

Saskatchewan Gaming Corporation

The Chair: — Nine o'clock and a quorum now being present, we will commence our reconsideration of the 1994-95 annual report of the Saskatchewan Gaming Corporation. I should point out to members that we did have extensive discussion and consideration of this during the last session and that this report, I believe, Madam Minister, represents only a partial year's operation. Is that correct?

Hon. Ms. Crofford: — Yes, that's right.

The Chair: — All right. It would be my hope then that we could deal with this one today so that we can then, when we meet during the . . . either during the fall or next session, be current and be dealing with the up-to-date annual report. But just to make sure, that if there are any additional questions that members have from the 1994-95 annual report of the Saskatchewan Gaming Corporation, I've asked the minister to attend again.

Generally what we do is to ask for comments from both the Provincial Auditor and the private auditing firm. Since that has already been done last session, I think we can probably skip that.

We also usually ask for an overview of mission and objectives and goals, but since that was already done, I think we can probably skip that. So perhaps we will just move right into questioning. Do any members of the committee have questions they wish to direct to the minister?

Hon. Ms. Crofford: — Do you want me to introduce . . .

The Chair: — Yes. And when you start to answer questions, Madam Minister, if you will introduce your officials, I'd appreciate it.

Mr. Osika: — Yes, thank you. And I'd like to welcome everybody that's here today. I just recalled, as I walked into this room, a number of years ago as a senior executive of the Saskatchewan Crop Insurance Corporation at a similar meeting, sitting in a similar position with some of the executives of the Gaming Corporation. I got raked over the coals. I can't remember exactly who it was by, but there were more than one . . .

Mr. Boyd: — I'm sure it was nothing personal.

Mr. Osika: — Well it wasn't. As a matter of fact, I recall too that after leaving the room, the person that really raked me over the coals came to me and said exactly that, Bill — that it was nothing personal. So I appreciate that.

I just . . . And I understand that there has been the goals and objectives and mandates. Madam Minister, could . . . just a brief overview once again, just what the mandate of the Gaming Corporation is?

Hon. Ms. Crofford: — Thank you very much, Madam Chair. I

will just start by introducing the people that are here with me today. I think everybody would be familiar with Ron Stengler, the president and CEO (chief executive officer); Twyla Meredith, VP (vice-president) of finance and admin; and Kathie Maher-Wolbaum, executive director of corporate affairs.

And seeing as Ron predates me in this role, I think Ron has some introductory comments about mission and statement, so I'm going to turn this over to Ron.

Mr. Stengler: — I just wanted to spend a couple of moments going through what happened during that particular fiscal year. And I think the issue of mission is derived directly out of the agreement with the Federation of Saskatchewan Indian Nations which was negotiated between the government and the FSIN in the winter and spring of 1994.

That resulted in legislation being proclaimed in June of 1994, The Saskatchewan Gaming Corporation Act. Its mission was a very simple one. It was to build two casinos: one in Regina, one in Saskatoon. The revenue-sharing — or I'm sorry — the profit-sharing from the casinos was to be 25 per cent going to the federation — the Indian bands administered through the Federation of Saskatchewan Indians, 25 per cent to the associated entities fund to defray any mitigating measures required for charities, and 50 per cent was to go into the General Revenue Fund of the province of Saskatchewan. That was the purpose and the mission of the Saskatchewan Gaming Corporation. It's a partial year. The Act was only proclaimed in June.

At that point in time, I ended up being the very first employee of the Gaming Corporation, and even at the end of that fiscal year, we were only at six employees. So we were a relatively small organization.

During the fiscal year that is under review here, most of the effort was spent in determining a site for the casino in Regina. The Saskatoon casino — we made a decision early on that we could only build one at a time — and that we did not have the management resources to take on two simultaneously and that Regina was going to move ahead of Saskatoon.

There was consultations with the Regina economic development agency and the city of Regina with respect to location, and at that point in time, there was some controversy as to whether the location would be in the downtown core or on the exhibition site.

Ultimately the city of Regina passed a motion requesting that the casino be built in the downtown core. We subsequently went to a request for proposal. The request for proposal asked for sites. There was seven different bids. There was a multi-disciplinary and evaluation team. The location of that casino that it is currently on at the Via Rail station was selected as the preferential site subject to zoning.

