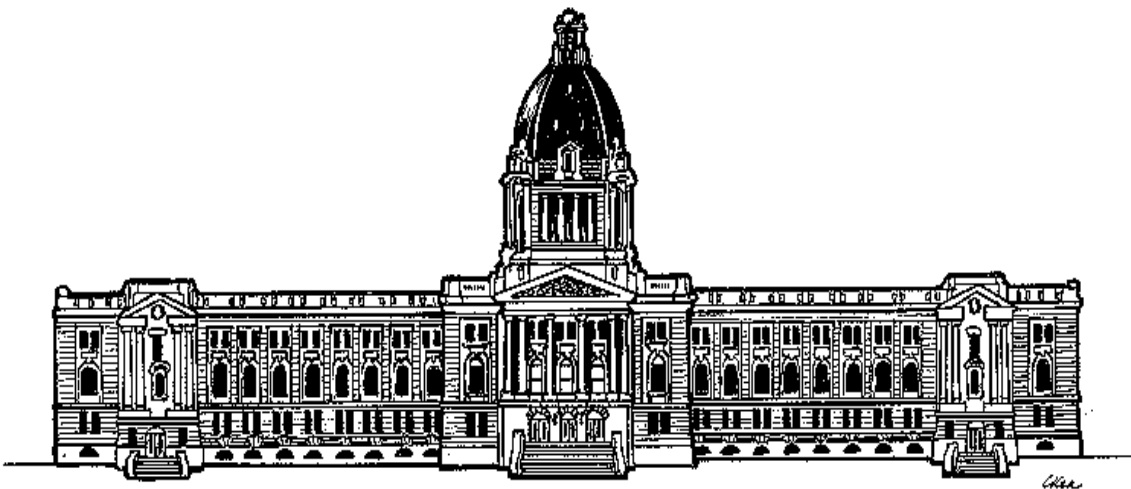




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Arm River-Watrous

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Melville-Saltcoats

Mr. Darryl Hickie
Prince Albert Carlton

Mr. Gene Makowsky
Regina Dewdney

Mr. Scott Moe
Rosthern-Shellbrook

Mr. Roger Parent
Saskatoon Meewasin

[The committee met at 10:01.]

The Chair: — I want to welcome everybody on this glorious morning. I guess everybody seems to be smiling, and that's good. I don't see any substitutions. I think members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

We also have two documents to table today: CCA 106/27, Crown Investments Corporation: A report of public losses (July 1st, 2013 - September 30th, 2013) for CIC and its subsidiary Crown corporations, dated November 1st, 2013; also CCA 107/27, Minister Responsible for Saskatchewan Insurance Corporation: Responses to questions raised at the October 29th, 2013 meeting of the committee re: number of employees self-identified as being of Aboriginal ancestry, dated November 18th, 2013.

We'll carry on. On today's agenda is the consideration of 2008, '09, '10, and '11 annual reports for Information Services Corporation of Saskatchewan, including the 2008 and '09 vital statistics annual reports. I will welcome Minister McMorris and have him introduce his officials. And if he has any opening remarks, he may make them now.

Information Services Corporation of Saskatchewan

Hon. Mr. McMorris: — Thank you, Mr. Chair, and yes I do have some opening remarks. They will be a little dry after the past weekend, but anyway I do have some opening remarks. And to my right is Jeff Stusek who is the president and CEO [chief executive officer] of Information Services Corp.

So I'm pleased to be here as the minister previously responsible for Information Services Corporation of Saskatchewan, or ISC, as it exists as a Crown corporation during the years of 2008 to 2011. Before we begin a review of ISC's historical annual reports, it is important to note that the Information Services Corp is now a publicly traded company and as such is subject to strict disclosure requirements under the Canadian securities law. My remarks will be made in the context of ISC's history as a Crown corporation.

ISC's goals, objectives, and reporting requirements in prior years were based on the requirements of government and ISC's mandate at the time. My comments are not necessarily reflective of the company's current mandate and future goals and objectives, which must meet the requirements and expectation of its current shareholder base. I will limit my comments to past performance in this context and want to be clear that I am not privy to ISC's current plans, expected financial results, and expected performance.

No inference or conclusion about ISC's financial results over the balance of its current fiscal year or future performance should be drawn from my comments or any comments from the ISC representatives here today. I ask the committee to focus its questions on prior years and the historical annual reports being reviewed.

To the extent that any statements made by myself or any of the representatives of ISC may be construed as forward-looking,

including information with respect to anticipated levels of economic activity, the momentum in the real estate market across Saskatchewan, expected average home sale prices or land values in Saskatchewan, interest rates or expected retail sales, including new motor vehicle sales in Saskatchewan, please note that these statements involve known or unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information.

