see what we may have available in terms of our expectation. I know as Vice-Chair of the Crown Investments Corporation that our expectation around directors and the role of the boards has significantly increased in the last three or four years now that I've been on the board. So I'll undertake to get you that in a timely fashion.

Mr. D'Autremont: — Okay. Thank you very much. I guess the next question that relates to, if you need more board members because of an increased workload, are those members expecting to be compensated in a greater manner because of this additional workload? So does that mean that there is going to be a change in their remuneration and that is going to increase correspondingly so that it's not just a cost increase with the board increasing by one-third, but there's also going to be an increased remuneration for the other board members as well?

Hon. Mr. Thomson: — No, that will not be the case. The level of remuneration paid to board members is established by Crown Investments Corporation under policy based on a . . . I forget who we had to do the review now, but some kind of external review to take a look at what the levels should be in terms of comparable duties and the size of the corporations we're dealing with. So there's different categories of Crown corporations and, as such, remuneration paid to directors.

Mr. D'Autremont: — Okay thank you. This Act also changes in part what SaskEnergy can transport, and Mr. Kelln has mentioned some things like hydrogen. You're also looking at carbon dioxide, ethanol. I have a question related to ethanol. Now there's no reason you can't transport ethanol down a pipeline. I'm sure it happens already under different names than ethanol.

One of the issues though is they have the proper equipment in place because alcohol is a very dry product and can be very destructive to rubber gaskets, etc. So is that going to be compatible with the current system, or is there going to be a need to make substantial mechanical changes to be able to incorporate the transportation of ethanol? Also around the security of transporting ethanol, if you use some of the other names that mean ethanol, you get into a bonding situation. Is SaskEnergy prepared to deal with that, the security surrounding that and perhaps even the issue of bonding?

Hon. Mr. Thomson: — I think the legislation is intended to be permissive. In the discussion of potential items, the company has identified primarily hydrogen and carbon dioxide as being the most likely areas of expansion. In fact at this point, we have not seen any business case that would argue for a pipelining of ethanol. I think the questions that the member raises are important ones that, if the company were ever to move in that direction, would need to be addressed.

Our belief at this point is that the two most likely areas of expansion would be into carbon dioxide which obviously there's an increased demand for in terms of the enhanced oil recovery. And as we are looking at more capture technology, there's a need to be able to deal with it. Pipelining makes more sense in that case.

Hydrogen is, as Mr. Kelln's explained, another area of interest only because it is a compatible type product. Ethanol I think will pose a number of problems, not least of which are those that the member mentions but simply also a question around the business case of it. I don't foresee any time too quickly a situation where ethanol will be moving by pipeline as opposed to by railcar or tanker.

Mr. D'Autremont: — Well the other issue dealing with ethanol is ethanol's a liquid, and SaskEnergy is a gas mover. And your compressing equipment is not designed for liquids.

The fact is when liquids hit it, it's a problem, not the other way around. So it would be a substantive business change for SaskEnergy to get into the transport of liquids rather than gases. So that's why I was surprised that ethanol would be included as part of that because it's a major change in the business. You would need new facilities basically. I mean the pipeline itself could transport it, but the rest of the facilities would have to be changed to do that.

On the issue of buildings or people encroaching on SaskEnergy's right-of-way, in the Act what do you envision? Are these, a pipeline is in place and somebody builds too close or over top of your pipeline? I'm assuming that there's already regulations in place to prevent that from happening. Every right-of-way is surveyed. And while it may not be visible at first glance from the surface, I know most people — especially in our area because of the very substantial oil fields — are aware that you need to be aware of where all the pipelines are before you do anything. Would not be encroaching . . . Or is this a situation where SaskEnergy is putting in a new line and now is demanding that structures be moved to allow for SaskEnergy's pipeline to be put in place?

Mr. Kelln: — It is the first circumstance where we have an existing pipeline in place. And you're very, it's very true that for the most part, people are well aware of where those pipelines are even though they're underneath the ground. But on rare occasions, we will have encroachment relative to that pipeline. And those are the situations we're talking about.

Mr. D'Autremont: — So it's a circumstance where the pipe is already in the ground and somebody moves in too close. Now when you look at too close or over top, certainly that's understandable. But how close is too close, and does it depend on the pressure of the line?

Mr. Kelln: — We follow the code that's established related to public safety right across the country and — exactly correct — that depending on the pressure, we'll produce different requirements. We work very hard to do just as you've indicated, of letting landowners know ahead of time this is the kind of pipeline. Therefore these are the kinds of spacing that we need to make that pipeline safe.

Mr. D'Autremont: — Have you had any incidences in the last five years where this has occurred and where you had to take action to remove a building or approach a landowner, perhaps before they actually started construction?

Mr. Kelln: — In circumstances where we've had encroachment issues in the last five years, the one thing that we try to do — and again the Act is ultimately what we need to do if there is a public situation that can't be resolved — is the first thing we do is talk to the landowner, talk to the developer, and try to strike an arrangement with whatever technical solution we can come up with that allows in some way for his development, for example, to continue to operate and also for us to have a safe pipeline.

Mr. D'Autremont: — Would these occurrences be more in the rural areas? Are they in more developed urban areas?

Mr. Kelln: — You could have either scenario. You do have a high-pressure pipeline that goes through Moose Jaw, through a populated area in Moose Jaw that we certainly have to keep track of. You do have the rural scenario as well, that someone may set up a feedlot or a small feedlot operation very quickly, and it ends up unfortunately in an encroachment issue.

Mr. D'Autremont: — The reason I ask that is for my experience in the rural areas, most landowners are aware of where the pipelines are relatively. I mean, they may not be able to point to the exact location, but they know that there's a pipeline over there and are aware of the dangers involved.

I personally saw one incident where a person was digging to bury a rock pile and just happened to be over a pipeline, and they were unaware of it. But you know, they thought they were far enough away. They thought there was, you know, tens of yards from where they were at, and they assumed they were safe when they were not. But in that particular case there was no incident involved. It was caught early enough. So that's why I was wondering . . . just the circumstances.

My concern on this as well was that SaskEnergy would maybe be trying to expropriate a piece of property or changing the pressure on the line. And then all of a sudden they need a bigger buffer zone, where the landowners were there before that change was made and therefore should have somewhat a grandfather clause to exempt them, or SaskEnergy should pay. What would happen in that case if SaskEnergy decided to upgrade a line, change the pressure? Who becomes fiscally responsible for any necessary changes?

Mr. Kelln: — We've not had a situation where we've moved from a low pressure — if you can visualize a pipeline in the city of Regina — to a high-pressure level that occurs on the transmission pipelines, so I can't cite a circumstance in the last number of years related to that.

Again as we're putting in pipeline infrastructure, we're very cognizant of putting it in a safe place and ensuring that when we start out with that installation we're not encroaching on anybody. There are and you . . . a very good comment that for the most part owners, landowners are aware where our facilities are. We view that as our job to keep reminding them. Sometimes we can have the challenge, well I thought it was over here, and it just happens to be another 100 feet the other way. So keeping a continual rapport with them is very important because we would very much like to not have any encroachments.

