



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
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Moose Jaw North

Mr. Dan D'Autremont, Deputy Chair
Cannington

Hon. Graham Addley
Saskatoon Sutherland

Mr. Dustin Duncan
Weyburn-Big Muddy

Ms. Donna Harpauer
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Hon. Sandra Morin
Regina Walsh Acres

Hon. Mark Wartman
Regina Qu'Appelle Valley

[The committee met at 13:34.]

Saskatchewan Gaming Corporation

The Chair: — Let me call the meeting to order. We have before our committee this afternoon on the agenda the Saskatchewan Gaming Corporation, consideration of the 2004-05 and the 2005-06 annual reports and related documents. This comes to the committee not because the Saskatchewan Gaming Corporation is a CIC [Crown Investments Corporation of Saskatchewan] Crown — which it will become but is not for the purposes of this report — but it comes before this committee by virtue of rules no. 141 and 142 which put under the purview of this committee the policy area of gaming and then, related to that, reports from the policy area. So just to clarify that point and to avoid any confusion that we may be prematurely considering the Saskatchewan Gaming Corporation prior to it becoming a CIC Crown.

Having said that, I want to recognize that we have two members substituting today — Pat Atkinson substituting for Sandra Morin, and Delbert Kirsch substituting for Dustin Duncan for the afternoon.

And so having said that, first of all I would recognize the Hon. Harry Van Mulligen as the Minister Responsible for the Saskatchewan Gaming Corporation. And, Minister, if you would like to introduce your officials and then make any opening remarks, and then we'll proceed from there.

Hon. Mr. Van Mulligen: — Thank you very much, Mr. Chair. Seated beside me on my left is Marty Klyne. He's the president and CEO [chief executive officer] of the Saskatchewan Gaming Corporation. Seated on my right is Twyla Meredith. She is the senior vice-president of finance and business development. And behind me on my right is Les Cloutier, the director of table game development, and Elliott Daradich right behind me, the director of slot development. I think I got that right. Okay, great.

I'm very pleased to be here this afternoon. I just want to reflect on a couple of items, Mr. Chair, if I might. As you know, the Gaming Corporation appeared before the Public Accounts Committee in June. Legislation was considered and adopted in May to change the Gaming Corporation from a Treasury Board Crown to a CIC Crown. And I'd like to take a few minutes to discuss the two annual reports under consideration.

First as you may have noticed, there are a number of issues mentioned in the 2004-05 annual report that were flagged by the Provincial Auditor, but I believe these were dealt with in the '05-06 fiscal year. You will also see the Public Accounts Committee noted progress has been made on all the issues listed by the Provincial Auditor.

The second of the two annual reports observes the 10th anniversary of the Saskatchewan Gaming Corporation over that decade. The corporation has in my view made a number of significant contributions to Saskatchewan and in Saskatchewan. The total impact Casinos Regina and Moose Jaw have had on the province's economy is equal to hosting six Grey Cup events each year for the past 10 years. In its first decade, over 16

million guest visits were recorded at Casino Regina. I think that's more than half the population of Canada. Casino Moose Jaw proudly passed the 2 millionth visitor mark last spring.

The Gaming Corporation added over \$829 million to the provincial gross domestic product, including over \$371 million in wages and salaries. Since 1996 over \$241 million of the Gaming Corporation's profits have been delivered to the province's General Revenue Fund and available to fund initiatives such hospitals, education, roads, and other community enhancements. One hundred per cent of the Gaming Corporation's profits go to the General Revenue Fund but an amount equal to 25 per cent goes to non-profit community organizations through the Community Initiatives Fund and a further 25 per cent goes to the First Nations Trust Fund. The Gaming Corporation is also proud to have one of the most inclusive workforces in the country. Nearly 50 per cent, 50 per cent of the staff are of Aboriginal heritage.

2005-06 began in a very challenging environment with a smoking ban that took effect January 1, 2005. The Gaming Corporation not only rode through the expected downturn in revenue, but through proactive measures it experienced a rebound more quickly than expected and was able to ease out of what would otherwise have resulted in lingering negative effects.

2005-06 was a year of major accomplishments for the Gaming Corporation. We were proud to be named Business of the Year at the Tourism Saskatchewan Awards of Excellence, I think indicating that the corporation is heading in the right direction.

And as well Saskatchewan Gaming Corporation is proud to be a leader in responsible gaming. Casino Regina opened its responsible gaming information centre, only the second of its kind in Canada. This resource, referral, and education centre assists guests with making informed choices about gaming.

During this year the Gaming Corporation continued to build upon its reputation of excellence and generated profits that benefited all citizens of our province. And we will continue to remain accountable to the people of Saskatchewan as we strive to become the premier entertainment destination or destinations for the two casinos. And I think that concludes my remarks, Mr. Chair, and be pleased to entertain any questions.

The Chair: — Thank you very much, Minister. I will now turn to Andrew Martens from the Provincial Auditor's office, ask Mr. Martens to introduce officials who are with us from the Provincial Auditor's office and make any statements that he would like to make. Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. With me today is Mr. Bashar Ahmad, who is the deputy provincial auditor in charge of this audit, and Carolyn O'Quinn, the principal who leads the work on this audit. I'm going to ask Mr. Ahmad to make a brief statement at the results of our audit for the two years in question.

Mr. Ahmad: — Thank you, Andrew. Good afternoon, Mr. Chair, and committee members. We have completed our work for both years — that's March 31, 2005 and March 31, 2006.

We report that for each of those years the financial statement of the corporation are reliable, except for the matters reported in our 2005 report volume 3 and 2006 report volume 3. For each of those years the corporation had adequate processes to safeguard its public resources and it complied with authorities governing its activities. And that concludes my remarks.

The Chair: — Thank you very much. In just a moment we'll turn the floor then open for questions and discussion related to the report. Before doing that, I want to acknowledge the officials who are here with us today and ask that if you are going to be speaking on the records — the distinct possibility that you may very well be over the course of the deliberations this afternoon — if you would give your name and title the first time that you speak so that we can be sure that we've accurately, for Hansard purposes, recorded your participation and that we're accurate in that way. So with thanks for your attendance and participation, I'll now open the floor for questions to the minister. Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. I'd like to welcome the minister and his officials here today. As the minister indicated, we went through part of this in Public Accounts back in June, and so we're not dealing with that particular section of it today. But from the Public Accounts there was some questions asked and some indication that responses would be forthcoming from Saskatchewan Gaming. I wonder if those responses are available?

Ms. Meredith: — It's Twyla Meredith, and I'm the senior vice-president of finance and business development. Yes, I think you're correct. There were three undertakings and we have gathered the information. We don't have it in written format for you today. I could try to answer them for you or I can submit them in a written format for you, whatever you prefer.

Mr. D'Autremont: — Well if you would submit them in the written format to Public Accounts and they'll be distributed from there, but I'll ask them orally today.

The first question was related to the number of tables and machines in Casino Regina and Casino Moose Jaw as of March 31, 2005. And there was a discrepancy between the corporation's numbers and the Provincial Auditor's numbers. The totals were correct, but how they were distributed was different. And so I just wondered what you came up with for an answer as to why that occurred.

Hon. Mr. Van Mulligen: — I'll be pleased to let the officials deal with that one, Mr. D'Autremont.

Mr. Klyne: — Thank you. My name is Marty Klyne. I'm the president and CEO of the Saskatchewan Gaming Corporation. With regards to that question, there was a discrepancy in terms of what we reported in our annual report versus the auditor's report which largely — and we're just gathering information to support this and verify this — would be as a result of a snapshot in time where we provided information to be reported. And largely what happened is we took eight electronic gaming devices or slot machines out of Casino Moose Jaw — I think that was the number — and put them into Regina so that we could make room for our poker table. And that transition was

not caught between the snapshot in time of providing information and recording information.

Mr. D'Autremont: — I know we went through this discussion in Public Accounts, but it seems to me that when you're doing that snapshot in time it's supposed to be March 31. The reports aren't done and written on March 31; we get them some months later. And so I would have thought that it would have been fairly . . . or should have been fairly easy to correlate, to make sure that everybody is using the same numbers as of March 31 because it's not being done on that day or April 1. It's being done some months later.

And so I wonder, you know, because while it may seem a minor problem — that you've got the right number of tables, they're just not allocated in the books in the proper place — it brings in the question, what else then is not correct? And so I think it's important that the information be correct when you're making the statement that this is the accounts for the corporation as of March 31 of whatever year it might be, that those accounts are accurate. And when these kind of numbers come up from two different, supposedly credible, organizations that disagree, then it brings in the question who is right and who is wrong.

