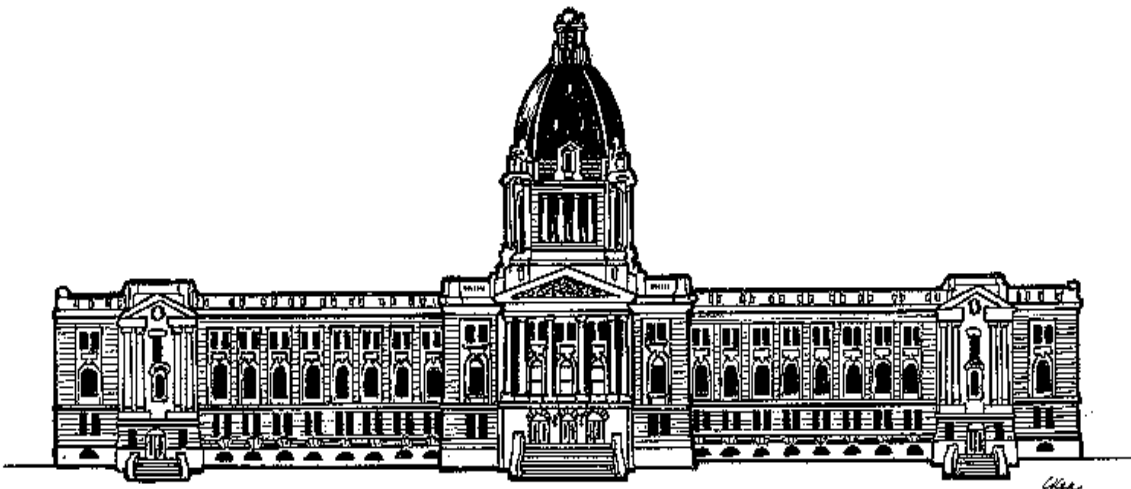




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Weyburn-Big Muddy

Mr. Kim Trew, Deputy Chair
Regina Coronation Park

Hon. Nancy Heppner
Martensville

Mr. Tim McMillan
Lloydminster

Mr. Jim Reiter
Rosetown-Elrose

Mr. Randy Weekes
Biggar

Mr. Kevin Yates
Regina Dewdney

[The committee met at 22:30.]

**Consideration of Statutory Estimates
for Crown Corporations**

The Chair: — Good evening, committee members. We have a couple of items on our agenda for this evening. Our first item of business is the statutory estimates related to Crown corporations. This is found on page 162 of the Saskatchewan Estimates book.

I want to welcome Minister Cheveldayoff this evening and his officials. And at this time if he could introduce his officials that he has with him this evening, and if he wants he could make some brief remarks before we get to questions. Minister.

Hon. Mr. Cheveldayoff: — Thank you, Mr. Chair. It is indeed a pleasure to be here this evening and to appear before the committee, and welcome to my colleagues and the opposition members as well.

Joining me this evening, Crown Investments Corporation president and CEO [chief executive officer], Ron Styles; Blair Swystun, vice-president and chief financial officer; as well as Doug Kosloski, vice-president and general counsel.

Joining me from the corporations, from SaskPower, Grant Ring, acting vice-president and chief financial officer; from SaskTel, Mike Anderson, chief financial officer; from SaskEnergy, Greg Mrazek, vice-president and chief financial officer; from SaskWater, Stuart Kramer, president and CEO; and from Saskatchewan Opportunities Corporation, Charlene Callander, vice-president and chief financial officer. So we've got a lot of financial expertise in the room here.

Thank you, Mr. Chair. I don't have any opening comments other than the fact that we just look forward to questions, and we'd offer to the opposition members to begin at your discretion.

The Chair: — Thank you, Minister. At this time, I'll entertain questions from the members. Mr. Trew.

Mr. Trew: — Thank you. Thanks very much, Mr. Chair, Minister, and officials. Good to be here. I'm not sure that 10:30's the hour I would have chosen to call everyone here together, but this is the time we've been allotted so here we are. And it's nice to see everyone smiling. And, you know, when we're given a bowl full of lemons we'll make lemonade. And so let's get on with it.

I guess first off, congratulations on the win in the recent election. This is of course causing a transition phase, if I can describe it that way, in the Crown corporations. I think it would be fairly safe for me to say there's some gnashing of teeth on our side respecting the future of many of the Crowns.