Mr. D'Autremont: — Thank you. One part of the Bill talks about leasing equipment, leasing out equipment that is SaskEnergy's. I'm just wondering what procedure SaskEnergy is looking at for doing that and what's the rationale behind it.

Mr. Guillet: — That particular provision . . . We are not currently leasing out any equipment that we're not using. It is a provision that was in our legislation. The Bill is addressing a related amendment to deal that, if it's not only natural-gas-related products . . . not natural gas, it'll be energy-related products that we want to make the amendment to that provision so that the Act is consistent. So it's a minor amendment dealing with the earlier portions of the Bill we're talking about.

Mr. D'Autremont: — So SaskEnergy is currently not leasing out any of its facilities or equipment to any other entities and doesn't foresee doing so in the foreseeable future?

Mr. Guillet: — Not that I'm aware of that we are . . . If there is any facilities that, a pipeline that we may no longer use, if is either removed, abandoned, or if there is another need for a private party to be using it, we may very well sell it to them.

Mr. D'Autremont: — Would that also be the case with TransGas?

Mr. Guillet: — Yes.

Mr. D'Autremont: — Because there was a discussion, I don't know just what happened in the long run on it. In the west central part of Saskatchewan, TransGas had a pipeline, and there was some discussion of another entity utilizing some or all of that, and that was probably five to ten years ago. So that if it took place, it's no longer taking place.

Mr. Kelln: — It did not take place, and we're continuing to use that pipeline. One thing with the change in price of natural gas pricing, we're able to use less compression and utilize that pipeline to still provide the shippers their transportation needs.

Mr. D'Autremont: — Okay, thank you. And you don't foresee any leasing out of the SaskEnergy assets any time in the near future?

Mr. Kelln: — No.

Mr. D'Autremont: — Okay. The move to be able to transport other products — hydrogen or carbon dioxide — is SaskEnergy looking at that as a monopoly carrier? Or would they be doing this in a competitive environment?

Mr. Kelln: — We would not be looking at doing it in a competitive way. We very much look at this as an opportunity, if industry's looking for our expertise — and we do have some related to it — that we'd work with them. That's really the intent.

There's been historically . . . And you can see that for again, using the associated gas example, we've got oil producers focused on oil. They would really like a pipeline company to come and take the associated gas off their hands and say, I'm giving you 10 units now — deliver it to a plant up by Saskatoon. And we take care of that for them. So really see the opportunity of using some of our expertise that we've built over the last 50 years that we can help industry with their economic development.

Hon. Mr. Thomson: — If I could just add, we would not be looking at doing this as a, in a monopoly way. This is a case where if there is a market to be served where they are seeking SaskEnergy's involvement, this would permit us to do so.

I haven't seen — and I don't believe we have in our business plans at this point — anything that foresees us quickly moving into this. Probably the key area we would most likely or we'd start to look at is what carbon dioxide . . . Because there is some need around that in terms of how we're dealing with this. There is some opportunities also around the capture of the flare gas that we're going to need to look at how we've configured the pipeline system. But I don't foresee us moving into this area very quickly. It's simply a permissive change.

Mr. D'Autremont: — Well in a previous life I worked on part of that gathering system. And the production gas — what we termed as associated gas — was gathered in southeast Saskatchewan and transported over to Steelman which I believe, at that point in time, probably went into SaskEnergy's system. And so, to be distributed to wherever SaskEnergy would distribute it.

I guess the question is, is . . . That originally was part of an agreement going back into the early 1950s with the production gas conservation area and that all of that gas had to be — or as what was economically feasible —had to be gathered up. I'm not sure how big that area was physically though. So some of the new production such as in the Montmartre area or west of Stoughton, more towards Weyburn, is that part of that gas conservation area, therefore needed to be collected so the flare gas was collected, the gas off the top of the tanks was collected and compressed? Is that in place or are you looking to expand or provide that kind of drive to have it happen in other areas?

Mr. Kelln: — Well there currently is a big network of flow lines that feed into some large plants in southeast Saskatchewan. But we're seeing new producers as well wanting to put in smaller plants right at their location of their flares and looking for a transmission pipeline to feed into.

So you have the large plants that continue to have a gathering system which brings it to a central place. But you have a number of additional producers that are looking for the ability to capture clusters of flare gas that aren't economic to haul the great distances to the big plants. And really our role is, for either plant, is when they clean the gas and get it at high pressure, then we can haul it for them. And that's what we've been doing, is trying to make that as easy as possible.

Mr. D'Autremont: — I know that there was a new — what I think of as a small plant — went in west of Stoughton. Did SaskEnergy have the pipe capacity to handle the gas that was being produced and compressed there? Or did SaskEnergy have to put in place a new, larger pipeline?

Mr. Kelln: — Whenever we have a new plant coming on, we usually have to extend the lateral to them, and that was the case with that one. But our trunk system in southeast Saskatchewan was able to accommodate their initial flows.

We have had a queue of customer requests saying, in the next little while we're going to need to move some additional gas. And we're presently in the process of saying, we'll certainly move your gas for you. And we have a number of options that we're looking at right now that will fit their needs, because what we want is that flare gas to be captured. And it certainly fits from an environmental and from a business sense from the producer's point of view.

Mr. D'Autremont: — Well I think everybody believes that there is some economic value there to be captured if the process is in place to be able to do so. And in looking at this Bill, you

don't want people building right overtop of your pipeline, so you're all obviously going to have to put out a line to capture wherever that plant is at. And what makes it economical or not economical is the distances involved in doing that, and the volumes associated. So I think it's a good thing to be able to gather that up and do it. It's happening at Glen Ewen as well. I know there's a couple of small plants have gone in there.

The minister says that . . . don't want to get into a monopoly situation in this. But at times, especially in the pipeline system or in distribution of electrical power, a monopoly is the rational way to do it. But the thing is, is if there's already a system in place . . . And I see one of the members raise his eyebrows at that statement. But it's true. That's the most efficient way to carry out this kind of an operation.

Where there is already though an enterprise in place, and I'm thinking of the CO_2 line coming up from the US [United States] into Weyburn, if there was a capture of CO_2 in Estevan or Coronach — well that's further and there is no CO_2 line at Coronach — but coming up through Estevan, that would make economic sense to put the CO_2 into that existing line already. And I don't know the capacity, whether they'd have the capacity to handle more gas or not. But that makes sense in the first place to look at.

And so while the minister may not want to look at a monopoly in the first place, there are times when a monopoly makes sense in this kind of carrier. Now that doesn't mean it has to all be owned totally by the government. The company I worked for, Producers Pipelines, had a monopoly for transporting oil production — the cleaned oil — but it was owned by a good many different companies. But there was no point in having two separate companies running lines into the one battery to ship clean oil out. It makes sense to have a monopoly in those circumstances.