And I know in questioning the Provincial Auditor they went with the information that was coming from the corporation as to what was in place on March 31, and then the corporation reports something different itself. So I think you need to be careful with those issues that the numbers are proper.

The second question was related again to those machines and the tables and what revenue impact it had in either one of the casinos in making the move — the machines out of Moose Jaw and the table in versus the machines in Regina and the table out. What revenue impact did that have?

Mr. Klyne: — Specifically I couldn't give you the numbers, but I'm fairly certain when I say that the consolidated revenue was, between the two properties, was likely unchanged. If anything the poker table probably that was put in would not have generated as much revenue as the machines that were taken out. And so really the poker table was brought in to accommodate a demand by guests, not to try to maximize revenue as much as deliver on guest service expectations.

Mr. D'Autremont: — So there would have been a negative impact to Moose Jaw then with the removal of the electronic machines as opposed to the table going in?

Mr. Klyne: — Intuitively I would say yes, and I'll just look over my shoulder to see if somebody wants to clarify that. But the gaming devices that were taken out probably, I'm fairly sure, would have generated more revenue than the table that was put in. However the consolidated revenue for the Gaming Corporation would not have been negatively impact on that. And I'll just see if anybody can clarify or add something to that. Correct. So we'll stand with that. Thank you.

Mr. D'Autremont: — So it would have had a negative impact on Moose Jaw but a positive impact on Regina.

Mr. Klyne: — Yes. And overall . . .

Mr. D'Autremont: — Overall a relatively insignificant change to the overall corporation, but it could have an impact on either one of the two casinos themselves in the sense of their profit levels.

Mr. Klyne: — Yes, correct. And it was done out of the interests of guest service expectations.

Mr. D'Autremont: — The last question that a response was to be provided for was the number of employee files that had not been completed, had not included the completed performance evaluations. It had been at 60 per cent, and what was the percentage today of that evaluation? How many had those evaluations completed in their files?

Mr. Klyne: — The difference between then at that then time and today would be profound. I'd say we've come a long way in terms of doing performance appraisals. And indeed we've created new tools. We're doing quarterly checklists. We're doing quarterly appraisals and annual. And the exact number I can't report, but I would be pleased to because it is a good, shining report in terms of then to today.

Mr. D'Autremont: — That was one of the items that you were going to report back to us, and I just wondered if you had those numbers available yet.

We'll move on to the annual reports since that was the questions that were left from the Public Accounts. One of the questions that I have is we know of a number of harassment complaints that have been filed with government employees. Has Casino Regina or Casino Moose Jaw, the Gaming Corporation itself had any complaints filed about its employees and if so, how many?

Mr. Klyne: — I can't give you a number. I wouldn't say it's anything out of the ordinary, but I don't know that harassments . . . cases have been filed. However we have had some internal investigations jointly, investigations done jointly with management and unions to look at any harassment issues, and largely they've been dealt with internally by that joint investigation exercise. In terms of the numbers, I couldn't tell you that off the top of my head. I'd be pleased to provide that.

Mr. D'Autremont: — Well you say out of the ordinary. I have no idea what ordinary would be for a gaming corporation. So can you give us some indication of what ordinary would be then?

Mr. Klyne: — I would not speak to that in terms, and didn't make the reference in terms of the gaming industry as much as a place of employment where you have 1,000 employees. I would have to say that I have nothing to suggest, or there's been nothing to suggest or brought forward to me or that I'm aware of where there'd be a peculiar number of incidences. And as I say, those incidents that do arise are done on a joint investigation between management and the union.

Mr. D'Autremont: — When a complaint is filed it goes before your joint committee of management and the union. How is it dealt with? Is a recommendation made from your committee as to what procedures should be taking place? Once that recommendation is made, what input would the employee have

that is filing the complaint? What input would the employee have that the complaint is filed against? And does the corporation follow the recommendations of the committee?

Mr. Klyne: — The investigation would be just that it would provide opportunities from both parties, if you will, to provide their input and certainly the joint investigation team would be in pursuit of gathering enough diagnostic and research background to make some recommendations. And then the recommendations are followed.

For those in scope they still have the opportunity to grieve the recommendation one way or the other. So that may go to a level 2 grievance to be resolved by someone within management at another level, perhaps a vice-president level. And if it is continued to be further grieved it would go to a level 3 grievance which then would come to my attention.

Mr. D'Autremont: — And when a recommendation is made by the committee does management follow through on that recommendation or do they modify it in some means?

Mr. Klyne: — I'm not aware of anybody not following recommendations.

Mr. D'Autremont: — When the corporation has made a decision on this and proceeded with it, is CIC . . . are the board of directors of Gaming Corporation informed of any information in relationship to a harassment complaint and the decisions that are made.

Mr. Klyne: — There isn't a regular report brought forward in terms of number of harassment issues. And they . . . again, they would be few and far between. And if there was anything of any significance of not being resolved or would go to a further level of say beyond a level 3 grievance, it would certainly be brought to the attention of senior management and board.

Mr. D'Autremont: — So first off you would go to the joint committee. Secondly, where you're saying is a class 2 grievance would go to an upper management level. Class 3 would go to yourself. What goes beyond that?

Mr. Klyne: — If it went beyond that, and I'm not aware of anything going beyond that, it would likely go to a matter if the, for instance, union wanted to take it to a decision of court.

Mr. D'Autremont: — So it's not an internal mechanism at that point. It would be through the court system.

Mr. Klyne: — That's correct. Yes.

Mr. D'Autremont: — Okay. And do you report to the board the number of harassment complaints? Or is there no reporting to the board?

Mr. Klyne: — If it is a normal grievance process, it wouldn't go to the board. Anything I would think that, and we haven't experienced this, but if it was of a . . . in regards to or involved a senior member of the management team, that would be brought forward as an information item to the board. But again there hasn't been any incidents like that.

Mr. D'Autremont: — Well I wonder if you could provide us with the information, the committee, with the number of harassment complaints that were filed with the corporation for both years 2004, 2005, since those are the years we have under discussion and the numbers that went into class 2 or class 3?

Hon. Mr. Van Mulligen: — We'll undertake to provide that information, Mr. Chair.

Mr. D'Autremont: — Okay. Thank you. You did a number of studies for the 2004-2005 annual report and you've listed your performance measures and key objectives that were done. And customer satisfaction, you did a survey of your customers and you developed, it says here, some new measurement tools. And your ratings for Casino Regina were 8.8 and Casino Regina was just over 9.0.

What are you measuring when you're making these evaluations? Like, what kind of questions are you asking and what kind of responses do you get back from the customers when they, because they're obviously not rating you as perfect as 10's. So what are their concerns when they don't give you the best possible rating?

Mr. Klyne: — With regard to that particular report, the two largest concerns or issues that were raised by those conducting a survey: number one, was parking, and number two, was payout.

Mr. D'Autremont: — Well I assume that everybody but the winners are concerned about the payout. What have you done to address the parking concerns?

Mr. Klyne: — Parking has been significantly enhanced at Casino Regina and that's largely one of the, probably the difference between 8.8 and 9.0 in Casino Moose Jaw. We did enhance parking in 2001, but it continues to be an issue determinant on how far they have to walk from where they can park their car.

We elected not to go up, but to go out. And we've found that through a number of . . . or a number of times, research, that gaming people prefer to be surface level parking as opposed to going into parkades. But then it will be those that complain. We get quite busy with the . . . at both properties and they'll actually have to walk further. Depending on whether the west lot or east lot is full, they may have to go further east through the parkade and up into the parkade to park. And that's when the concerns start to arise because they don't like to go up into the second level of the parkade.

Casino Moose Jaw is a bit of an anomaly. Initially the parking stalls were too close together. We've since removed the line which now reduces the number of parking spots on the surface. But the peculiar thing is, is that a number of gaming folks don't want to use the parkade and they actually park on the street. And so we just did a recent survey in Moose Jaw which suggested: (a) we want it free; and, (b) we want it fixed. And the fixed is more surface parking, but as I say they don't use the surface parking.

Mr. D'Autremont: — I'm not sure what that says about the psychology of gamers that they want higher payouts but they

want their cars on the level.

Another part of your strategic directions was social responsibility and Casino Regina has gone with their — or I shouldn't say Casino Regina, Saskatchewan Gaming Corporation — with the responsible gaming information centre. How many contacts are you getting in those centres in 2004-2005, 2005-2006 or if you want to carry on with the current, that's fine as well with the chairman's permission.