The developer or the proponents that sold us were responsible for zoning. They made application to the city of Regina. That application was passed and in fact it was zoned for a casino.

That zoning request was subsequently challenged in the courts by the citizens against gaming expansion and the courts quashed the zoning; they overturned the city of Regina zoning.

That event essentially halted all of the operations of the Saskatchewan Gaming Corporation internally. The city of Regina chose to appeal the zoning and was successful, upon appeal, to have the zoning reinstated.

That process took us virtually to the end of the fiscal year, to about February before the courts had dealt with it, and it resulted in about a five-month delay in terms of our development.

Other significant events that happened during the course of that year was that we had gone to the market-place to seek a consultancy from an established casino company to help us to set up. We had gone to an international request for proposal. I think the actual agreement with Holland Casino was signed subsequent to the fiscal year, but certainly all of the evaluations and negotiations were done during that period of time.

And we had also gone to the market-place to seek a developer that would design and build a facility for us. That resulted in a contract being signed with Dominion Casino Projects Inc.

So those are the significant events that occurred during the year under review.

Mr. Osika: — Okay, thank you. If I may, there's one question — I probably know the answer to this but I'm going to ask it anyway because it seems that it's important, some of this information is extremely important — and that is, is the contract with Mr. Canada Tours ever going to be made public?

Hon. Ms. Crofford: — I'll just answer that briefly. The Conflict of Interest Commissioner actually ruled on that, and basically the quote from the commissioner is:

That the agreement in question is undoubtedly a commercial arrangement between the parties. The information in it pertains exclusively to financial and commercial terms relating to a mutual endeavour to which both parties have a stake. It defines the rights and obligations of the parties and is precisely the sort of document that prudent businessmen would be expected to keep confidential.

And that's a direct quote from the Conflict of Interest Commissioner responsible for information and privacy. So I mean I think that pretty clearly states that we have an obligation to the person we do business with not to reveal the substance of their business.

Mr. Osika: — The thing is, Madam Minister, it is public money, and it's millions of taxpayers' dollars here for a contract that was never tendered. Nobody else had an opportunity to even bid on it, especially people of Saskatchewan, and that is a concern. And I . . . the people of Saskatchewan should have a right to know what the terms of that contract are. Can you at least tell us how long that contract

will run?

Hon. Ms. Crofford: — Madam Chair, that contract runs for three years. It contains accountability provisions of the contractor, and to date the contractor has met or exceeded all of those accountability provisions.

It was felt that casino touring is a specialized business where they tend to attract a clientele that is dedicated, I guess, in the same way that some are dedicated to trips to the Bahamas or other places. There are people that are dedicated to casino touring, and they come with some built-in customer development that's already been done. There really was no other enterprise in Saskatchewan that had that kind of a base.

Three years into the contract, there are other people in the province now getting involved. There's some in-provincial kind of non-contracted touring going on and what not that people are doing on their own, and that may develop. But so far this contractor has met all the requirements of the contract.

Mr. Osika: — Can I just back up a little bit and ask what led you to Mr. Canada Tours?

Hon. Ms. Crofford: — Well I'm going to turn that one over to Mr. Stengler because again he would be much more familiar with the background.

Mr. Stengler: — Yes, Madam Chair, this is not part of the year in review. I mean these events all happened subsequent to that, but I'm prepared to speak to it if you like.

The Chair: — I think that the committee has been fairly tolerant of questions with the current year as well. The goal of course though today is, by 10 o'clock to conclude the review for the 1994-95 annual report so that we can then be timely with the 1995-96 report. So yes, please do answer the question.

Mr. Stengler: — When all of the preliminary planning for Casino Regina was being done, everyone anticipated that we would be a regional market and that we would not have out-of-province traffic other than traffic that was incidental. They were here for other reasons, and they might visit the casino as a part of their trip, and that was borne out by all the various experts.

At the point in time that we were doing detailed planning for the casino, it became obvious that we have an extremely small population base to support a casino, smaller than any jurisdiction anywhere else in the world, to support the casino. The fact is we have a million people in our province, 200,000 within sort of the immediate market area. And it bore into question the ability to have an international-class casino that would stand on its own.