So I think it would be worthwhile for SaskEnergy to look at the availability of other carriers in the business but also to look at doing it themselves where that's feasible as well.

Hon. Mr. Thomson: — The approach that the member outlines is similar in terms of how we have managed the system. And I think you're caught up sometimes on the words around monopoly.

Obviously in the pipeline system where you're dealing with transmission, distribution, there's a large amount of capital required. And I look at them largely as a managed system. I mean obviously where infrastructure already exists and can be utilized, there's a competitive advantage to whoever is in there. Sometimes it is better for us to undertake that to meet our either provincial demand or corporate need.

And I think all companies obviously work in this sector in a competitive way but also in a way that understands what the, you know, what the reasonable market forces are that are going to make things viable or not. And that's certainly what SaskEnergy will need to do as they take a look at these options.

However I do want to say it is not our objective to corner the market on CO_2 pipelines. I'm going to leave it at that.

Mr. D'Autremont: — Okay. We're done.

The Chair: — Thank you very much. So moving on to the vote of Bill No. 13, An Act to amend The SaskEnergy Act, clause 1 short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you.

[Clause 1 agreed to.]

[Clauses 2 to 8 inclusive agreed to.]

The Chair: — So, Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The SaskEnergy Amendment Act, 2006. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Can I have someone move the Bill without amendment please.

Hon. Mr. Wartman: — I'd be happy to do that.

The Chair: — Thank you, Minister Wartman. Okay, thank you to Minister Andrew Thomson and his officials for appearing before the committee this afternoon and answering all the questions. Mr. D'Autremont.

Mr. D'Autremont: — I'd like to thank the minister and his officials for coming in today.

The Chair: — Thank you very much. That leads us into The Sask Gaming Corporation Amendment Act, 2006, and we'll just wait a few minutes until everyone gets set up.

Bill No. 59 — The Saskatchewan Gaming Corporation Amendment Act, 2007

Clause 1

The Chair: — Good afternoon and welcome back to Crown and Central Agencies Committee. Appearing before us today we have Minister Glenn Hagel, who is the Minister Responsible for Saskatchewan Gaming Corporation. And I'd like to invite you to introduce your officials at this time.

Hon. Mr. Hagel: — Thank you, Madam Chair. Would you like me to then include a brief statement about the Bill as well at the same time? Okay. First of all then as we deliberate on Bill No. 59, An Act to amend The Saskatchewan Gaming Corporation Act, I have two officials to assist me with the questions from the committee today. To my right, the viewers' left, is the vice-president of corporate affairs, Bill Davies. And to my left is the business consultant on finance and business development for the corporation, Glenda Bruce. Both Mr. Davies and Ms. Bruce will be assisting in responding to inquiries about the Bill.

Perhaps if I could just give, Madam Chair, a brief summary as to what the Bill is designed and intended to do for the province. By introducing the legislation, our government recognizes that

the highly regulated gaming industry is a commercial industry and that the Saskatchewan Gaming Corporation is one of the most commercial entities under the government's purview, and generating profits that benefit all Saskatchewan people through programs and services ultimately. This is very important in this Bill because it will allow the Saskatchewan Gaming Corporation to be designated as a Crown Investments Corporation or CIC entity, and allow it to be integrated into the Crown Investments Corporation's subsidiary governance model and capital allocations framework, which will help to serve the corporation in meeting its objectives.

This legislation, changing the status of the Saskatchewan Gaming Corporation or what we'll frequently find ourselves referring to as SGC, I'm sure, changing SGC from a Treasury Board Crown to that of a wholly owned CIC subsidiary better reflects the corporation's commercial nature as a dynamic and innovative player in our province's economy generally and in the growing tourism industry in specifics — and most acutely of course then, Madam Chair, because of the locations of Casino Regina and Moose Jaw, in those two cities.

The Saskatchewan Gaming Corporation Act currently requires that SGC transfer 100 per cent of its annual net income to the General Revenue Fund. The government then distributes an amount equal to 25 per cent of SGC's net income to each of the Community Initiatives Fund, or CIF, and the First Nations Trust, or FNT. Furthermore, a portion — $2 million — of the annual payment that flows to the CIF is then allocated to the Clarence Campeau Development Fund. So that's what happens now, and that will continue.

The change in status of the corporation to a CIC Crown will not impact this funding obligation to the CIF or to the First Nations Trust. In fact this Bill specifies that SGC will continue to provide direct payment to the GRF [General Revenue Fund] in accordance with the 2004 Gaming Framework Agreement. The Gaming Corp will continue to pay 50 per cent of net income directly to the GRF, to the General Revenue Fund, for its distribution to the CIF and the First Nations Trust. The net income after these fund payments will be subject to CIC's dividend policy.

By amending the legislation to convert SGC to a CIC Crown, the corporation will be in a better position to respond to future opportunities, thereby creating further jobs and advancement opportunities for the Saskatchewan Gaming Corporation's relatively young and diversified workforce, I'm proud to say.

So, Madam Chair, I think that summarizes it in a nutshell. And we look forward to the inquiries of the committee and we'll do the best we can to respond to questions. Thanks very much.

The Chair: — Thank you, Minister Hagel. So with respect to Bill No. 59, An Act to amend The Saskatchewan Gaming Corporation Act, any questions? Mr. D'Autremont.

Mr. D'Autremont: — I'd like to welcome the minister and his officials here today. I guess what I would like from you is an explanation why it's necessary to change from a Treasury Board Crown to a CIC entity. What kind of things will you be able to do under CIC that you cannot do under Treasury Board?

Hon. Mr. Hagel: — Perhaps I'll answer that first of all in general terms, and then I'll ask Ms. Bruce to be more specific. The member will be aware that there are two kinds of Crowns — they're the CIC Crowns and the Treasury Board Crowns — and that currently that's what this is all about: motion from treasury to CIC.

By their nature, the CIC Crowns are much more commercial in their activity and also have an administrative support system and structure that's designed to support the decision making in operations in that commercial world. The Treasury Board Crowns primarily exist as Treasury Board Crowns to provide a service and deal with the matter of financing with different criteria.

The Gaming Corporation has been around for a decade now and I think many would say that of all of the Crowns that we have here in Saskatchewan, the nature of it, it is actually among the most commercial of our Crowns. It is in the business of being an attractive tourism industry or tourism business within the tourism industry. It operates on strong business principles for which marketing and service and the production of profits are very, very important. And that from those profits, then flow social gains through the First Nations Trust and the Community Initiatives Fund as well as the General Revenue Fund that serve social good throughout the province.

But what's intended here is to put the Gaming Corporation where it most appropriately belongs, within an administrative structure and support system that is created to support commercial activity. That is by far the biggest part of the picture, what's going on here.

Now I'll ask Ms. Bruce perhaps if she would just expand on that in terms of more detail as to how that can happen.