Although statements may be based upon reasonable assumptions, the committee and anyone else relying on the comments made through this review process must be cautious not to place undue reliance on forward-looking information, as it is inherently uncertain and no assurance can be given that the expectations reflected in such information will prove to be correct — in other words, 2011 and earlier. Thank you.

The Chair: — Thank you, Minister. Questions? Cathy.

Ms. Sproule: — Thank you very much, Mr. Chair. And thank you to the minister and to Mr. Stusek for coming out on an early Monday morning after a momentous weekend. Thank you for your comments, Mr. Minister. They sounded very carefully crafted. And I appreciate the obvious review that your legal advisors have put into your comments today, and certainly nothing I will be asking about today relates to the new corporation as it stands here in 2013.

A few questions just to put on the record, Mr. Chair. And I guess the first one is, I note that in the 2008 annual report there was actually a commentary by the minister of the day and, as a side note, I noticed that this commentary was ceased after that. Beyond that all we have is transmittal letters from the minister. But the minister in 2008 had indicated some priorities, and I'm just wondering if this minister can indicate when those priorities changed. I will just quote from the 2008 annual report, where the minister said:

My priority for the future remains the same: to ensure that Saskatchewan's Crown corporations remain publicly owned and provide high quality services at a low cost. This is a promise our Government made to the people of Saskatchewan, and it is a promise we will keep. A current theme in the Crown sector that I expect to continue is growth. By that I mean the changes required within the Crowns to sustain and support Saskatchewan's economic momentum. These changes range from investing in new infrastructure to expanding various services in line with the demand from both our residential and business communities.

So I'll close the quote there. And I note there have been a number of ministers since this particular statement was made, but perhaps the minister for the former ISC could indicate when that priority and what the minister referred to as a promise to keep the corporation publicly owned was changed?

Hon. Mr. McMorris: — I guess what I would say is that through the 2008, 2009, '10, and '11 fiscal years, the corporation was publicly owned and stayed that way. Obviously something changed after 2011. But in 2011 and earlier that was

the position of the government.

Ms. Sproule: — Okay, thank you. The value of the dividends then for the years considered, can you just provide me the values for the years in consideration? The value of the dividends?

Mr. Stusek: — Do you want me to answer?

Hon. Mr. McMorris: — Sure, please.

Mr. Stusek: — I'll just collect them for you here. I have them on different sheets. In 2008 the dividend was \$21 million. The dividend in 2009 was 13.6 million. In 2010 it's 14 million and then 2011 was 15 million.

Ms. Sproule: — And there was a substantial . . . I think '08 was actually a spike upward, if I recall. Is that in relation to the changes in the real estate market?

Mr. Stusek: — Late 2007 and 2008 was a surge or an increase in the real estate market, both from the number of transactions and price.

Ms. Sproule: — Okay. So as far as you know, Mr. Stusek, the decision to sell shares by an IPO [initial public offering] was not made in the years in consideration? Was there any discussion at all in 2011 about the possibility? Were there any concerns expressed by other provinces or outside agencies about an inability to deal with ISC or a concern about dealing with ISC as a Crown in those years?

Mr. Stusek: — To answer the question directly, ISC was looking for growth opportunities throughout 2008 through 2011, but there was no appetite, if you will, from other jurisdictions for us to be working in other jurisdictions at that point.

Ms. Sproule: — Why do you think there was no appetite? Do you have any specific evidence you could share with the committee?

Mr. Stusek: — The evidence that I would have was the conversations that we had with other jurisdictions. They felt it was difficult for a government to buy from another government, and I had stated that publicly before. It's just through conversations.

Ms. Sproule: — Can you be more specific about those conversations, which jurisdictions you spoke to and when you spoke to them?

Mr. Stusek: — I'm not comfortable answering that question because those are potential clients of ours now.

Ms. Sproule: — Could you indicate whether they were Canadian provinces or municipalities? Or were they American or international, without being specific?

Mr. Stusek: — They would be all of those.

Ms. Sproule: — And these were casual conversations? Or were they official meetings?

Hon. Mr. McMorris: — I can take that. I think, as you would well know, that the sensitivity of some of this as we move forward, you know, as we look forward, is very sensitive. And so we're going to be reluctant to . . . I mean, it comes in many different forms with many different possible clients. Save it to say that lots of jurisdictions, lots of companies have been looking at what we could do for them as a Crown corporation. They weren't interested, obviously, because there were no eventual sales in the periods that we're talking about, 2008 to 2011.