We asked, based on some of the experiences in the Indian casinos, we asked . . . we retained a transportation consultant and had him examine all of the touring type of activities that were happening in the casino industry anywhere.

And it was on that basis that we concluded (a) that there was a

market-place if you did it properly; there was a market to bring out-of-province people into town; and (b) that there was really only one bona fide operator that had anywhere near the capacity or the financial depth or the wherewithal to invest the sums of money in marketing that was required to launch the program, and that was Mr. Canada Tours.

And hence because we didn't feel that we had any other alternative operator, that there was no one else in Saskatchewan, outside of Saskatchewan, or anywhere else, that could do the job and was prepared to invest a million dollars in marketing on something that was highly sceptical, we went into direct negotiations with Mr. Canada Tours. And that was a judgement that I made at that point in time.

Mr. Osika: — I guess that's where I have some concern. If there was no competitive edge involved here in Saskatchewan, then why is there a problem with releasing the terms of the contract?

I guess . . . and I respect, Madame Minister, the fact that the freedom of information officer has ruled, but that's . . .

Mr. Stengler: — May I respond to that?

Mr. Osika: — Yes.

Mr. Stengler: — We have contracts with a number of suppliers, and virtually all of those contracts have a confidentiality requirement. We feel it would jeopardize our ability to enter into similar arrangements in the future if we made them available to the public domain and exposed what they view as competitive information.

And we have, as a policy, adopted a non-confidentiality clause . . . a confidentiality clause in all of our contracts, and we have respected the wishes of all of our suppliers. And the intention of that is not to jeopardize our working relationships with them and/or other people that may bid on our work in the future.

Mr. Osika: — I appreciate that. Thank you very much for that answer. However we're talking about taxpayers' monies, and people have a right to know how their dollars are being spent. I guess that's what distresses me more than anything.

And it goes beyond just the Mr. Canada Tours contract. It also goes to the contract that was signed with Marwest. And if we're going beyond into a subsequent year, but you were prepared to answer the question on Mr. Canada Tours; perhaps you can expand on that one.

Our belief in this province was that people in Saskatchewan should have the opportunities to bid on projects that would generate something for our economy. Now here we had a company from Regina, Regina-based, bid on a contract, and yet the contract went again outside. That's two, and they're fairly lucrative contracts. That is distressing.

The Chair: — Mr. Osika, I appreciate the point you're making. It might perhaps be better that that point be made when we're considering the '95-96 annual report because then you will

have evidence before you of an audited financial report, and you will be able to have that answer as to whether or not the taxpayers' dollars are being wisely spent.

Hon. Ms. Crofford: — Again, I'll just go back to the point that there is accountability requirements in the contract, that they deliver customers to us. And they are meeting those. That is their requirement, is that they assist in our financial viability by delivering customers, and they are delivering the goods. Therefore in my view that makes them accountable. They are not doing anything that is not within their contract and that is not accountable in terms of the financial arrangement.

The reason why you can't disclose that is not just a local issue. We compete with people all over the North American market. And so that competitive information is not just a factor for the local market; it's a factor for people who would take Mr. Canada's business and take it to the States, take it to other locations. So this is not a matter of just competition within the province.

And on the matter of tendering, I mean I'm as much of a home team supporter as anyone when it comes to giving business wherever you can locally. But the fact is on the Marwest contract that a very thorough and accountable tendering and request for proposal process occurred. And I'm sure you're familiar with the internal trade agreements that exist across Canada. It is illegal to deny access. It is not merely inconvenience; it's illegal to deny access to other people to contracts within the province.

And Saskatchewan actually comes out ahead in terms of being a supplier to other areas. So if we were to close the doors to people who want to do business in the province from other places, we would in fact be the loser, because we do more business out of the province than other people do business in the province. So I think our firms compete very well.

And the odd contract may go somewhere else for good reasons, but again I would remind you that neither the Free Trade Agreement or the Internal Trade Agreement are creations of our particular government.

Mr. Osika: — I can appreciate that, Madam Minister. Thank you very much. There's still a concern when it appeared that the Regina bid was lower than the one from Winnipeg. And some of those things go on and on, where nearly all of the information that we've asked for under the freedom of information requests have been denied.