Ms. Bruce: — Yes. Well the only technical difference between the operation of a CIC Crown versus a Treasury Board Crown, as a Treasury Board Crown the Gaming Corporation doesn't have any semblance of a regular balance sheet. As a CIC Crown, the corporation will be allowed to have retained earnings, and 50 per cent of its earnings will be subject to the CIC dividend policy. So that's essentially the fundamental difference between CIC Crown and Treasury Board Crown.

Mr. D'Autremont: — Well okay. So Gaming Corporation will be allowed to have retained earnings. I mean, the Gaming Corporation has operated for 10 years without the ability to have retained earnings. It hasn't lacked though for funding when it comes to any growth, any capital costs that have been associated with the . . . So what benefit does being able to retain its earnings at the 50 per cent dividend rate from CIC, which is different than the other corporations have, what benefit does being able to have retained earnings give the corporation that the corporation does not already enjoy?

Ms. Bruce: — There's not really any true benefit in terms of financing. The benefit of being a CIC Crown is primarily derived from the award-winning governance structure that CIC employs with its commercial Crowns. That structure, you know, has allowed the corporation, the CIC Crown corporations, you know, the appropriate model to grow and develop and expand their business. And the Saskatchewan Gaming Corporation

looks forward to having, you know, a similar model to do that.

So the issue of retained earnings or lack of retained earnings — it's a financing question and SGC, as you correctly point out, hasn't had any issues in terms of access to financing in the past. It's just that it's not a typical commercial format to have no retained earnings.

Mr. Davies: — If I could just add that the ability for us to have retained earnings allows us to plan our capital financing, our capital projects over a long-term period, rather than go to Treasury Board year by year and ask Treasury Board for capital funding. So while we have not suffered to this point any problems with our capital funding, it's a year-by-year basis at the discretion of Treasury Board. So with the ability to retain our earnings then we can set up a planned capital program over a number of years.

Mr. D'Autremont: — Well in observing the other Crowns involved in CIC, I don't see them developing any huge reserves in place for capital replacement for either maintenance or capital new projects. Looking at SaskPower, they certainly don't have any significant revenues placed into reserve for replacement of generation capacity. So I don't know that simply being in CIC is going to give you the capacity to retain 50 per cent of your earnings every year for some kind of capital construction, replacement of equipment down the road.

It's been my experience in observing the Crowns now for a number of years, while you do get to carry some money, that at the end of the day CIC absorbs most of the surpluses that the Crown corporations have to pass on as dividends to the GRF.

So if you're looking at retaining earnings to be able to capitalize projects in the future, how much retained earnings are you looking for in the sense of what capital projects are you envisioning for the future?

Mr. Davies: — Our long-term business planning, I think, is, I mean, we would like to extend our business planning to have a longer range for our planning cycle, more of a long-range strategic plan. As I said earlier, we haven't had any difficulty up to this point in getting financing through Treasury Board but if we are going to move to the longer-range strategic planning process, we would benefit from having retained earnings. And again I can't speak to what amount those might be. But again that would all go back to what our business plan is. And that, of course, we feel would be strengthened by doing our business planning through the CIC model rather than the Treasury Board model.

Mr. D'Autremont: — Thank you. I'd like to move on to the governance structure that Ms. Bruce was talking about. The CIC governance structure, what benefits will that bring to the Gaming Corporation that the Gaming Corporation lacks today?

Mr. Davies: — Well I think actually one of the most important benefits would be that it offers a business forum for SGC to bring forward its business plan to have approved. That is to say, currently the business planning process goes through our board and through our minister and to the Treasury Board. But I think Treasury Board's emphasis tends to be on managing expenses as opposed to looking at the revenue-producing side or the long-term business planning side of the corporation.

And I think that if we are bringing our business plans or strategic plans forward to CIC, we would be better monitored, I think, or have a forum where we might benefit as a corporation from having a more informed business side that would look at the revenue side of our plans maybe with the same degree of scrutiny as with the expense side.

Mr. D'Autremont: — Well thank you. If Sask Gaming is looking at expanding revenues, there is a limited number of VLT [video lottery terminal] gaming machines available in Saskatchewan. I guess you could change the ratio of payouts. You could increase the cost of gaming in the sense of eliminating the lower-cost VLTs so that, you know, perhaps your minimum is 25 cents or 50 cents a game. You could look at changing the number of tables available, although tables are a low revenue generator. You could increase the size of the bet from the low cost of 1 or $2 ones up to a minimum 5 or $10.

So other than expansion of VLTs or expansion of the number of casinos, what other kind of things could Gaming Corporation do to expand revenues in Saskatchewan? Or are you looking at increasing the number of gaming opportunities in the province, increasing the number of VLTs or tables?

Hon. Mr. Hagel: — Madam Chair, maybe you'd let me respond to that again in general terms and then I'd ask Mr. Davies and Ms. Bruce to add specifics.

The hon. member will be aware, as has been said, that when looking at the assessment and the assistance of a business plan, there would be two different focuses between Crown Investments Corporation and Treasury Board. Crown Investments Corporation will be inclined to look at the longer picture and at the reliable, predictable, the predictability of realization of profit. And it quite accepts that as an important and legitimate business objective.

Treasury Board will tend to have as its focus a shorter term, oftentimes difficult to look beyond just the year ahead. And it will have as its focus a tendency to place more emphasis on the expenditure side rather than on the generations of profit side. So they're two legitimate ways of looking at business plan but they have different emphases.

The objective in moving to the CIC is that the Gaming Corp will, in the process of moving forward, have as part of its assessment some of the things that would require changes in direction that aren't anticipated, don't enter into that — so in terms of numbers, machines, and so on, you know, that sort of thing.

However there will be things like marketing, and it will be, in the casino industry, it will be kind of a commonplace phenomenon that if you're a casino and you're not changing, you're staying the same, then your casino is probably declining, that what you're doing and the attractiveness of it is an important part of attractiveness to the player, to the visitor, is an important part of how you do in terms of visits and ultimately profits that are realized.

But I think it's worthwhile noting that the Gaming Corporation

has developed itself a bit of expertise and reputation in the management side and that there is potential for management expertise to be sold as a revenue generator to the corporation. And one current and I think example that has significant potential is the iCare program that has been developed by the Gaming Corporation to assist in the identification of problem gamblers and then to deal with it in an appropriate and respectful and appropriate kind of way. And it is a tool that's being developed and has potential to become a part of a training package that could be of significant interest to other casinos, not just necessarily within the country actually.

So there are gaming-related activities that do present the possibility of increasing revenues that are outside the examples you use which involve increasing tables, machines, you know, that sort of thing.

I don't know if . . . Would you like to . . .

Mr. Davies: — Just we may briefly say that the iCare program, we have developed it as a joint venture with iView Systems which is a Canadian company out of Oakville, and we did have authority to do that under our status as a Treasury Board Crown. But as we begin to look at operationalizing that joint venture . . . and we do run into some of the constraints of it being a Treasury Board Crown that make it difficult to fully operationalize that as a joint venture.