Mr. Klyne: — We do track those numbers and we do provide that information to the board monthly at their monthly board meetings. Off the top of my head, I can't tell you. But I would be confident of the level that we are interacting is one that would be regarded as admirable, but I can't give you that exact number off the top of my head. In the last period reported, it was somewhere around 400 interactions. And as I say, that is reported monthly so I can resource that quite quickly.

Mr. D'Autremont: — When you say 400 interactions, how many of those would be people with gaming concerns and how many of those would be information seekers in the sense of . . . I notice in the one report it was listing your percentages of house return and, you know, how much the average gamer wins or loses — that sort of information — more technical information that someone could utilize to say, you know, I should be playing this versus playing that. So how many are gamers with concerns versus gamers looking for an edge?

Mr. Klyne: — I don't know that they're looking so much for the edge but we, as you've correctly identified, we do provide an education process that demonstrates to them how machines work and outlines and highlights the house does have the advantage and that it is a game of chance and randomness.

As well, for those that are seeking assistance or help or counselling, whether it's for themselves or for someone that they're concerned about, we don't provide counselling but we do provide referrals. The number that come in voluntarily, if you will, versus those which we proactively want to interact with, I can't give you that number now but I'd be pleased to provide that to you.

The ones that we interact on a proactive basis are exhibiting . . . We have 10 behaviour traits that we monitor and they would be exhibiting a number of those which suggest that perhaps they do have a problem. Also with one of the other things we have in our tool box in this regard is called iCare which is a software program which monitors the activity of play and will be able to identify a play pattern by an individual that perhaps is exhibiting problem gaming. And we will seek them out to go have an interaction with them and ask a number of questions to satisfy ourselves that either: this person we need to do some more proactive work with them, or to satisfy ourselves that they are indeed not a problem gamer.

Mr. D'Autremont: — With your iCare program, how are you tracking or identifying those individuals. I notice you have the ability to . . . You've implemented programming for facial recognition. Can you follow that individual, that you have for some reason identified, from table to table or machine to machine or casino to casino? What keys are you looking for to indicate to you to make the assessment that this person has a

problem?

Mr. Klyne: — The thing which would flag it to us, if you will, would be that the software system would be . . . has 125 different variables and an algorithm which would be churning through these. And if it identifies the pattern that somebody is of high risk or moved from a medium to a high risk, that would be flagged for us and we would want to seek them out. And we're, for all intents and purposes, we're aware when they are in the house and we will seek them out to have a proactive interaction with.

To my knowledge if they are not banned either voluntarily or involuntarily we would not involve surveillance to use facial recognition to track if they're in the house. And to my knowledge we have not used that to seek anyone out that is not banned.

Mr. D'Autremont: — What would trigger then that concern? Is it that they are . . . Okay maybe I should ask for another question first. Is a gamer allowed to have a credit with the corporation, that they have a \$5,000 spending limit with you or that you'll give them credit for, you know, a certain amount of money so that you're tracking whether or not they're utilizing that kind of a resource such as a credit card that would be issued by the Gaming Corporation? Is there some sort of a financial trigger that would indicate to you that this person is a potential problem gamer?

Mr. Klyne: — There is certainly no credit provided, and they can't access funds through credit cards to play. And I'm certainly not going to make it sound trite or be glib about the answer in terms of identifying somebody that might be developing a problem gaming behaviour.

As I say, with our iCare software there's some 125 variables that go into this algorithm that are monitored and tries to extrapolate the information to determine if they are exhibiting a problem gaming behaviour. As well on the floor all our employees are going through various levels of training to be able to, one, spot a problem gamer that might be exhibiting one of 10 traits of a problem gaming person. And there are other levels that progress beyond that which also addresses how to interact with that individual and determine whether or not they are in a situation where they require some direction or some assistance or referral.

Mr. D'Autremont: — What kind of signals would a customer give off that would indicate to you that there is a problem? If somebody shows up at opening time — and I have no idea what time that would be — sits there at the same machine all day long and leaves when you close and does that every day of the week, I can understand that that might seem like someone you might want to talk to. On the other hand if they come in at irregular hours and move from machine to machine or table to table in both of your casinos or at the VLTs [video lottery terminal] in the hotels, how do you make that evaluation that that person is someone maybe you should be interacting with?

Mr. Klyne: — There are, as I say, there's 10 traits — and not to list them all — but duration, frequency, and spend would certainly have some indication. They're not indicative, but they're certainly an indication. Other things that people observe

are banging on the machines, yelling at the machines, and a constant criticism of the payout, and reference to chasing losses, and reference to financial and economic hardships.

Mr. D'Autremont: — I have an old tractor very much like that. But if a person kept moving, would it be that easy to track them? Or are you tracking them . . . are they people who join your club card or whatever it is that . . . member's card or . . . You have a special name for it. I can't remember what it is. But it identifies them as a regular user, and they get benefits for utilizing, visiting the casino. So is it more that you're tracking those individuals or just any gamer coming in?

Mr. Klyne: — The infrequent player would probably not capture anybody's attention. For those that are non-player club card members but enjoy coming down for the entertainment, and they will develop relationships with people on the floor. And so people on the floor are pretty much aware of who the avid gamers are looking for entertainment. And then there is the player club card members which those are ones that could be monitored if you wish and would be, as you say, could move around from machine to machine.

But as I say, even non-player club card members because they're . . . We have an environment that is very much around guest service excellence, and we do develop a lot of relationships with people on the floor, very close relationships. And we are aware where they are. And again if they're there enough times, they become known, but also they have to be demonstrating one of those traits before we would be concerned or be taking notice of their pattern or behaviour.

Mr. D'Autremont: — When you have identified someone that you should interact with, the people that are discussing this with them, what kind of — they're not counsellors — but what kind of suggestions would they be making to those individuals?

Mr. Klyne: — It's a very professional interaction, if you will. There's somewhat of a formatted or scripted number of questions you would ask which is largely on the basis of discovery and trying to assess the situation. And with that then they'll . . . it could be an individual that's only taken level 1 training, and their job is really just to identify. They wouldn't actually be making the interaction. They would probably refer it to someone with either level 2 or level 3 training or the responsible gaming officer to then go in and make the discovery or the interaction.

The script, if you will, is laid out to ask the right questions to get the sense of assessment of whether or not it should be pursued further. But it's very much along the lines of a professional dialogue and it's not, by any means, it's not an intervention if you will. It's more of an interaction and a discovery.

Mr. D'Autremont: — I brought with me the news release — but I didn't bring it all with me — that was put out on July 13, 2005 with the announcement of the responsible gaming information centre going into Casino Regina. And it talked here about . . . one of the slides was, try a variety of games, experience other attractions in our casinos, enjoy gambling as a recreational activity.

Would one of the pieces of advice or suggestions that might be made to someone who is being identified as a potential gaming addiction to try a variety of games? I'm not sure how that would be . . . If they have a gaming addiction — and perhaps it's VLTs — going to the roulette wheel I'm not sure really changes a lot for them, other than the game.

Mr. Klyne: — If they're having a problem, for instance on an electronic gaming device, they will be prone to stick to that and chase their losses as opposed to those that are really trying to sample the entertainment and the opportunities. They will move around from different types of machines to different types of . . . they'll probably move from a game of chance which would be an electronic game machine to a game of skill which might be a table game. They won't stick to one, if you will. And largely what you have to do when you're suggesting try a variation is you're trying to suggest to them they need to break the pattern of playing on that one particular machine, and they're probably chasing losses.

Mr. D'Autremont: — Maybe that's why I don't make a very good gambler because I view them all as random chances. It just seems to me that if a person has a gaming addiction, a gambling addiction, directing them to a different type of gambling doesn't deal with the addiction. It maybe puts a different flavour on it, but it doesn't change the addiction. And I would think that someone who is . . . And obviously they need professional help, not the people on the floor making the decision.

Mr. Klyne: — If it was somebody that we thought had a problem, we wouldn't be suggesting they try another game. We would be offering the . . . suggest that they . . . if they would like to seek some counselling and making those referrals.

Mr. D'Autremont: — The last page on the ad . . . Not the ad, excuse me. The news release that was promoting the responsible gaming information centre, you know, showed a couple of people — see it's black and white so it's hard to tell — enjoying themselves in the casino. Obviously if they have a gaming addiction, they're not going to be up dancing.