And I guess I just want to know . . . And I appreciate your saying that the Mr. Canada Tours is accountable and has to be accountable. But the lack of accountability of the people who are footing all these bills — I mean the taxpayers — I'm not sure whether they deserve to be treated that way.

Hon. Ms. Crofford: — Well we'll get to that one. Madam Chair, I just want to affirm for the record that there is no taxpayer money at stake here. The casino is self-financing. Its profits pay for its expenditures. These are not tax dollars; these are the dollars that people who go into the casino game; the

revenues are what pay for the expenditures. And we do not take money out of Health to put it into Gaming. We take money out of Gaming to put it into Gaming. So there are no tax dollars involved here. The casino is a self-financing operation.

Mr. Osika: — But those monies initially . . .

Hon. Ms. Crofford: — There would have been a short period, a very short period, in the early development where the government was a guarantor. But there never was any actual expenditure, any money that exchanged hands, any more than you co-signing the car loan for your kid to buy a car.

Mr. Osika: — Thank you.

The Chair: — Mr. Osika, if you're finished with this line of questioning, I have an indication from Mr. Boyd that he wishes to address some questions. Thank you for your cooperation.

Mr. Boyd: — Thank you, Madam Chair. Madam Minister, I'm just interested in the coordination between your department and the minister responsible for Liquor and Gaming Authority. I just think it might be useful to start off with a discussion about the divisions of the duties between yourself and the other department. Obviously your jobs somewhat overlap. How do you sort of coordinate to ensure that the people of the province receive consistent policies in these areas?

Hon. Ms. Crofford: — The Liquor and Gaming Authority is a regulator. So anything we would propose as an operator would have to be approved by Liquor and Gaming. They're the regulator in the province.

So the main difference is, our Minister Serby regulates and we operate. So we are a business operation, and whatever policies, rules, etc., develop would apply across the board. Liquor regulations apply across the board in the province, and the gaming regulations apply across the board in the province. And that would be done through the Liquor and Gaming Authority.

Mr. Boyd: — Do you find any problems with that?

Hon. Ms. Crofford: — No. No, I think that's a good idea, because we do have other casinos in the province operated by first nations, operated by exhibition associations.

My goal is to make sure that we run a responsible and profitable operation in Regina. But my job is not the regulation of the industry. It's Mr. Serby's job to control, limit, and regulate the gaming industry and to make sure that it meets all the standards set out under the Criminal Code and those kinds of things. So it's Mr. Serby who would be responsible for all of the legal and regulatory conduct. We just have to make sure that we follow the rules.

Mr. Boyd: — Does your office experience any confusion from the public about the two offices and their responsibilities — like, for example, people phoning and wondering whether or not . . . who's responsible for what, all those kinds of things. Does it create, do you think, in the public mind any frustration in the public about the responsibilities of yourself or the other

minister?

Hon. Ms. Crofford: — Well I would say probably the only problem it creates is I get blamed for all of it. But aside from that, no, because there's staff and they just direct people to the right place. Quite often when people phone government, they're not sure really who they should be talking to, so it's really no different.

Mr. Boyd: — What do you think the public benefits from the two portfolios? How do you think they do?

Hon. Ms. Crofford: — From the two portfolios? Well . . .

Mr. Boyd: — Benefits in terms of having two portfolios.

Hon. Ms. Crofford: — Particularly with something like gaming, I don't think you could have the regulator be the operator directly. There would I think then be claims of conflict of interest and possible manipulation, etc.

I think it's important that there be some separation, I guess, of the regulatory and the operating function because then you've got . . . Like all of government accountability systems are built on checks and balances, and I think that's one reason why you want to have that regulator separate from the operator.

Mr. Boyd: — They sit around the same cabinet table, though.

Hon. Ms. Crofford: — Well, but we have different officials who don't necessarily dance to each other's tune. And I think it keeps everybody focused on their particular emphasis.

Our folks, people over at the casino, their job is to run a good, service-oriented business. Their job is not to figure out whether or not liquor hours should be a certain way or something else.

They could, as the hotel and restaurant industry could, we could make a request to Liquor and Gaming for a change in regulations. But then that would have to be tested against the rest of the industry because we're only one player in the hospitality industry. And so they have to take hotels, taverns, the rest, into consideration when they're making a change that affects us.