Ms. Sproule: — Certainly I know the minister appreciates the importance of having as much on the public record as possible when it relates to the sale of a Crown corporation, so it's important to ask these questions and get as much information as possible. I understand the sensitivity of the types of questions I'm asking and just want to get a general sense for the record in terms of the sort of difficulties ISC was experiencing in the years in terms of their growth plan, I guess. So that's the nature and the intent of the questions, is just to get as much as possible on the public record.

It's difficult to ask these questions without being more specific, but could Mr. Stusek indicate when he was having these conversations, sort of the nature of the difficulty of it being a Crown Corporation? Because we know other Crowns do business successfully, and we haven't heard this from other Crowns. So what is unique maybe about ISC that made it difficult for ISC to do business as a Crown Corporation, as opposed to a privately owned corporation?

Hon. Mr. McMorris: — So you know, I think if we look back and we're dealing with 2008 to 2011, but I remember sitting in this committee room when there was an awful lot of money put into ISC and the whole intent was to sell its services around the world. I mean under the previous government that was said, and that was one of the selling points as to justifying the expenditure into ISC which, you know, we thought was a lot of money at the time.

[10:15]

It's turned out to be a good investment. ISC was functioning very, very well and growing, but it didn't grow outside the province. I mean it didn't do any work outside the province even though that was the reason why it was set up. And you know, I can go back as far as . . . I mean I was elected in 1999 but whenever ISC was . . . about 2000? Yes. And I remember having those very discussions, but nothing . . . It never went past the borders of the province.

So I mean it was always the intent, I believe, of the previous government and we certainly wouldn't have held it back if there was possibilities of selling its services outside the province, but it just wasn't happening. So I mean we could . . . There was lots, probably lots of conversations that happened over these three years that we're talking about and for a number of years before that.

You'd have to ask the people that were looking at purchasing our services why they didn't. We can only assume some of the reasons why they didn't. But that's all it is, is an assumption on our part. It wasn't like there weren't offers made to supply

services to other jurisdictions. And they chose not to. I don't know the reasons, but again we can assume and one of the assumptions that I would make as a minister now, but from looking on the outside, would say that governments in other jurisdictions were reluctant to bring in another government's service to run their whole . . . if it's land titles or whatever it might be. But those questions really need to be asked of the person that was looking at purchasing, not necessarily ourselves that were the ones that were looking to sell.

Ms. Sproule: — And can you provide those people that were looking at purchasing?

Hon. Mr. McMorris: — No we can't.

Ms. Sproule: — You can understand the difficulty then in sort of determining what the reluctance is if we don't know who they are.

Hon. Mr. McMorris: — I could go a bit further then, sure. I think all you have to do is talk to some of your colleagues that were in charge of ISC at the time that were trying to sell the goods. I think you could go and talk to Mr. Cline or any of the ministers that were responsible at the time and ask them who they were trying to sell to and find out why they didn't buy. It doesn't have to be necessarily put on the public record here because those are people that we are going to be looking, ISC may be looking to do business with in the future.

Ms. Sproule: — Probably that's outside the scope of this particular inquiry today. The years in question are 2008 to 2011, and so there would have been discussions, I'm sure, with potential clients. I think what the minister has indicated is that clearly he is acting on assumptions. And we certainly don't know why these people weren't buying ISC's product. I think there are a number of reasons that I can think of why the type of services that ISC is providing here in Saskatchewan would not be immediately attractive to outside jurisdictions, basically based on the nature of the services that ISC is providing.

And certainly the growth in land titles registries and vital statistics registries and all sorts of data-based managed services, which is the core of ISC's business, has exploded throughout the world at the same time that ISC was doing what it did. So a lot of people are getting into this business and perhaps that, I'm speculating as well, but I think there would be a number of reasons why ISC's services might not be attractive to other jurisdictions in terms of the services that are being provided here in Saskatchewan. But unfortunately it's all speculation at this point, so I think we'll just leave that line of questioning for the time being, Mr. Chair.

A number of these questions are actually more relating to 2012, which isn't under consideration at this point in time, so I'll save them for that particular go-round in committee.

Last year in *Hansard* the minister did reference that the Crown turned a corner when it started performing better. Can the minister be more clear about when that turning the corner took place? What year? Do you remember? The one in *Hansard*.

Hon. Mr. McMorris: — Well again we'll look back. I mean I think, and this is from memory, I remember questioning about

ISC and how well it was functioning, as well as some of the costs to the users, people that were, you know, transferring land titles. And it was quite high. There was also glitches in the system. It wasn't maybe working as well as what was first anticipated. I would say probably about 2003 and '04, it kind of turned, I would say, a bit of a corner as far as functioning better. And certainly in 2007-08 area is where it turned a corner as far as profitability.