And I'm not sure that this kind of an ad, I'll say that, within the publication showing entertainment and enjoyment when you're trying to tell somebody that . . . or discuss with someone that they have a gaming addiction sends the right message. It's sending the message to them that this is fun. We're telling you, you have a problem. We're discussing this with you, but we're also saying go to the casino and have fun. And obviously the casino encourages their addiction. So I question the use of this kind of an image in talking about responsible gaming to someone that has the addiction.

To someone who doesn't have the addiction, it's a different story, you know. For them the casino should be entertainment and to go and have fun. But for somebody who's already potentially suffering from the addiction, I'm not sure that you want them to continue to believe that the casino is fun so it's good to go and drop your coins in the slot machine.

Mr. Klyne: — A huge, vast majority of the people that come into our properties — or any gaming house for that matter — and our complex, they are there for the entertainment and they

are having fun. I would agree with you that somebody that is having a problem and is experiencing economic hardship and financial hardship and even personal considerations of a hardship nature probably shouldn't be . . . have a smile on their face and having fun unless they're in denial. But if, I would submit to somebody that probably has a behaviour problem gaming, if they aren't having fun and it doesn't seem like they are, they should probably seek counselling. Because it is just about entertainment.

Mr. D'Autremont: — It is supposed to be about entertainment. For some people it's no longer that, and it's become their addiction. And this, to me, this encourages them to continue. You should be having fun here, and if you're not having fun, it's because you're not doing it right. You need to do more of it to get that fun. And I don't think that's the right message when you're talking about gaming addictions.

Mr. Klyne: — And in regards to when it comes to advertising promotions as it's related to problem gaming throughout the property and a number of the ads which we support through our contributions, they are very much in that lighter vein of it isn't fun and you're not having fun and you should seek counselling. And it sounds like you haven't been through our property. But for those ads and posters that we do have within the property and in the washrooms and also externally, the ones that we've supported through the health departments and through problem gaming councils, those ads do not display people having fun. In fact they're trying to drive the message home that it's not fun if you have a problem.

Mr. D'Autremont: — I have been through your property — not the Moose Jaw one but the Regina one — and I pay enough taxes I don't need to voluntarily do it.

I do have a concern though as well with . . . I guess I should maybe direct this to the minister. Is the responsible gaming information centre a government program for addiction, or is it a centre run by Casino Regina, the Gaming Corporation, as a — I'm not sure I want to say public service by the corporation — but as an entity of the Gaming Corporation to facilitate gaming rather than an addictions counselling program or a program to aid those who may be developing a gaming addiction?

Hon. Mr. Van Mulligen: — The centre is a response by the casinos, the Gaming Corporation, to deal with people that are in-house. The government will support other programs to assist people with addictions.

Mr. D'Autremont: — So this program is in place to deal with the individuals who have come into that casino. Is there a branch of this in Casino Moose Jaw as well?

Mr. Klyne: — There is. We make visits there with a responsible gaming officer, and we're looking to establish a centre there as well. And plans are in the works with that under our master planning consideration right now.

Mr. D'Autremont: — The reason I'm asking this question is that I have some concerns with this operation — the information centre — actually being in the casino. If I'm having a gaming problem, you know, really the last place I should be walking into is the casino. I should be accessing support some

other location because if I walk up and I've got two doors, one going to my favourite slot machine and one going to the addiction centre, which one has the strongest attraction? It's highly likely I'm going to the machine and not to the addiction centre.

And so that's why my concern is that at the location . . . I support the idea of the effort that you're trying to accomplish. I'm just concerned about the location at which that effort is taking place, that obviously people, when they have a gaming addiction problem, they're making choices. They're making the choice to continue to game versus the choice to utilize their funds for whatever other purposes they should be using them, such as supporting their families. And they're obviously having difficulty making that choice. So when given the choice of, when I walk into a casino, of going to my favourite game versus going to a resource like this that deals with the responsible gaming, I think that choice becomes difficult for them and the location makes it doubly difficult.

Hon. Mr. Van Mulligen: — As I indicated, the provincial government supports a number of strategies to deal with problem gaming and to encourage people that if they identify, self-identify a gaming problem or others identify their problem, then we provide resources to which those people might be directed.

But having said that, when people do come to the casinos, we want to be able to assist people there as well if at that point they identify or, you know, through our software we can help identify people that may have an issue. We want to be able to deal with them there as well.

So you know, I don't see it as being a mutually exclusive issue. I think on a number of levels we have to accept the fact that gambling may be an issue for some people and we have to, wherever we can, help identify that and help direct people in the right direction.

Mr. D'Autremont: — Well I think when it comes to Saskatchewan, I was looking over one report that we have about 2-plus per cent of heavily addicted gamblers and about 9 to 10 per cent that are susceptible to it. So I don't know if that's . . . I can't remember now if that was percentage of the population or percentages of gamers, which could be significantly different all right . . . [inaudible interjection] . . . It's of population. So that's of population then according to my colleague across the table, which is a significant number of people that have a potential problem here.

And I think we need to be doing, well obviously, what we can to minimize the impact. And that's why my concern with it being in the casino. Obviously you need to have that initial first contact with people. It's the next contacts after that that is my concern as well, when the location is in the casino.

Mr. Klyne: — Having an information centre is regarded to be very proactive. It was positively viewed by the problem gaming entities as well as the anti-gaming activists as being a proactive thing. And it goes beyond other properties which simply just have a brochure rack where people could pick up a brochure on problem gaming. We've gone beyond that and offered an information centre where people who want to make inquiries

can come in and do that.

And I am pleased to report that a number of people that have concerns for family members or friends do come into the information centre and use the centre and ask questions and look for information. And we do provide them with more than just the information but also direct them to further counselling opportunities to address this.

Should we have another one? That could be something to be considered. But I would think it should be in addition to, not to actually take it out of the property because people do use it. And a number of folks through that process have voluntarily banned themselves.

Mr. D'Autremont: — How many people across the province . . . or probably I shouldn't say across the province because you may not know that. How many people have voluntarily banned themselves through Saskatchewan Gaming Corporation?

Mr. Klyne: — I can tell you that number, but I don't know it. But I'd be pleased to bring that information for you.

Mr. D'Autremont: — Okay. If you could get that.

Mr. Klyne: — Yes.

Mr. D'Autremont: — And a second number to that would be how many have Saskatchewan Gaming Corporation banned from either Regina or Moose Jaw? So they weren't a voluntary ban; they were a ban put in place by the casinos themselves.

Mr. Klyne: — There has been a number of involuntary bans which have been largely around misconduct other than problem gaming. The number of involuntary bans because of problem gaming are not high in number and it's largely they . . . it would stem from folks where they just blatantly . . . they do have a problem and they're not accepting our advice and they're not voluntary banning. And we give them the opportunity to voluntary ban, and then we will involuntarily ban them. And of course they have the opportunities to grieve that, if you will, through the Saskatchewan Liquor and Gaming Authority to try to get that turned over. But if we're fairly certain that they are a problem gamer and have not accepted our advice to ban themselves, then we will go ahead and involuntarily ban them. The number is not high.

Mr. D'Autremont: — Do you ban players not so much because of their anti-social behaviour or because of their gaming addiction but because of trying to use inappropriate means to gain an advantage over the house?

Mr. Klyne: — In terms of outright fraud and cheating I don't know that we've caught a . . . Or there's been a significant amount. Our colleague here says probably 10 or 15 over the years that were caught in a fraudulent . . . or cheating if you will.

Mr. D'Autremont: — When it comes to fraud or cheating, those that you may have banned or those that you're watching for, are they using some sort of mechanical aids or are a number of people working together to gain an advantage? Is that what you're looking for, or is it the individual who seems to be

extremely lucky?

Mr. Klyne: — What we're looking for — and which you're probably right on a number of accounts — what we're looking for and what we actually catch them doing is . . .

Mr. Cloutier: — My name is Les Cloutier. I'm the director of table games development with Casinos Regina and Moose Jaw. We have caught a few banned patron . . . or a few patrons cheating in our casino. Every casino experiences this. In most cases it's a non-compliance of the rules. In some cases it's a direct attempt at a fraud, and it's usually a sleight of hand. We haven't found anybody to be using an electronic device other than using their own brains or trying to get past us in a fraudulent manner with sleight of hand, removing chips, that type of thing. So as far as electronic devices or using devices, nothing that we've caught at this time.

Mr. D'Autremont: — Well I would think a sleight of hand would be to me downright theft.

Mr. Cloutier: — Yes.