Mr. D'Autremont: — Okay. Thank you. You talk about the opportunity perhaps to sell management expertise in the sense that you would contract out. Your iCare program, you're already in a partnership you say with iView, if I got the name right. I don't understand why Treasury Board though, the Gaming Corporation . . . why Treasury Board would be limiting the opportunities for you through a partnership that's already in place to market this program around the world if people are interested in it. What concrete roadblocks does Treasury Board put in your road when it comes to making this kind of a commercial decision with a partner to market that program?

Mr. Davies: — Well an obvious example actually is that we can't hire commissioned salesmen as a Treasury Board Crown, you know, that Treasury Board guidelines are for executive government primarily, and they don't contemplate commercial sales. So our ability to pay a salesperson in a commercial way is non-existent. So I mean, to date we have used our own staff to some degree, and iView have their staff currently doing some sales. But if we were to fully operationalize the joint venture and want to pay commissioned salesmen, we can't do that as a Treasury Board Crown.

Mr. D'Autremont: — If you're in partnership though, would it not be possible for this partnership to do the commercialization side of the operation through iView and that Sask Gaming would still reap its percentage of reward?

Mr. Davies: — Well that's what we've done to date. But once we have some sales of the product, then we would want to fully operationalize the joint venture. And that way then we would create that as an entity within Saskatchewan because it would be subject to the Provincial Auditor, and we want to make sure that our records are auditable in Saskatchewan. So then we would be required to have our head office in Saskatchewan, and then we would have to conform to . . . Well if we were a Treasury Board Crown, then we would have to conform then with their guidelines.

Mr. D'Autremont: — Well it seems the government doesn't have a problem creating Crown corporations in other areas, thinking of the wind generation corporation. Would it be possible to create a Crown that would deal with the sale of this product associated to Sask Gaming, but not subject to Treasury Board? Would it be possible to create that within CIC and Gaming Corporation deal with that CIC Crown? Or is it absolutely necessary that Gaming become a CIC Crown to do that?

Hon. Mr. Hagel: — Sorry, Dan. We get so caught up on the answer, what was the question again? Sorry.

Mr. D'Autremont: — Whether it's possible to create a corporation that would do the sales work rather than Gaming having to do it.

Mr. Davies: — The reason that we weren't looking at establishing a new Crown corporation at this point would be that, unless we have some sales and know that it's going to be successful, we wouldn't go through the expense of establishing another Crown corporation. That's one reason.

A second reason really is that we are looking for more than one way to use our management expertise for business development opportunities. So we hope that this is the first of a number of different kinds of services that we can develop for the gaming industry that we could sell.

Mr. D'Autremont: — Thank you. When you said a word that caught my ear, an expense, what kind of expense is changing over from a treasury Crown to a CIC Crown going to involve?

Hon. Mr. Hagel: — Thanks. And if I could just add to the previous answer before coming back to this one specifically, is I think one of the things, in addition to what Mr. Davies had said, that makes it attractive as well about moving to the CIC structure and being in a better position to develop business plans for business profit reasons, is that we are well aware that within the casino industry, that the Gaming corporation is in a very . . it is a very attractive corporation because our demographics mean that we have a significant population of young Aboriginal men and women who are involved in management — and that's increasing in emphasis as well as people move through the ranks — and that it has the potential for people who are currently involved in supervision and management to take on additional kinds of activities in addition to what they currently assume.

That contributes to a retention tool for good people that we have. As we certainly recognize that we have got some good employees who are attractive to other casinos, and that part of what we need to do in order to retain good, qualified employees is to make the work challenges more attractive, and ability to move to other things is part of doing that.

In response directly to the question you just asked, there is anticipated there'd be some additional costs for board expenses and some other minor administrative costs in order to be

consistent with CIC policy. And our best estimate at this time is that the implied expenses would be approximately $160,000.

Mr. D'Autremont: — Now a significant portion of that 160,000, I assume, would be annual increase in costs. Your board costs are not just one-time costs; they're annual costs. So how much of that would be annual increase in costs and how much of it would be a one-time increase?

Hon. Mr. Hagel: — The bulk of that would be annual. There are some very small one-time costs like legal-related costs, but that's anticipated to be an approximation of the annual increased cost.

Mr. D'Autremont: — Does the corporation expect to be able to, with this change, be able to recover that cost on an annual basis? If your sales program doesn't pan out, you're spending the $160,000 to make a change that proves to be non-valuable to you, so obviously you must have an expectation to be able to recover a minimum of $160,000 a year to make this a viable proposal.

Mr. Davies: — I think we have seen our revenues climb consistently over the years, with the exception of the year that we went non-smoking, and we would anticipate that our revenues will continue to grow enough to at least cover that additional cost.

Mr. D'Autremont: — Would this growth though be related to the activities that you could not carry out as a treasury Crown?

Mr. Davies: — No, I think that if we . . . We're looking at moving to a CIC Crown to create additional streams of revenue. But if you're asking me how much revenue we might anticipate from iCare for example, if we are to get a sale, it would certainly cover the cost of the board expenses.

Mr. D'Autremont: — But I don't know what percentage of the $160,000 is going to be board expenses versus other expenses, so does the corporation anticipate this changeover, the additional financial or business opportunities that are generated because it's now a CIC Crown versus a Treasury Board Crown, will it cover the additional cost per annum of $160,000?

Mr. Davies: — I think that we see that if we don't move . . . I mean, in addition to or aside from the expectation that we may increase our revenue by inflation for example or we may increase our revenue through sales from a product, iCare or another management service product, that we do see that if we are going to increase our revenue that is go forward that our better business planning process through CIC would actually help us grow our revenues more quickly in a general way than they currently are as a Treasury Board Crown — as we think that there's a cost associated with staying as a Treasury Board Crown as opposed to simply a cost of moving towards the CIC model.

Mr. D'Autremont: — Thank you. What do you see that cost as being on an annualized basis? What kind of an impact is staying as a Treasury Board Crown going to have on your revenues? Are you going to see an actual decrease in revenues? Are you going to see a slower growth than what you've been experiencing in the last few years? How do you measure to make the determination that being a CIC Crown will give you a better growth in revenue than being a Treasury Board Crown would do so?

Ms. Bruce: — I think one of the issues that the corporation faces with respect to its increased competition is that if the corporation doesn't do something in terms of, you know, new business, expanded business, increased marketing as the minister referred to, we will see a greater piece of the gaming pie in Saskatchewan lost, and it will move from Saskatchewan Gaming Corporation to the First Nations casino. Like, Dakota Dunes will be operational at the end of this year. Yorkton Painted Hand Casino's in the middle of a revitalization, and as well Swift Current is currently under construction.

So with the increased competition in that market, I think that the Gaming Corporation would certainly see a reduction in its revenues. And if we're not allowed to be a little more creative on the marketing side, that we would see our revenues decrease.

Mr. D'Autremont: — Well I can understand that argument, that you need to be able to promote more to deal with the competition. And it's not just going to be the SIGA [Saskatchewan Indian Gaming Authority Inc.] casinos, but it's other jurisdictions as well that are increasing their gaming footprint.