Mr. Boyd: — What about on the bureaucratic side? What mechanisms are in place to coordinate between the commission and the Authority? Are there any staff overlap, for example? Are there joint meetings held?

Hon. Ms. Crofford: — Well in the same way, not particularly, not unless there's . . . for example there would have been some joint discussions over the associated entities fund because during the course of those discussions . . .

For example, Municipal Government is the holder of trust monies for gaming, so that minister would have to be brought in. In signing of the agreement, we agreed to certain conditions about how those monies could be spent, and that was set out in legislation; so that would involve the ministers who provide functions that are designated in the legislation. But it would be

based on task-specific meetings. It wouldn't be for general purposes.

Mr. Boyd: — We've heard quite a few remarks from the public and from the media that they feel that the two portfolios might be considered a tactic to deliberately cause confusion or to create a distraction or to allow more sort of passing the buck on gaming issues. How do you respond to those kinds of suggestions?

Hon. Ms. Crofford: — Well I mean, I guess from my own point of view, I've been clearly there in both instances, so I couldn't claim to have escaped any scrutiny.

Certainly we're all accountable to these kinds of processes: Crown corporations, estimates, public accounts. So really I think as long as . . . if people are as interested as they claim to be, then I don't think it would take them very long to figure out that one is a regulatory arm and the other one is a business operator, and then direct their questions accordingly.

Mr. Boyd: — If we can turn our attention to some start-up problems with regard to the casino in Regina here, primarily the labour problems that were fairly public initially, you'll recall that when the casino opened, several employees of the restaurant complained about the six-week training period during which time they were expected to work free, I understand.

Similarly many of the social services recipients that went through the training program — which I think the government subsidized, did it not? — were led to believe that they would be guaranteed jobs if they passed the training process. However some did pass and eventually were hired, and some did pass and then didn't get jobs. Is that something we should be concerned about?

Hon. Ms. Crofford: — Well I guess, Madam Chair, I would be surprised that you were concerned about it. But what I would say I guess on that, it was interesting . . .

Mr. Boyd: — Why would you be surprised?

Hon. Ms. Crofford: — Well because someone who basically has been putting forward several labour Bills that would suggest that people might want to work for nothing or voluntarily . . .

Mr. Boyd: — Oh, hardly.

Hon. Ms. Crofford: — But anyway, all that aside because we don't want to get into that here . . .

Mr. Boyd: — I'll have you know the people who work for me are paid very well, and they'll tell you that, I think.

Hon. Ms. Crofford: — I'm sure you're personally accountable, Mr. Boyd.

The Chair: — I wonder if you two could stop your sparring and direct your comments through the chair.

Hon. Ms. Crofford: — We'll go for coffee later.

Anyway what I would say . . . it was interesting. I was at the hairdresser that week, and there was a young woman washing my hair, and I said to her are you working here now? She said, no, I'm going to hairdressing school, and it's part of my practicum placement that I work here in the hairdressing salon as part of my apprenticeship for my hairdressing.

I think it's the same for teachers. My son, I think, will be spending about a year in the school system next year that he'll be paying for the privilege of, not the reverse. It's part of his training.

I think the important thing there is for the government agencies that are sponsoring this training to make sure that real training is occurring, and that the students are receiving real value from their experiences.

Having been involved myself in the North in a catering business that's probably very similar to the circumstances — a restaurant and catering business — that the restaurant is operating under, I know that we found that there was a pretty substantial training requirement, given that people had less experience with the banquet type of settings and what not.

And so there is a training component there. And again my concern would be is that the trainee is getting value in their training program.

Mr. Boyd: — We have heard recently that employees have laid complaints at the Labour Relations Board. Is that the case? Can you confirm that the casino is dealing with charges before the Labour Relations Board?

Hon. Ms. Crofford: — I can say that the restaurant . . . I guess you understand the relationship, that we're the landlord for the restaurant. And so we are not the direct operator. This is a contracted business, and Marwest is responsible, just as any other business is, to follow the labour standards in the province.

And that's why we have the labour laws and what not so that if people feel that they're not being treated according to labour standards that they do have the ability to request change. And that's really something we don't interfere in, other than to remind Marwest that they have to be familiar with the Saskatchewan labour codes and labour standards in operating here.