Obviously by what was mentioned there as far as dividends, which really relates to the number, as was mentioned, the number of transactions as well as the cost of real estate, the change in that has a big impact as we are a fee-based on the cost of real estate, on a fee base. So as real estate goes up, then so will our profits.

But I would say, looking back pre-2008, it was probably three or four years after the company, corporation was put into place that it started functioning better. There were certainly a lot of glitches I think in the early days, and perhaps that was to be expected. I don't know. But I can say that, you know, over the last number of years, the years in question as well as a few years prior to that, it was functioning much better.

Ms. Sproule: — Thank you. Just some very basic questions now around expenditures. And in terms of the years in question, could Mr. Stusek maybe provide . . . I don't know if you have this information in front of you, but from public accounts, the payee disclosure report, I'm just interested in the consulting services that the corporation used in the years in question. If you don't have that in front of you today . . .

Mr. Stusek: — I do not.

Ms. Sproule: — Okay. Perhaps you could undertake to provide a complete detailed list of all consultants that the corporation engaged in the years in question, along with the purposes for which they were engaged. So not just a list, but a description of the type of services that they performed.

Hon. Mr. McMorris: — Sure.

Ms. Sproule: — Okay. Thank you. I didn't go back and pull them out either.

One of the smaller questions we have is the look and feel of the actual annual report itself. It seems to have taken on a different look in 2011-2012. Who were the people who provided that service, and why was the change made in 2011 for the annual report of 2011?

Mr. Stusek: — I don't recall the media company that helped us with that. There was nothing definitive about changing it from 2010 to 2011 other than an evolving look and feel for the company. When you're doing an annual report like that, part of the process is, what's the theme and what are we trying to convey? And so the 2011 choice I think really centred more around our people and our customers, so that was sort of the look that we were going for in 2011.

Ms. Sproule: — Sorting through the . . . I mean actually the people and customers were focuses in the previous years as well, so I'm not sure what the difference is there. But who was

the supplier that you moved to in 2011? Do you remember the name?

Mr. Stusek: — I don't. I think it's Arcas, but I'm not positive about that.

Ms. Sproule: — [Inaudible] . . . provide the committee with that information? Thank you.

Mr. Stusek: — Sure.

Ms. Sproule: — Do you know how much was spent on advertising and consulting in the four years in question?

Mr. Stusek: — Specifically I would have to undertake to get those specific numbers for those four years. We certainly have them collected. I don't know if we have them split between the two or in what way they're split.

Ms. Sproule: — If you could undertake to provide that information?

Mr. Stusek: — Sure.

Ms. Sproule: — Thank you. During the four years in consideration, were there other financial evaluations of the company as opposed to the one in 2012?

Hon. Mr. McMorris: — So under the three years in question, we didn't do any evaluation of the company as far as, you know, what it was worth. It had been done just previous to 2007, was the last evaluation.

Ms. Sproule: — Thank you very much. So given the number of questions I've had that are now under, what is it, tabled or that we'll get this information, I would like to ask the Chair to consider allowing questions on that information when we consider the 2012 report. Because I can't ask questions on them right now if the information is not available.

The Chair: — The information as always will be provided but it will be up to the minister. But I kind of think they always do go back a little bit in history and any information that they seem to provide, and the minister is indicating that yes, he would. You know, anything that they have that they can make public, I think they would be able to still go back to '11 and '10 if there's a few questions, when we deal with the 2012 annual reports for ISC.

Ms. Sproule: — Thank you. Obviously the big year was 2012 so these are past history now, Mr. Chair, and I guess it reflects the difficulty of getting as far behind as we have in these kinds of reports. So I don't think at this point there's any other material questions that I want to put to the committee, but we'll look forward to further questions once we receive the information that the minister and Mr. Stusek have agreed to provide. Thank you very much.

The Chair: — Thank you for the questions. If we're finished with the questioning, I will ask a member to move that we conclude consideration of ISC for 2008, '09, '10, and '11. Mr. Moe has so moved.

Mr. Moe: — I so move.

The Chair: — All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Motion has carried. Does the minister have any closing remarks?

Hon. Mr. McMorris: — Not after my opening ones, I've got no closing ones.

The Chair: — And the member, do you have any?

Ms. Sproule: — I just want to thank the minister and Mr. Stusek for coming in this morning and look forward to further questions on 2012.

The Chair: — Thank you. Seeing no other business in front of the committee, I will ask a member to move adjournment of this committee. Mr. Bjornerud has moved that this committee now do adjourn. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. This meeting's now adjourned.

[The committee adjourned at 10:26.]