But I don't understand why you cannot do all of that under Treasury Board versus CIC. It seems to me that there's got to be some other driving force that is creating the necessity to make this kind of a change. In making a change to CIC from Treasury Board, does that allow you to enter into new gaming partnerships or to make changes to the gaming relationship between Sask Gaming Corporation and SIGA? Are there some other forces at work here other than just simply the ability to promote Sask Gaming Corporation in Saskatchewan?

Mr. Davies: — In the past when the corporation has had to finance some of its capital projects, it has had to, because we are debt financed, we've had to arrange our financing. And that's not always been forward looking, or you know, those have been sort of short term. And we've limited, to some degree we've limited our planning process to a year-by-year basis in terms of our major expenditures to . . . Or we've had to look for financing for some projects.

So we just think that with retained earnings and a better business planning process, when we're looking at more challenges I think than we faced in the past, we think that we would be better served to have a more long-range planning process with the CIC governance that would help us to, I think, better plan, use some retained earnings to plan expenditures over a multi-year period just to produce a better business model.

Mr. D'Autremont: — Well thank you. I haven't seen a problem in the past though, in a corporation accessing the necessary capital to carry out its functions. All the dollars that have been needed, at least on the surface . . . I mean obviously I haven't sat around the cabinet table to make those decisions, but they seem to have become available for Sask Gaming to carry out its mandate and to operate the two casinos that it does operate. So I'm not sure that, from what I can see looking from the outside, that there's been an impediment for Sask Gaming in

doing that in the past, so I'm not sure why there would be an impediment for that in the future.

But it does raise the question in part of the Act where it says that the changes here will allow the corporation to "participate in joint or other ventures with any body corporate, organization, partnership, firm, or entity." So to me it would seem that there must be some other factor driving this other than just a corporate governance structure or the ability to retain earnings which is, from my observation of CIC, a very limited benefit because the other corporations are not allowed to do any significant retained earnings in place, at least in comparison to the size of their corporate entities. So what other involvement, what will change? This change, what benefit will it give you in forming partnerships or relationships with other entities?

Mr. Davies: — I guess I'd like to respond to that question with a couple of points. The first is that in the past, Saskatchewan Gaming Corporation has been financed by third party debt, and has not received any financing from government. If the SGC becomes a CIC Crown, then we'll be designated as an agent of the Crown and then able to have the same access to financing as other commercial Crown corporations, which is lower than what we would pay as a commercially financed operation.

The other thing I'd maybe just say, and maybe this'll kind of clarify what we're thinking in terms of our business plan and why we think it's important to become a Crown Investments Corporation, we think that there's increased competition provincially and nationally in the gaming industry. We don't see any expanded gaming opportunities for us within the province. We do see that we need to continue to improve our product within the casino to be competitive both locally and nationally. So that's one aspect of it.

But I think when we looked at the fact that there is no real opportunity for expansion on the gaming side, then we thought that there is an opportunity to sell our management services to develop another revenue stream for the corporation. And primarily customers for that operation would be from outside the province so that we would be looking then to be either consulting or with iCare, selling outside the province.

And that's where I think, although we have the authority to do that as a Treasury Board Crown corporation, the regulations that govern how we would do that make it impractical for us really to pursue it fully.

Mr. D'Autremont: — Thank you. I wonder if you could give me an example of how the regulations would make that impractical.

Mr. Davies: — The regulations under Treasury Board are really designed to govern the conduct of executive government really, not a commercial operation. So any of the aspects of sales and marketing of a commercial product by a commercial salesman out in, travelling to various clients, would be quite restrictive. In fact I don't think we would recruit sales people on provincial government salaries to do that kind of work.

Mr. D'Autremont: — Yes, provincial government salaries it seems has become part of the equation on a good many issues in the province these days.

You mention that Sask Gaming has been doing its financing through third party debt, going to the bank or to a capital market, whatever the case may be, but that you, by going to CIC, you would be able to acquire your debt at the same rate that the government is in other entities. Why would a Treasury Board Crown not be able to access debt at the same level that the government is borrowing?

Hon. Mr. Hagel: — Let me answer that. The direction from the provincial government when SGC was founded 10 years ago was that there would be no public funds put into the Gaming Corporation, into the operation of the casinos.

And so as a result of that policy decision, the Gaming Corporation has not had access to the public borrowing vehicle and has had to continue till now by doing third party borrowing. By moving to a Crown Investments Corporation with the Gaming Corporation operations, it would enable the Crown then, the new Crown — CIC Crown, SGC — to participate in borrowing using the same vehicles available to the Crown as it is to all of the other Crowns at similar if not identical rates.

So it is something that flows out of a policy decision having initially been made that with the change in legislation would enable the Gaming Corporation to operate in a more typically business kind of way in dealing with the capital challenges it has to continue to be an attractive, well-marketed commercial enterprise with its objective of producing profits which are then distributed for social purposes.

Mr. D'Autremont: — Would Sask Gaming though not have had at least government guarantees to acquire those loans in the first place? Or what was the corporation putting up then as collateral to secure any loans? Or was it just simply good faith?

Hon. Mr. Hagel: — The answer is that the government was not guaranteeing the loans and that it was corporation assets that had to be put up to protect against the loans. And that's the significant difference here then that would bring into place for the corporation as a CIC Crown. It could then borrow according to the same criteria and standards as other Crowns in order to carry out its commercial objectives.

Mr. D'Autremont: — Well the corporation when it initially started 10 years ago would have had little to no assets with which to borrow against until it acquired some money to acquire property and develop the casinos. So at that point in time was the corporation, were the lenders going on good faith that this was a business entity that would in their minds succeed or was there some other sort of collateral put in place that would secure the loans?

Ms. Bruce: — Originally when the corporation began its operations, it financed its acquisitions through capital leases, so they didn't acquire any provincial government debt and there was no provincial government guarantees. It was primarily capital leases.

Mr. D'Autremont: — So the equipment was in place through a lease at a fairly high rate then to guarantee that there would be at least a profit and recovery for the person providing that leased equipment. Was that the case?

Mr. Davies: — I'm not sure exactly but I believe that's the case, yes.

Mr. D'Autremont: — Okay. Thank you. You've provided one reason now that I find substantial enough to understand it somewhat.

One of the other clauses in the Bill deals with the corporate headquarters can be in any location in Saskatchewan. Is the corporation envisioning moving to another location or why would this be included in the Act?

Hon. Mr. Hagel: — If you look at the Crown corporation Acts for all of the Crowns, you'll see that this is a standard clause within them. And the corporation has no plans to be changing the head office from where it is right now.

Mr. D'Autremont: — So you're saying no plans at the present time?

Hon. Mr. Hagel: — No plans.

Mr. D'Autremont: — I can think of a few discussions that have taken place over time where no plans, certain individuals feel that that means that there could be a plan in the future. So at the present time the government has no plan to move the corporate headquarters?