And I'm curious, Minister, what your view of the universe is, your view of the future of Crown corporations, what your vision is. Where do you see the Crown corporations for which you're the minister responsible? Where do you see them in the near term and longer term?

Hon. Mr. Cheveldayoff: — All right. Well thank you. Thank you, Mr. Trew. I certainly appreciate your congratulatory message. And I indeed am very humble and thankful that I am in the position that I am. I think the Crown Investments Corporation and having the responsibilities that I do have for all of them, and also for CIC [Crown Investments Corporation] as the umbrella organization, is certainly a challenging responsibility but one that I'm very excited about.

We all know the importance that the Crown corporations play in the economy of our province and with the people of our province and with the politics in our province as well. That's why I've been very clear and concise. And when I talk about the future of Crown corporations and how our government will treat Crown corporations, clearly we are committed to them as public entities. And we've had discussions about that.

And you know our leader, the Premier, has spoken and has indeed said that the people of Saskatchewan have spoken in the past and have said that's where they want the Crown corporations to be. And we are committed to that. We are committed to running them like businesses, providing the service at the lowest possible cost for Saskatchewan residents. And that's where we're going to take it. And that's my direction as minister.

As the opposition members will be aware, the Premier has given each of us, as ministers, clear direction through a letter that he's made public on what he wants to see happen within Crown corporations and within each of our responsibilities. So like the promises we made in the election campaign, I take that letter as my guidance as well as what I see as the responsibility to Saskatchewan people and how we manage the Crowns.

And I'm quite comfortable with that. And I feel that we are very consistent with that. And I look forward to having vibrant Crowns throughout my tenure as minister.

Mr. Trew: — Thank you, Minister. We've had in Saskatchewan, we've enjoyed three years of the lowest cost bundle in Canada. And the previous government was committed to that, and indeed we'd made it part of our election platform that we would maintain the lowest cost bundle for all Saskatchewan people. I'm talking the bundle of insurance and power and energy and tel — those services. What is the new government, your commitment to the lowest cost bundle?

Hon. Mr. Cheveldayoff: — Thank you, Mr. Trew. I was asked that question very, very soon after becoming minister, and I was quite clear that we're not committed to the lowest cost bundle. We saw that as something that wasn't necessary to run the corporation as in a businesslike manner, that it — I think I used the words — that it's somewhat gimmicky, that we really don't need to operate that.

With that being said, of course providing the service at the lowest possible cost is a goal. Having the lowest costs across the board is something that, you know, that we would like to achieve. But from time to time it may be necessary to increase costs to keep the corporations sound, to keep them in a financially manageable situation. And at that time, I'm quite comfortable to, you know, announce what the changes will be

and go to the Saskatchewan people and defend why we would have to raise rates in certain circumstances.

It's important that debt-to-equity ratios be maintained. As you know, we look to ranges that are in the private sector that the Crowns can look to as far as keeping those ratios in line. And if there is a time that we need to raise rates, I don't want to restrict myself by having a bundle such as that.

As you know on the financial standpoint, from having a bundle, you'd have to set aside a certain amount of money to ensure that that bundle is kept. We feel that that money is better used in other places like our ready-for-growth agenda.

The Chair: — Members, if I could just jump in here for a second. I just want to remind members that we are dealing with the statutory estimates dealing with loans provided to the Crown corporations. I certainly don't want to get in the way of a healthy discussion, but I do want to remind members that each of the Crown corporations will appear before this committee in the future, and perhaps broader questions could wait till then. So I just want to remind members of that.

Mr. Trew: — Thank you very much, Mr. Chair. I note that I asked question 451 of the government. This will lead me right into my next question. Question 451, I asked the Minister Cheveldayoff:

For the recent clean coal announcement, is it true that SaskPower's share of the project would be approximately \$758 million . . . If so, will that involve new debt for SaskPower?

And the answer is two parts:

(1) If the project is approved as proposed, SaskPower's share of the cost would be approximately \$758 million.

(2) Yes.

And I note we have a vote on SaskPower. I make this comment, Mr. Chair, and to the minister. I just asked a question around the lowest cost bundle that Saskatchewan residents have enjoyed for three years now. And I thank the minister for being very clear: there's no commitment to the lowest-cost bundle.