Mr. D'Autremont: — So it's not cheating. It's theft. You say as well though using their brain. Is being smart or intelligent against the rules?

Mr. Cloutier: — No, it isn't. What we do have is we have experienced some players that are known card counters or that can count cards. So I guess it's not considered fraud. It's not considered cheating in our books. They're just smart players that have been good studies of the games, games of chance or games of skill.

Mr. D'Autremont: — So those would not be banned?

Mr. Cloutier: — No. No, a player using their skills and being a good study of the game is not banned from our casino.

Mr. D'Autremont: — I saw a little piece on TV about some people from Australia that seemed to be very good at counting cards and understanding the game and were doing very well at it. That would continue to be acceptable here? Because it didn't seem they were using any, from what I saw of it, any inappropriate means to understand the game.

Mr. Cloutier: — We have procedures in place that minimize our risk against card counters. Some of them are the way we do our shuffles. We use shuffling machines. We also have the number of decks of cards that we use to make it very difficult for card counters to take advantage of us. So we have all our procedures in place to minimize our risk.

Hon. Mr. Addley: — Dan, are you doing research?

Mr. D'Autremont: — If I thought I was smart enough, I might. But I'm not bent that way, so that's not an area of expertise that I wish to acquire.

No, I was concerned about that, that you hear of people being banned from casinos who seem to be lucky through their own efforts, not through any devious means, And I was just concerned whether or not that was taking place at Saskatchewan

Gaming Corporation or not. Because to me if you become proficient in an area, why should you be penalized for it? And if casinos are in the business of obviously making a profit but offering people the opportunity to try out their skills and knowledge of the game, why should they be penalized for it?

Mr. Cloutier: — Yes. They aren't at our casino.

Mr. D'Autremont: — That's good. Thank you.

On page 10 it comments on guests and guest relations. What is the typical guest or can you give me a breakdown of the kind of guest that you would be having, receiving at the various casinos? Are you getting a large number of bus tours from out of province? Are you getting . . . Is it a lot of seniors? Is it a lot of young people? What's kind of the demographic breakdown of your guests?

Mr. Klyne: — I can't give you exact numbers. I can tell you that probably 20 per cent of them would be considered tourists. The number of bus tours that come and go through each property will differ and change.

Typically we try to relegate the number of buses that will come into Moose Jaw. One bus is a pretty active place. Two buses is a little bit chaotic. And so we try to, if we can influence or schedule those buses coming and going out of Moose Jaw, we try to keep it to no more than two ever showing up.

With regards to Casino Regina, when you have two buses in there, you know there's something going on. And when you have four in there, that is approaching the point where it's becoming a little bit unmanageable in terms of the number of folks that come in. Typically buses will come in Monday to Friday during the day. The demographic will typically be someone of senior years, 65 or older, retired and on the tour looking for the entertainment. During the week there's ebbs and flows of demographics.

On the Thursday, Friday, Saturday nights you'll find a lot of the thirtysomethings in there, again looking for entertainment. And it all depends on the type of show that might be on at the show lounge. That will also sway the demographics any given night. Monday, Tuesdays, and Wednesdays are typically in the evenings it's probably your average crowd, probably skewed more to the 40 plus. But on the Thursday, Friday, Saturdays you get a very good cross-section and a huge number of thirtysomethings in there.

Mr. D'Autremont: — Have you done a breakdown on the various demographics as to their spending pattern or spending amount? So if you get a busload of seniors 65 plus coming in, would they spend on average \$20 versus the weekend crowd of 30 plus, would they spend \$50 or vice versa? Or have you done any demographics along that line?

Mr. Klyne: — We have demographics. We are pretty well resourced on knowing what the spends are for bus tours on varying demographics. And that would be highly competitive information that we keep close to the chest if you will.

Mr. D'Autremont: — I just wondered who the big spenders were, whether it was seniors or the 30 plus.

Mr. Klyne: — It depends who you ask. It's all relative.

Mr. D'Autremont: — Or which game it is I suppose. Obviously smoking had a big impact in the 2004-2005, the changes that were made there. And you updated the facilities, it says on page no. 13, to accommodate patrons smoking outdoors. Are they near the doorways? I know it always bothers me as a non-smoker when I have to walk through that cloud of smoke to enter into a hospital let's say. So are they, is that smoking outdoors near the doorways, or is there some other location where that's happening at?

As well there was some discussion at one time of the casinos having smoking rooms for employees. Did that happen, and if they did, are they still in place?

Mr. Klyne: — The smoking premise that is provided to patrons — we have two at Casino Regina. One is called the west end. It is not near an entrance. And it is midway, I'll say, of the property, and it's isolated. The east end is off the entrance into the east end entrance to the property, but it's got its own partition. So patrons coming in aren't exposed to the patrons outside smoking.

At the initial outset of the smoking ban we did have a smoking room for employees, and we wound that up fairly quickly on the heels of the announcement of the smoking ban and the recognition that it is a government property. It no longer exists.

Mr. D'Autremont: — Okay. Thank you. On page 15 you talk about a lifestyle series that you put in place for customer service guest relationships and to help make positive changes through hypnosis and motivational speakers. I'm assuming that is in place more for people that have the potential for gaming addictions, the hypnosis. Or is this an entertainment hypnosis? Or is it more nefarious? Is it a hypnosis to encourage people to game?

Mr. Klyne: — I'm going to refer to my colleague to the right here, but I believe that was introduced on the advent or on the horizon of the smoking, trying to curb the smoking.

Ms. Meredith: — That's correct.

Mr. Klyne: — It was more around lifestyle habits of personal health, primarily smoking.

Mr. D'Autremont: — Ah good. What kind of success did it have if it was directed towards smoking?

Mr. Klyne: — I couldn't tell you.

Ms. Meredith: — It was just a service offered to our guests, so I don't know. Hopefully some of them took the advice and quit smoking.

Mr. D'Autremont: — Okay. Thank you. You changed some of the hours on blackjack for your fun pit. Maybe it's so long ago you don't remember now. What was the purpose of this? Was it simply an entertainment thing? Was it an introductory to blackjack? Because I know the few times that I have been there, it's been extremely difficult to find the \$2 table. Or find it, not a problem — get onto it is a different matter. So if you had the

low-limit tables in operation in your fun pit, how did that work and was it carried on?

Mr. Klyne: — I'm going to again refer to Mr. Cloutier, but I would suggest that it's likely in trying to keep a balance of demand and trying to regulate or influence our revenue versus the cost of . . . Table games are quite labour intensive and so we'd be trying to find that balance of demand on hours and such but . . . Mr. Cloutier.

Mr. Cloutier: — Thank you, Marty. Initially the \$2 tables and the fun pit was designed as exactly what it said — a fun pit. Players who are novices to come and enjoy gaming. We found that table games is very intimidating to novice players, and we wanted to have them gain the experience and enjoy it.

Through the years we've changed our approach on that and changed our hours. But at that time when we expanded the hours, at that time we were trying to create more of a fun atmosphere for the guests. They could come in a little earlier. We noticed a lot of our guests were — on the fun pit or the \$2 tables — were a little older, and they wanted to enjoy it a little earlier. So that was the reason for changing the hours at that time.

Mr. D'Autremont: — And would you classify it as a success?

Mr. Cloutier: — At the time it was. We have since changed. We now offer the low-limit gaming earlier in the day for all the guests, and we offer it every day rather than on the weekends. The evening weekends we don't offer low-limit gaming any more, or we won't as effective, I believe, it's September 2.

Mr. D'Autremont: — So from the casino's point of view, where is the cut-off for low-level betting? Is it \$5? \$10?

Mr. Cloutier: — We offer \$2 blackjack in the mornings from 10 o'clock until noon every day and then we raise the limit to \$5. And that cut-off is \$5 minimum bets right now.

Mr. D'Autremont: — Okay. Thank you. On page 33 of the 2004-2005 report you state that you received a special licence from SLGA [Saskatchewan Liquor and Gaming Authority] to hold an open house at Casino Regina and Moose Jaw for children. What was the purpose of this particular event and was gaming taking place at that time?

Mr. Klyne: — The purpose was to allow the employees to bring their family in, including their children, show them where they work. No gaming taking place. In fact you're encouraged to just walk by the machines, not touch the machines. And the primary thing there was to allow them to show this is where I work, from the parent to the family members.

But the primary thing there was showing the movie for the kids in the show lounge, and that's what the primary focus and attention was. It was kids walking through there. They just notice the glitz and glamour of things, but they're heading straight for the cookies and the show.