Hon. Mr. Hagel: — To the best of my knowledge to predict, when the corporation celebrates its centennial the head office will be where it is today. Obviously I can't speak for a minister 10 years from now, 20 years from now, 50 years from now, but as the minister today I assure the hon. member there are no plans for changing the head office.

Mr. D'Autremont: — I just want to be able to quote that at the appropriate time later on. Thank you.

Hon. Mr. Hagel: — I have no reason to believe that you will be wanting to quote it, but let me not try to speculate as to the reasons why the hon. member might want to quote whatever.

Mr. D'Autremont: — Mr. Minister, on the issue of tort liabilities, there is a clause dealing with tort and the corporation in this Act. Is that any different than the liabilities under a treasury Crown versus under a CIC Crown?

Hon. Mr. Hagel: — I'm not able to comment as to whether it is identical, whether the current wording is the same as all of the Treasury Board Crowns. Don't know that.

But included here, this is again it's included here because this is standard language for all of the CIC Crowns. And so actually the bulk of the legislation that you have in front of you simply flows forward as standard language that's incorporated in all of the CIC Crown legislations.

Mr. D'Autremont: — I wonder if you could give us a commitment to give us an answer as to whether or not this is different, if CIC's liability is different than Treasury Board's liability.

Hon. Mr. Hagel: — Yes. We don't have the answer to that today but we'll provide a response to that to the committee.

Mr. D'Autremont: — Okay. Thank you. Under section 8 of the Act, it deals with the remuneration and pensions of employees. Part of the Act here says, "Notwithstanding *The Public Service Act, 1998*," and then it talks about the employment of officers and other employees, remuneration, may engage or appoint professionals, and the superannuation plan. Why are these exceptions being put in place?

Hon. Mr. Hagel: — Madam Chair, again to state the obvious, as a Treasury Board Crown the employees are under the auspices of the Treasury Board. As a CIC Crown, they're under the auspices of then the Crown Investments Corporation and so they will all become CIC employees.

But in terms of the impact, the employment agreements that are in place will simply flow with the change in status as to which kind of corporation the corporation is and nothing will change — that their assurances and benefits will stay exactly the same because they're determined by current agreements that are in place.

But simply put, these become Crown Investments Corporation employees, which they currently are not.

Mr. D'Autremont: — So within CIC Crowns, each organization has its own structure and determines its own remunerations, pensions, are you saying? Or is there a standard within the CIC Crowns? Because obviously if you look at SaskPower, they have their own separate union. SaskTel has a different, maybe the same union but a different local, so a different organization. So each one of these Crowns will have a separate bargaining agreement. There'll be separate remuneration packages for each of the senior managers, etc.

Does CIC though not have guidelines in place for dealing with senior management as to what their pay scales are, not necessarily the individual level per individual but there are scales in place depending on the size of the corporation?

Hon. Mr. Hagel: — The short answer to that long question is yes. The Crowns will have common policy, and there will be consultation between the CIC Crowns to ensure that human resources obligations fit with CIC policy. But they are individually negotiated then and individually put in place, as the Gaming Corporation agreement with its own employees has been individually negotiated and put in place as well.

So the implication here is that whereas the employees were previously in a corporation that was a Treasury Board Crown, they become now employees in a CIC Crown, but that will not impact in any way the nature of the benefits or employment circumstances that those employees experience as a result of the shift from Treasury Board to CIC Crown.

Mr. D'Autremont: — Thank you. The changes in section 9, the participation in joint and other ventures with any corporate body, is the Gaming Corporation looking at forming any partnerships or ventures with any other corporations that are in the gaming industry?

Hon. Mr. Hagel: — At this point in time the only joint venture

that's being explored and looked at is the one that we've already referred to related to the iCare program.

Mr. D'Autremont: — So the corporation isn't looking in forming any partnerships or joint ventures with any of the larger, better known, major gambling syndicates from around the world?

Hon. Mr. Hagel: — The answer's a clear no. In fact, they may be more inclined to want to join with us in Saskatchewan. No, I say that in jest. The corporation is proud of its place in the industry in Saskatchewan — both casino industry, but also, obviously, the tourism industry. And it has no plans to be joint venturing with other major casino players.

Mr. D'Autremont: — Okay. Thank you. In section 9.1, and I mentioned this in my address in second reading debate, you have in section 9.1(1)(a), it says, this is talking about the corporation, may "acquire, by any means, any property that the corporation considers necessary . . ."

Why is it necessary to have those words "by any means"? That seems to indicate that whether the means are legal or illegal, nefarious or straightforward, that it's irrelevant as long as you acquire the property.

Hon. Mr. Hagel: — Again if I can assure the hon. member there's no intentions to be doing anything illegal or nefarious. What you will have here is — as is the case with most of this Bill — is standard language that you will find as you look at the legislative framework that affects the Crown, CIC Crown. So this is a piece that was simply taken from that standard legislative language and included here as it is with the others to make it consistent with them.

Mr. D'Autremont: — Well to me it indicates that there is something wrong with the wording when that is included that it. To acquire any property, that's the right of a corporation, and one assumes that that acquisition will be done in a proper and legal manner. But when you include the words "acquire by any means," it indicates that regardless of the legality of it, the corporation is still going to proceed with acquiring that property. It may mean nationalization, it may mean expropriation, it may mean various and sundry other things.

So I think those three words in there are unnecessary and detract from the operation of the corporation and give an impression that this corporation is prepared, if need be, to exercise whatever muscle or means it has available to it to gain its advantage and acquire whatever property it desires to have. And I don't see those three words as being of any benefit within this piece of legislation whatsoever. So I question why they're even in there.

Hon. Mr. Hagel: — Well, Madam Chair, again I'm not, I don't speak as a lawyer. I don't pretend to be. But I think the answer may be found when you read through the whole, the logical conclusion of the statement in the clauses. You see it there where it says:

> Subject to subsection (3), the corporation may:
>
> [then, as you said] acquire, by any means, any property that the corporation considers necessary for the efficient operation of its business;

And so on. And then subsection (3) says:

> If the purchase price or sale price of real property included in one transaction entered into by the corporation exceeds the amount fixed by the Lieutenant Governor in Council, the corporation shall obtain the approval of the Lieutenant Governor in Council before acquiring or disposing of the real property**".**

So I think when you look at it in its entirety, what it does is it ties the legal authority . . . And I don't know that I'm aware of any piece of legislation that says, according to this legislation you can do something illegal. I don't think that happens. That would be an odd thing to put into a piece of legislation.

But what it does, as you'll see by that, is it makes the acquisition subject to criteria that are standard for CIC Crowns. And again I repeat, the reason for it being there is to simply give it the same legal framework and authority of the other Crowns, no more, no less. And I suppose any aspirations or suspicions one would have about this phrase would be similar to the same phrase in other legislation which this is parallel to.