I'm concerned because we've got the Prime Minister of Canada saying that SaskPower customers — myself, my constituents, yourselves, your constituents, in other words Saskatchewan people that use power — are going to have our rates going up. I'm concerned because there's \$758 million is just the start of a clean coal project.

I should back up a little bit just so I'm crystal clear on this. I'm very supportive of initiatives that are going to help our environment. I think we have an obligation to the world to help with our environment. I am very opposed to giving SaskPower or anyone else a blank cheque, and that's in effect what's happening here. And the blank cheque is being given on behalf of Saskatchewan people — \$758 million to begin, to begin. Who's on the hook, Minister, for any cost overruns on this very first clean coal power plant project in all of Canada?

Hon. Mr. Cheveldayoff: — Well thank you very much for the question. And, you know, I guess I'm somewhat surprised that you're surprised — seeing where, you know, your government was on clean coal and the initiative that your government put forward. You know, the costs were in the \$1.8 billion range originally estimated, and then that escalated to \$3.8 billion. So, you know, obviously there was a cost that your government was considering at least at the \$1.8 billion range.

I'd remind you that, you know, we were successful in a bid for a federal program announced in the federal budget — \$240 million out of \$250 million program was destined for Saskatchewan. That was a competitive program that we were successful in receiving. Now that's for a demonstration project of clean coal technology. It's going to enable us to lead the way. Yes, SaskPower is going to be asked to do their share.

And when similar comments were made in the House and I was able to answer in question period, I also had information in front of me from Mr. Nilson at the time. And about a year ago, he had indicated that your government would be quite comfortable in any rates that would have to be raised to fund clean coal technology because, you know — I'm paraphrasing his words — that people would be willing to understand and to pay an increased amount because of the environmental necessity of it.

Now you know, the goals that your government put in place were a reduction of 32 per cent by 2020. And we've agreed that those goals are reasonable and that we've agreed that we would be following that line of a target. In order to do that, we have to, we have to be bold. We have to be ambitious. And we have to be willing to lead the way because Saskatchewan does rely on coal for its electric generation. And it's something that has to be addressed in light of some federal government targets that are coming out and in light of being responsible stewards of our environment. So I'm quite comfortable where we're at.

And I think that, you know, if approved, the project will of course require an investment from SaskPower. And we're just very pleased that the federal government has put some money up for this demonstration project as well. And in early stages of this of, you know, looking at this project, there's some real possibilities for other spinoffs and other companies to benefit from the program.

Mr. Trew: — Any thoughts on the question, who is on the hook for any cost overruns?

Hon. Mr. Cheveldayoff: — I'm not going to speculate on any cost overruns right now. The project isn't even approved and designed yet, and we're already talking about cost overruns. We can speculate on that, but I'd rather just talk about the financing of this project and how we're all going to work towards keeping the project within line. You know of course, we're partners in this. And if costs were going to overrun, I will say this, that we would be approaching other partners about it.

The Chair: — I just want to again remind the member and the minister that there will be ample time to get into these types of topics when SaskPower's annual report comes before the committee, perhaps when CIC's report . . . it may be relevant.

I would just remind the members that we are dealing with the statutory estimates in regards to loans to the Crown corporations in this budget document. Mr. Trew.

Mr. Trew: — Mr. Chair, I will do my best to respect your ruling here and very much look forward to when we get into individual Crown corporations.

And I'll just leave with the comment tonight that quite obviously we have some questions in that. And I can assure you we have some questions in some of the other Crowns, and I know that the minister would expect nothing different than that.

Minister, since the November 7 election — it was seventh right? I always get a little nervous about sixth or seventh — but since the November 7 election, how many people have been terminated from the Crowns?

The Chair: — Again I would remind the member that we will have plenty of time. I will make that commitment that we will schedule plenty of time for the individual Crown corporations to review their annual reports and members can get into operations of the Crowns. Tonight we are dealing with the statutory estimates, dealing with loans towards two of the Crown corporations. Mr. Trew, do you have another question?

Mr. Trew: — I confess to not at this particular moment. My colleague may have.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I have a general question regarding the lending activities of the Crown corporation, more appropriately probably answered in a central way. Just briefly if I could just have a snapshot overview as to what the activity indicated in this year's report is for.