Mr. D'Autremont: — So there was no, even non-monetary, gaming taking place. It was just simply walk through the casino — this is where mom and dad work — and then on to the show

lounge.

Mr. Klyne: — Yes. I'm sure if I was the dealer on a craps table, I might stop to show them the craps table and then carry on and whatever questions they might have. But it was really just to show here's where we work and, as I have to say, probably the interest was let's get down to that show lounge and watch the movies.

Mr. D'Autremont: — Okay. Thank you. I just thought it was kind of an unusual place for children, and I'm glad to hear that there was no gaming going on. They will be introduced to that soon enough in their life without encouraging them as children to participate.

On page no. 36, again the report talks about public acceptance, social responsibility, and partnership relationships. And it shows a nice picture of Casino Regina donating a significant amount of money to the Canadian Diabetes Association.

How does Saskatchewan Gaming Corporation make its determination as to which organizations it's going to support through charity? And obviously, any monies that are being paid come from the corporation. Are they being paid out to charities before the distribution is made to General Revenue Fund, therefore diminishing the amount of money given to the General Revenue Fund?

Mr. Klyne: — The sponsorships are established by a policy and largely they . . . In an overview sense the policy says that there will be no sponsorships which involve minors, political, or religious events. And we do have an affinity to try to assist on three fronts with an Aboriginal bend to it, if you will, and so a number of Aboriginal requests do make their way to our offices. And a number of those are approved, and largely they're geared towards social programming — education or health or medicine. No single teams are sponsored. No single entities are sponsored or individuals, and it would have to fall within the guidelines of the approved policy.

Mr. D'Autremont: — When you say that no minors are involved, obviously if you're giving to the diabetes society, indirectly there is minors involved. So is this a direct contribution to an organization like the minor hockey league of Regina that would disqualify them because there are youth involvement, whereas they're not disqualified from the diabetes association?

Mr. Klyne: — Yes, where there's particularly a venue that involves minors we would steer away from that. We wouldn't want to be promoting the casino or gaming to minors or be seen to be promoting an event where there are minors in attendance openly from the Casino Regina.

If it was for a cause of say the diabetes, the presentation or representation probably made more on the Gaming Corporation if there were — Saskatchewan Gaming Corporation — if there were minors in attendance, but typically we avoid the minor hockey leagues, the fundraising for minors. And then there are some — those that are in need, whether it's through health and medicine or social programming — if it was an event that did have a representation of minors, we probably would not be in attendance. Albeit though while we may deal directly with the

administration and management of diabetes, that would be between the Gaming Corporation and the management and administration of diabetes not with . . . undoubtedly there are recipients that benefit from this that are minors but that's not an open proposal to them or trying to promote the casino or gaming to the minors.

Mr. D'Autremont: — So your donations then are they directed more towards promotion of gaming or to provide some sort of support for a particular organization? From your answer it seems the corporation is viewing this as a promotion of gaming rather than support for a community function — the diabetes association.

Mr. Klyne: — There's two veins on that. One sponsorship might be largely on the revenue driving side of things and trying to promote one of the casinos and increase the traffic onto the floor and another one on the social programming side which is what we were just speaking to in regards to being a good corporate citizen. That would not be to drive revenue onto the floor or promote the gaming or the casino. It would be to fulfill the role as a good corporate citizen.

Mr. D'Autremont: — Thank you. Although it seems to me that if the funds are passed on to the Consolidated Fund, as the revenues are from Saskatchewan Gaming Corporation, that a number of those entities would receive that benefit through the budget rather than Casino Regina making that decision . . . or not Casino Regina, Saskatchewan Gaming Corporation making the decision as to which deserve support and which do not.

One of the areas that's always of concern is attempts to breach security for all of the government institutions. What does Saskatchewan Gaming Corporation, particularly the casinos, have in place to ensure that there are no IT [information technology] breaches of your systems?

Mr. Klyne: — Within the department of IT there would always be the built-in systems to address that. But in addition to that we also have an internal auditor and we have a surveillance and security department to fall to, and then of course we have the Provincial Auditor which is also testing those things which we would have in place to detract from . . .

Mr. D'Autremont: — Do you run . . . or I think I asked the Provincial Auditor this yesterday on another corporation, but do you run regular programs to test the security of your systems from outside consultants to ensure that there are no possibilities of breaches? And have you recorded any breaches?

Mr. Klyne: — A lot of the systems that we use are not developed internally and they come with the safeguards built in and those are constantly on the vigilance. And we have not . . . We have used consultants externally to advise and consult on issues such as that, but no breaches that I'm aware of. And I turn to my colleague to confirm that.

Ms. Meredith: — Our gaming systems are what you'd call closed systems so they're not even accessible through Internet or any public access at all. Obviously our website and that kind of thing is available to the public, but there certainly is no access lines into our gaming systems themselves.

Mr. D'Autremont: — Do Casino Regina and Casino Moose Jaw communicate for financial purposes over the Internet through some connection? Maybe a dedicated . . . Would it be a dedicated connection if they do? Or is there a potential there for someone to access systems in that manner?

Ms. Meredith: — There is a dedicated line and it's mostly for a day-to-day communication. The information for the, again, the gaming would stay in Moose Jaw.

Mr. D'Autremont: — Well everybody seems to think their systems are secure until somebody breaks into them. And I think — talking to a number of other corporations and both in and out of government — there are regular attempts to access systems. I think you only have to go home and look on your own personal computer and . . . to see how many virus attempts that there are on your systems to understand that people are constantly making the attempts.

And I think it's important that anyone who has access to . . . Because you have your club membership files that have personal access information as well, that those systems be as secure as humanly possible. And that you need to keep a constant vigilance and checking on that.

And one of the other things that happens is your employees are always assuming that the people around them are secure as well or that someone visiting your sites is not observing their monitors and that becomes a source of problems as well.

I know of one situation; this was a test. They had hired these consultants to make an attempt to see if their system was secure and the person simply walked up to the desk and got the information they wanted because the employees were not aware of just how accessible information can be at times on their screens. And so I think it's important that the corporation is aware of that and does everything possible, including the hiring of outside consultants that specialize in these type of things, to make the attempts to break into your system, so that you understand what the problems can and are.

Hon. Mr. Van Mulligen: — Mr. Chair, does the member have some specific issues that he wants to identify with respect to Casino Regina or Moose Jaw in this respect? Or is he generally pontificating about security for IT systems?

Mr. D'Autremont: — Just a general comment because I don't know of any concerns that have been raised to me. But I know that in other situations that they do become critical.

Hon. Mr. Van Mulligen: — Okay.

Mr. D'Autremont: — And just want to ensure that the corporation is aware of it as well, that they are tracking it.

On page 50 of the annual report talks about, and I'll quote:

To ease this pressure on . . . [Saskatchewan Gaming Corporation], given the forecast of reduced revenues, the Department of Finance has approved a permanent \$8 million cash float to assist in financing operational cash requirements . . .

Where does that show up in the financial statements, that \$8 million that is now available as . . . Is it a loan from Finance? Is it monies that are owed to Finance and payments are delayed? Where is that reported in the financial statements?

Ms. Meredith: — You're right. It would be shown in our due to the General Revenue Fund. So it shows just on the balance sheet and it is just through cash flow. Because we return 100 per cent of our profits to the General Revenue Fund, we don't retain any equity so this is the cash flow that the Department of Finance had approved to allow us some of the leverage for cash flow purposes.

Mr. D'Autremont: — Well I look at the difference between the 2004 annual report and the 2005 annual report, due to the General Revenue Fund with 36 million in 2004 and due in 2005 is 39 million. So while the corporation is being allowed to retain an additional \$8 million, it doesn't seem to show up other than . . . Well it doesn't seem to show up as a note anyplace other than what was reported in the annual report on the one year.

Ms. Meredith: — We would be showing our due to is all of our net income for the year. And so it just depends on the timing, at March 31 how much we actually do owe at that time to the General Revenue Fund.

Mr. Klyne: — It wasn't a loan per se as much as able to withhold 8 million. In the early years we were able to keep making the regular payments of net income and net earnings due, but as time goes on that wave catches up to you. And so we were able to withhold \$8 million and keep cash on hand rather than paying it out.

Mr. D'Autremont: — At the end of the day though, that's still owed to the General Revenue Fund even though you don't remit it on an annual basis any longer. Should there not have been a note though in . . . well there was in the annual report, but in the small booklet that is the consolidated financial statements that there was that additional \$8 million? Or if it's in here I've missed it someplace.