Mr. D'Autremont: — Well in some of the other Crowns — SaskTel, SaskPower, SaskEnergy — at times they need to acquire property for the passage of a transmission line or telephone line or a gas line where they may have a landowner that is reluctant to part with his particular piece of property, and they need to have the means available such as expropriation to proceed with that.

Sask Gaming Corporation doesn't have that same imperative of public service, providing electricity or gas or telephone service to the public that those corporations would have. And I think if you read that section in its entirety and take out the words "by any means," it doesn't change the meaning or the abilities of the corporation whatsoever in doing its business.

It strikes me that those three words are totally unnecessary in this particular Act. Even though it may be long-standing tradition for the Crown corporations to be able to act by any means, I don't think that the Gaming Corporation in this particular case needs to be able to do that. That the strength of the legislation is there to make the necessary acquisitions and the purchase price, if it's too high, needs to go to the Lieutenant Governor in Council whether those three words are there or not. So I don't see the benefits of having them there.

Hon. Mr. Hagel: — Madam Chair, just in response to the hon. member, I understand the point that he raises. This is the wording that has been recommended by legal counsel, to have the parallel for the Gaming Corporation as it is for other corporations. The hon. member will be . . . And so for that reason it's my view that the wording should stay as proposed.

However I also do understand that it is, in legal circles it is at times appropriate, the remarks that are made by the member of the Executive Council dealing with legislation, to interpret their application in a subsequent legal action. And so being fully cognizant of that, Madam Chair, let me simply say that the

Saskatchewan Gaming Corporation has no intent to use that particular phrase to engage in expropriation of property.

I at the same time do not want to limit its ability to use a variety of means for acquiring of property in order to carry out its business operations. But I think on this case, with that, I'm certainly quite happy to make that clear statement of intent which is now on the record, having said that, and to say that perhaps on this point the member and I just agree to disagree.

Mr. D'Autremont: — Well thank you, Mr. Minister. I believe that those three words should be removed, and I'll be proposing an amendment to do so. So I think at this time that's all the questions I have on this particular Bill and we can proceed.

The Chair: — Thank you, Mr. D'Autremont. Back to Bill No. 59, The Saskatchewan Gaming Corporation Act, short title, clause 1, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 9 inclusive agreed to.]

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — I believe it's in clause 9, in 9.1(1)(a) that I wish to make an amendment. We've already . . . It's not yet? That's 10. Okay. Too many 9's and 10's.

The Chair: — Thank you, Mr. D'Autremont. So moving on.

Clause 10

The Chair: — Clause 10, is that agreed? Mr. D'Autremont.

Mr. D'Autremont: — Thank you. As we've already discussed, the three words "by any means" to acquire property, I would like to make an amendment:

> That in Bill 59, An Act to amend The Saskatchewan Gaming Corporation Act, in clause 9.1(1)(a) remove the words "by any means" after the word "acquire."

I guess that should read:

> In clause 10 section 9.l(1)(a) remove the words "by any means" after the word "acquire."

The Chair: — Motion before the committee is the amendment proposed by the member for Cannington. I'm going to have to try and read your handwriting here, and this is always tricky . . . [inaudible interjection] . . . As read. I'm going to do that. Thank you for allowing me the privilege of saying, as read by the member for Cannington. Is that agreed?

Some Hon. Members: — Agreed.

Some Hon. Members: — No.

The Chair: — It sounds like the nays have it.

Some Hon. Members: — On division.

The Chair: — On division. Thank you very much. So that takes care of the amendment. Moving ahead then with clause 10, is that agreed?

Some Hon. Members: — Agreed.

[Clause 10 agreed to.]

[Clauses 11 to 14 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Saskatchewan Gaming Corporation Amendment Act, 2007. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. And can I get a motion to move without amendment?

Hon. Mr. Addley: — I so move.

The Chair: — Minister Addley. Thank you. All right. Thank you to Minister Glenn Hagel and his officials for answering all the questions posed before the committee today. Thank you. Minister Hagel.

Hon. Mr. Hagel: — Thank you, Madam Chair. I'd like to thank the members of the committee for their questions and assure them that I think this is a positive step forward for the good people of Saskatchewan and to thank the committee for their deliberation and the officials for their good work not just today but in an ongoing way. Thanks.

The Chair: — Thank you very much. Mr. D'Autremont.

Mr. D'Autremont: — I too would like to thank the minister and his officials for coming in today and answering our few questions.

The Chair: — Thank you very much. So we still have a number of considerations of estimates before the committee, so we'll be moving right along here.

General Revenue Fund
Information Technology Office
Vote 74

The Chair: — That would lead us to Information Technology Office, vote 74 which can be found on page 104 of the estimates, which is central management and services (IT01) in the amount of $1,925,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — IT coordination and transformation initiatives (IT03) in the amount of 3,113,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And major capital asset acquisitions (IT07) in

the amount of 250,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. We also have interdepartmental services (IT04) and amortization of capital assets, which are non-votable.

That takes us to Information Technology Office in the amount of $5,288,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you.

> Therefore be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2008, the following sum for Information Technology Office, $5,288,000.

Can I have that moved by a member, please. Minister McCall. Thank you very much.

[Vote 74 agreed to.]

General Revenue Fund
Property Management
Vote 13

The Chair: — Moving on to consideration of estimates for Property Management, vote 13, which can be found on page 128. We have accommodation services (PM02) in the amount of 8,394,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. And central management and services (PM01) and project management (PM03) in the amount of 1,170,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Purchasing (PM04) in the amount of 1,883,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Transportation services (PM05), which is non-votable. **A**nd government support services (PM06) in the amount of 401,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And major capital asset acquisitions (PM07) in the amount of 28,756,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: —

> Therefore be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2008, the following sum of, for Property Management, 40,604,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And can I have someone move that motion as well, please? Minister Wartman. Thank you.

[Vote 13 agreed to.]

General Revenue Fund
Public Service Commission
Vote 33

The Chair: — And moving on to Public Service Commission, vote 33 — which can be found on page 134 — central management and services (PS01) in the amount of 2,478,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Human resource information services (PS06) in the amount of 6,331,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Employee relations, policy, and planning (PS04) in the amount of 2,187,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Human resource client service (PS03) in the amount of 3,844,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Aboriginal Career Connections program (PS07) in the amount of 541,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Amortization of capital assets in the amount of 1,360,000 is non-votable. That takes us to:

> Therefore be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2008, the following sum for Public Service Commission, 15,381,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. And can I have someone move that motion, please? Minister McCall. Thank you.

[Vote 33 agreed to.]

The Chair: — Minister McCall, did you have a motion to present?

Hon. Mr. McCall: — Yes, Madam Chair, I do. I move:

> That the ninth report of the Standing Committee on Crown

> and Central Agencies be adopted and presented to the Assembly on May 8, 2007.

I so move.

The Chair: — Thank you, Mr. McCall. So, Minister, the motion reads:

> That the ninth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly on May 8, 2007.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Carried. Thank you very much, everyone. Good work done, and this committee stands adjourned. Thank you.

[The committee adjourned at 17:15.]