Hon. Mr. Cheveldayoff: — Mr. Chair, thank you for the question, to the member. Certainly the majority of the money is for new investments, for capital reinvestment within the Crown corporations. There is a substantial portion though that is for refinancing of debt as well in each of the Crowns. It varies by Crown — and we can get into more details if you wish — but generally majority is new investments, capital reinvestment, and the minority portion would be for refinancing of existing debt.

Mr. Yates: — Thank you very much. Is any of the new capital for any new direction or new significant project direction in any of the Crowns that hasn't been undertaken in the past?

Hon. Mr. Cheveldayoff: — Thank you, Mr. Chair. I understand that it is not for any new investment. It's for sustaining what is already there because of the shortened budget cycle, and there's nothing here that, that is new or beyond the ordinary course of business.

Mr. Yates: — Thank you very much. My final question has to do with, again from a policy perspective or directional perspective, is there any initiatives, new initiatives, coming out of this capital funding?

Hon. Mr. Cheveldayoff: — Thank you very much, Mr. Chair. I'd be happy to expand upon some of the money that will be

needed for certain corporations. For example the Opportunities Corporation, SOCO [Saskatchewan Opportunities Corporation], the two buildings in the research parks, some of the funding will be for their building and expansion that's taking place. Within SaskTel, the NGAI [next generation access infrastructure] initiative that enables high quality fibre to be brought to residences is something that will incur some debt there.

Saskatchewan Water Corporation expansion of water treatment plants, I may spend a minute here. SaskWater is really on the move right now with the growth that the province has seen and those areas around the two major cities. Certainly SaskWater is being asked to do more and more and will be needing the loans that are indicated here. As far as SaskEnergy Incorporated goes, the flare gas initiative is something that is being worked on as well, and we'll have, you know, further announcements in place, but necessitate some of the loans as well.

So overall nothing that's unfamiliar I'm sure to the members, but nevertheless priorities that continue for this government, and needs of Saskatchewan residents that will be addressed through the Crown corporations.

Mr. Yates: — Thank you very much, Mr. Chair, that would conclude our questions on the statutory votes before the committee.

The Chair: — Thank you, Mr. Yates, and I want to thank the minister. Seeing no further questions at this time, I want to thank the minister and his officials for appearing at this late hour, and at this time we'll adjourn consideration of the statutory estimates related to the Crown corporations. So thank you, Minister, and thank you to your officials.

Hon. Mr. Cheveldayoff: — Thank you, Mr. Chair, and to all members of the committee, and I hope I've answered your questions and certainly look forward to continued discussions in this committee.

The Chair: — Committee members we have one more item on our agenda, but I think we'll take just a short recess while the minister and his officials leave the committee room, leave the Chamber, and we'll deal with that last item in short order. Thank you.

[The committee recessed for a period of time.]

Consideration of Audit Committee Candidates

The Chair: — Thank you, committee members. We have one item left, and it's in regard to the audit committee that is selected by the Standing Committee on Public Accounts. Members would have received a memo regarding the information that Public Accounts Committee had forwarded to us, and we have been asked to look at that.

If there is a discussion about the audit committee and what the Public Accounts Committee has sent to us, I would entertain a motion to move in camera to discuss that. If there is no discussion on this, then I think we can just move a motion. Did any members have any . . . was there any discussion on this, or can we move straight to the motion? Mr. Trew.

Mr. Trew: — Thank you, Mr. Chair. Yes, we've obviously had our separate discussions. Therefore I move:

That the Standing Committee on Crown and Central Agencies concur with the list of candidates to serve on the audit committee selected by the Standing Committee on Public Accounts and that the Chair send a letter confirming agreement with the selection of candidates.

I so move.

The Chair: — It's been moved by Mr. Trew:

That the Standing Committee on Crown and Central Agencies concur with the list of candidates to serve on the audit committee selected by the Standing Committee on Public Accounts and that the Chair send a letter confirming agreement with the selection of candidates.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And that is carried. I want to thank Mr. Trew for moving the motion, and I will be sending a letter confirming our agreement with the selection of candidates. I believe that's the only . . . Mr. Yates.

Mr. Yates: — I move the committee now adjourn.

The Chair: — It's been moved by Mr. Yates that this committee adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. This committee stands adjourned. Thank you.

[The committee adjourned at 23:01.]