Mr. Klyne: — It would be part of that 39 million for instance. It's not a loan. Rather than having to pay it at a specific time, we were able to keep it on cash for cash needs. So it wasn't a loan. It was just the timing of when it would happen. But still, at the year-end, you would still owe the \$39 million and the 8 million would be part of that.

Mr. D'Autremont: — Okay, thank you. You have a short-term investment of \$12 million versus 6 million in 2004, an increase of \$6 million. What were those invested in? Are those in like GICs [guaranteed investment certificate] or something like that that are managed cash or is there some other vehicle of . . . investment vehicle that you are utilizing?

Ms. Meredith: — We don't have any investment per se other than, I guess, this may have just been in our general bank account at the time. So yes, I guess just . . . Versus just cash? I'm not sure. I mean we could get back to you on exactly what is detailed in that \$12 million.

Mr. D'Autremont: — Okay, if you would be . . . Although it

makes me nervous when you say a mistake.

Ms. Meredith: — No, it's not a mistake. No.

Mr. D'Autremont: — Error.

Ms. Meredith: — It's not an error.

The Chair: — Members, the standing order calls for us to adjourn at 4:30 and doesn't have a break built into it. But we have been meeting for nearly an hour and a half and unless there's any objection by any members of the committee, I would recommend that we take a 15-minute break at this point. Is there any objection? If not, then the committee stands recessed for 15 minutes. We will begin at 3:15.

[The committee recessed for a period of time.]

The Chair: — Okay. Well we have quorum and so let me call the meeting back to order. And we'll begin, or not begin I should say, but we'll continue our deliberations on the annual reports of the Saskatchewan Gaming Corporation for '04-05 and '05-06. Are there any more questions or discussion? Mr. D'Autremont.

Mr. D'Autremont: — Surprise, I'm back. In the small booklet for 2004-2005 you show a loss on capital asset sales of \$66 million. What was that from?

Ms. Meredith: — Sorry. A loss on . . .

Mr. D'Autremont: — Loss on sale of capital assets. Or \$66,000, sorry, not . . . [inaudible interjection] . . . Yes. It was more money than you actually had, 66 million. Yes. There are no page numbers in this book.

Ms. Meredith: — No, not in this book.

Mr. D'Autremont: — Statement no. 3.

Ms. Meredith: — I can get you the specifics, but we're always renewing our assets. And it could have just been that, you know, a slot machine that we've changed out. We amortize them over a five-year life. We may have pulled it off the floor earlier than that, so there would still be some book value left. And when we sell the asset or dispose of it, we would just record it as the loss on sale then.

Mr. D'Autremont: — Because I note the year before, you had a \$501,000 loss in that category. So it was certainly an improvement.

And you also purchased capital assets of almost \$12 million. What were those? Oh that was in two thousand and — I jumped a year there, sorry — 2005-2006. I was looking at the wrong book.

Ms. Meredith: — Again we have a capital budget that's approved for our renewal of capital assets. Part of what we want to do is always keep the facility and the games fresh and entertaining for the customers. So we pursue quite an aggressive replacement policy for slot machines, table games, carpet renewal. I mean when you have — because as the

minister alluded to — 16 million people through the place, it takes a lot of wear and tear on the facility. So we're constantly renewing and updating our capital facilities.

Mr. D'Autremont: — In note no. 6 on 2005, you sold certain equipment to a leasing company and then made an agreement with the leasing company to lease back that equipment. What was the equipment, and who was the leasing company for \$2 million?

Ms. Meredith: — The leasing company was Cajon Leasing, which is from Crown Capital Partners which was part of the . . . I was going to say immigrant investment fund, but it's the Saskatchewan growth. And it was basically, it was a financing arrangement that we had. So we ended up, instead of purchasing this outright, we just . . . and financing it through a bank, we financed it through the Cajon Leasing group. Pardon me . . . [inaudible interjection] . . . Yes. Slot machines, sorry. Yes, renewal of our slot machines.

Mr. D'Autremont: — But it says here that you sold them. Did you sell them all the equipment to realize the capital value of them and then lease them back? Or what was the reasons for the transaction?

Ms. Meredith: — It was just for financing. So under the Saskatchewan slot Act, we're the only ones that can own slot machines, so we purchased the slot machines and then just leased them back from a financing point of view.

Mr. D'Autremont: — So the Saskatchewan Gaming Corporation is the only ones that are allowed to own the slot machines?

Ms. Meredith: — Well government.

Mr. D'Autremont: — The government.

Ms. Meredith: — Yes.

Mr. D'Autremont: — But if you've turned around and sold them to Cajon Leasing, then don't they own them?

Ms. Meredith: — No. It was again just a financing arrangement, so it was a capital lease so we retained the ownership.

Mr. D'Autremont: — If there's a default then on this lease who retains ownership of the slot machines?

Ms. Meredith: — Saskatchewan Gaming Corporation have the ownership. Maybe I didn't explain it correctly. It's a capital lease we entered into, so we retain the ownership of it and it's just, it's almost like a rental payment but in fact it's like a loan.

A Member: — Lease financing.

Ms. Meredith: — Yes, like lease financing. That's exactly what it is.

Mr. D'Autremont: — What have you pledged though as security then?

Ms. Meredith: — It would have been those assets.

Mr. D'Autremont: — Okay. So if you go into default does Cajon Leasing have the right to realize on their security, which is the slot machines?

Mr. Klyne: — That would be the pledge collateral for those as my car would be to the bank. I own the car but if they wanted to foreclose or realize on their security they would take the car away.

Mr. D'Autremont: — So if Cajon isn't allowed to own slot machines, how do they realize on their asset?

Ms. Meredith: — They would have realized that.

Mr. Klyne: — That's their risk they would take. It's like financing on reserve. You don't expect to recoup the collateral.

Mr. D'Autremont: — I'm not going there on that one. What benefit then is there to Saskatchewan Gaming to enter into this agreement when they already owned and had obviously, one would have assumed at the point in time, paid for those slot machines before they sold them to Cajon Leasing?

Ms. Meredith: — Again from a financing, from a cash flow point of view.

Mr. D'Autremont: — So Gaming Corporation believed that they could realize a better return on the \$2 million than they could by owning the capital asset.

Ms. Meredith: — Yes. We required financing to purchase those machines so we did inquire from the banks as well as . . . I guess it was our bank, and this was, Cajon was able to offer us the best interest rate.

Mr. D'Autremont: — So their rental payments, because that's what you're doing is you're renting them from them as a lease . . .

Ms. Meredith: — In essence, yes.

Mr. D'Autremont: — Would be less than a principal and interest payment to a financial institution?

Ms. Meredith: — Yes, just given that the interest rate was better that they were offering. And I can probably find that for you. I think it was a little bit less than 6 per cent at the time so maybe 5.75 per cent versus I think that the banks at the time were a little bit higher than 6 per cent.

Mr. D'Autremont: — Does Saskatchewan Gaming Corporation have access to the provincial government's lending capabilities? I know that the government's always commenting on how good their credit rating is. One would assume then that the government can get as good a interest rate as anyone else could, that with a good credit rating. Does Saskatchewan Gaming Corporation have access to that?

Ms. Meredith: — No, we did not the way the legislation was drafted at this time. But we were able to pledge our assets as security, which most government agencies are not able to do —

which is why they borrow from, you know, use the province as their lender in effect.

Mr. D'Autremont: — Okay, thank you. In 2005-2006 annual report you list loans here in your cash flow under statement no. 3 of \$6.9 million with note no. 4 showing equipment repayable monthly instalments at 4.527 interest rate. What was that equipment for? Was it again slot machines? Or carpet? Or . . .

Ms. Meredith: — Yes. It would be slot machines, could be table games at the time. It could be even, we undertook a replacement of our slot system. So all of that could be flowing into that, into that loan.

Mr. D'Autremont: — So this loan was taken out through a normal financial institution, not through a leasing company?

Ms. Meredith: — That's right. Yes.

Mr. D'Autremont: — And obviously the interest rate was better that year. In both of these years you see a significant reduction in the cash flow. Or not, excuse me, not the cash flow, the net income. No, where am I at here? No, net income's increased in that one. On I guess it's in the 2005-2006, is this a direct result of the smoking ban — the \$10 million loss that . . . or not loss but reduction in revenues that occurred?

Mr. Klyne: — Yes, it'd be very much so a direct result on the \$10.2 million over the previous year's profit of 39.4 million.

Mr. D'Autremont: — And I note that you in the annual statement said that you took a number of measures to mitigate that reduction, including increased advertising and promotional activities. Had you not done that, what was the potential for a reduction?

Mr. Klyne: — The further potential would definitely have existed. The primary thing was, one, not to pull our horns in and ensure that we didn't go into a bit of a death spiral with this, if you would. And this comes from observations of what happened in Manitoba and other jurisdictions with smoking bans.

So rather than pulling our horns in, we were quite aggressive on both the marketing front but also the customer service front, knowing that we were just trying to stem or mitigate the amount that was going to be reduced, but also to definitely mitigate the prolonged period and make sure we came out of that sooner than otherwise so . . . And as again then we observed other jurisdictions which did pull their horns in. They cut back in staff, they cut back in advertising, and suffered the consequences of that.

Mr. D'Autremont: — And that smoking-related ban is the direct result then of the \$9 million loss in total assets and the \$14 million difference in the amount due the General Revenue Fund?

Mr. Klyne: — Amount due would be directly a result of net incomes reducing, so there would be a reduction in amount due because it's 100 per cent of profits. In terms of reduction of assets . . .

Mr. D'Autremont: — 2005 assets were 81.9 million and 2006, 72.7. So a reduction of about \$9 million in total assets of the corporation.

Mr. Klyne: — I think it's . . . Yes.

Mr. D'Autremont: — Thank you. The \$14 million loss reduction to the General Revenue Fund, you have a \$10 million loss roughly in revenues; you had a reduction of \$9 million to the assets. So why the increase in the reduction of the amount going to the General Revenue Fund from 39 million down to 25 million?

Mr. Klyne: — Well the revenues decreased by that amount. The amounts of expenditures were higher over the previous year because of the increase in marketing and advertising costs and a non-expense reduction in staffing costs as a ratio.

Mr. D'Autremont: — Your marketing . . . Okay. Salaries and benefits increased by \$3 million. Was this a result of increased number of staff or simply a result of the increase in salaries paid?

Mr. Klyne: — It would be largely . . . I shouldn't say largely. It would be a combination. On one front there were increases, economic adjustments, and so on. On the other side there were a number of gaps that we had in terms of bench strength that had to be shored up in regards to the management side as well.

Mr. D'Autremont: — Well a \$3 million increase in salaries and benefits is, you know, more than 10 per cent increase in salaries for that particular year. That seems to be a bit high. Was there any particular reason why it was an increase of that amount?

Mr. Klyne: — I can't recall the economic adjustments and in-range salary adjustments. They would have had a large amount to that. Do you know Twyla?

Ms. Meredith: — I'm sure our FTEs [full-time equivalent] or staffing increased that year, year over year, 34.6 FTEs, and it was almost all primarily on the customer service side as Marty has said. We really tried to beef that up. We added dealers, food and beverage staff, casino services staff, some marketing people as well.

Mr. D'Autremont: — So looking at say 35 — we'll upgrade that point six person — and what would the average salaries be for that category of people that were mentioned?

Mr. Klyne: — You can easily attribute that. And benefits work out to about 16 per cent. It'd be easily, the cost of those 35 people, easily \$1 million plus.

Mr. D'Autremont: — So then that would leave \$2 million roughly for salary increases which would be 8 per cent.

Mr. Klyne: — Yes. I can't recall the adjustment, but it was easily three and a half per cent, I think, across the board there on that. Do you have other . . .

Ms. Meredith: — I know we had a market supplement went through for some of our casino technicians, maintenance crew,

some that are really hard positions to attract, even on the IT front as well too. So we had to do a supplement to be able to attract some of those people.

We had a job evaluation which we set up an accrual for because we were in the process of completing that, so that just helped on a go-forward basis. And that was about \$500,000 of that as well, accounts for that.

And then the others were normal increases which are normally just . . . and following what the economic increases of whatever it was, I mean probably below 2 per cent, 1 per cent even on some of those in this year.

Mr. D'Autremont: — You said a marketing increase or some related to . . . something to marketing?

Ms. Meredith: — We call it a market supplement which would take the, I guess, approved salary level of say an IT person — and they're very hard to recruit — so we would increase that to make it more attractive for them to want to come to the casino and work at that kind of position.

Mr. D'Autremont: — And that would have accounted, you said, like a half a million dollars roughly for that?

Ms. Meredith: — I've got 200,000 for that.

Mr. D'Autremont: — Oh, 200.

Ms. Meredith: — Yes.

Mr. D'Autremont: — Okay. Yes. And it still seems to be, you know, you're approaching into the neighbourhood of the 8 per cent increase in salaries, taking the \$1 million out for new personnel and the \$200,000 for market adjustment. It just seems to be . . . I just wondered why it was that significant when the increases were in that neighbourhood of 2 to 3 per cent in that time frame.

Was there some other adjustments included in the salary changes or the benefit changes that might have taken place that would account for some portion of that — you know, the difference between the, let's say 3 per cent to 6, 7, 8 per cent?

Mr. Klyne: — We'd be pleased to provide you with the variation explanation on that. And as has been related, it relates everything from market supplements to casino technicians and maintenance folks in terms of . . . which is very much a recruitment and retention effort to try to retain the people we have, but also to recruit others in what is very much a tight labour supply market, including the job evaluation review accrual, vacation liabilities, out-of-scope rate increases, in-scope rate increases, which were all along the guidelines that were served to us by the Public Service Commission. There were also some corporate FTE increases which relate directly to the Gaming Corporation. That in itself was close to 400,000.

And then in regards to FTE increases at both properties combined, that was close to \$800,000, not including the benefits which would result to about 16 per cent. So you would be looking at close to \$3 million right there in those items I just listed, not including the 16 per cent of benefits that track to that.

Mr. D'Autremont: — Yes, if you could provide more detail that would be fine. Thank you. On note no. 7 of the 2005-2006 report it shows casino operating expenses increasing by 5 million and corporate expenses increasing by a little over 2 million, two and a half million almost. What was that increase in the corporate expenses related to? Would that be partially salaries? Obviously I don't . . . I suspect the corporation isn't the machine side. That would be the casino, wouldn't it?

Mr. Klyne: — Again we would provide you with the details on that.

Mr. D'Autremont: — Okay. Thank you. I think that's all my questions, Mr. Chairman.

The Chair: — Are there any other questions that any members of the committee wish to put to the minister or the officials? If not, then it would be in order to have a motion indicating conclusion of consideration of the annual reports for '04-05 and '05-06. And, Mr. D'Autremont, would you like to move that motion? I guess we'll do it with two separate motions . . . [inaudible interjection] . . . Okay. Okay. Go ahead, Mr. D'Autremont.

Mr. D'Autremont: — I move:

That the committee conclude its review of the 2004-2005, 2005-2006 Saskatchewan Gaming Corporation annual report, financial statements, and related documents.

The Chair: — Thank you. The question before the committee is the motion by Mr. D'Autremont:

That the committee conclude its review of the 2004-05 and 2005-06 Saskatchewan Gaming Corporation annual report, financial statements, and related documents.

Is the committee ready for the question?

Some Hon. Members: — Agreed.

The Chair: — Those in favour, please indicate. And opposed? And that's carried unanimously.

I want to, just before adjourning, I want to thank the minister and the officials for being here today and providing their response to the questions that the committee has put to you as well as your commitments. We'll look forward to your responses, the commitments you've made, for additional information as you've indicated.

I want to thank the officials from the Provincial Auditor's office and your input and observations here, and as well to thank the committee members for your deliberations on behalf of the people of Saskatchewan, ensuring that the Saskatchewan Gaming Corporation operates responsibly in the best interest of the province of Saskatchewan. Mr. D'Autremont.

Mr. D'Autremont: — I'd like to thank the minister and his officials for coming in today and the Provincial Auditor and his support staff. Thank you very much.

The Chair: — Thank you very much. Mr. Minister.

Hon. Mr. Van Mulligen: — I want to thank the members — member — for the questions today. I want to thank the officials for being here and for the service they provide to the people of Saskatchewan and to the Government of Saskatchewan, and look forward to another opportunity to appear before the committee to ensure that our operations are transparent and accountable. Thank you, Mr. Chair.

The Chair: — Thank you very much, Mr. Minister. And as it is not the order of the day . . . or time for adjournment, a motion to adjourn would be in order. Mr. Addley. Those in favour, please indicate. And that seems to be carried unanimously. The meeting stands adjourned.

[The committee adjourned at 15:41.]