The Chair: — I appreciate that you answer the question, Madam Minister. I guess I want to remind both of you once again that we are dealing with the '94-95 annual report. So we will be able to get onto the '95-96 annual report as soon as we can finish this one.

Hon. Ms. Crofford: — And that's at the Chair's call, Madam Chair.

The Chair: — Mr. Boyd, if you will carry on.

Mr. Boyd: — That completes all the questions I have at this

time.

The Chair: — Okay, thank you. Are there any other questions that other members of the committee have?

Ms. Draude: — Thank you. Madam Minister, I just have one final question on the Mr. Canada Tours. Can you tell us what the value of the contract is?

Hon. Ms. Crofford: — It's based on number of visitors. Maybe I'll get you to explain a little more about how you place the value on that.

Mr. Stengler: — Yes, there's no easy way of answering that question in the way that you ask it. It's not like if you build a building, it costs 20 million or \$25 million; it doesn't work that way. It is based on bringing in a certain number, a minimum of guests and a maximum number of guests and a certain amount per guest.

There's no way . . . it's never been evaluated in terms of what the total contract cost would be, and we'd never know that until the conclusion of the contract.

Hon. Ms. Crofford: — We do place an overall economic value on the out-of-province tourists of about \$25 million in expenditures in the province, but that's not necessarily all in the casino. That would be hotels, restaurants, etc., but that's just an estimate based on number of visitors and number of days that they're here. And that would not be a direct money into our pocket; that would be into the businesses, into the province, into the general economy.

Ms. Draude: — Madam Minister, I notice that the deficit at the end of the first year was about \$820,000. The casino is self-financing, so I'm wondering who would be actually responsible for that debt.

Hon. Ms. Crofford: — Well again, there was a loan guarantee that they're responsible for the loan, so it's just a matter of the money being recouped through that mechanism. But maybe Twyla would want to speak to that a little bit.

Ms. Meredith: — That money was, I guess, almost loaned to the casino in this pre-construction stage. And out of our first couple of months of profit, it has been repaid now at the end of this past fiscal year to the government.

Ms. Draude: — Okay, so then this . . . I see you've noticed that due to General Revenue Fund is 757,000; that's been repaid now.

Ms. Meredith: — Repaid now.

Ms. Draude: — Okay. I notice there's a separate line of credit then for this corporation. Is it dealt with at a separate bank or financial institution than other government agencies or Crown corporations?

Hon. Ms. Crofford: — Well every government Crown and what not, they do have the option of their banking. And so we

don't have like one banker for the whole . . . (inaudible interjection) . . . Sure.

Mr. Stengler: — We tendered for banking services. Toronto Dominion was the successful bidder.

Ms. Draude: — Okay, that's what I was wondering.

The Chair: — I'm sorry to interject here. I hate being an activist Chair, but I'm going to ask everyone to . . .

A Member: — A little self-discipline?

The Chair: — No. No, I've already made that point . . . to make sure that you do speak up so that all members of the committee in the room can hear it, and also to speak into the microphone so that *Hansard* can capture the pearls of wisdom.

Ms. Draude: — It seems really strange for people to tell me to talk louder.

Has there been an updated analysis of the number of casinos that are considered to be viable in this province? I understand you talked about Saskatoon and Regina, and I'm just wondering if that is being reconsidered.

Hon. Ms. Crofford: — Madam Chair, under the original study that was done — I think it's the Fox study if my memory serves me right — it was estimated that there would be sufficient market in the province for two casinos approximately . . . two additional casinos approximately the scale of Regina.

Now when we didn't proceed with Saskatoon, the Indian casinos are the equivalent of one other casino in terms of . . . In the gaming industry, they go by number of machines, not by location. It's the number of machines in play in an area that determines the market. And so the equivalent number of machines are in the first nations' community-scale casinos. They're much smaller. There's nothing else on the scale of Regina.

Ms. Draude: — Okay. When the work was tendered for the Regina casino, it was . . . I imagine we were under the Crown tendering agreement. Is that correct?

Mr. Stengler: — No. You mean in terms of union preference?

Ms. Draude: — Yes. There wasn't any union preference. So then the severe cost overrun of the original budget had nothing to do with that kind of expenses.

Mr. Stengler: — There was no cost overrun on the original budget.

Hon. Ms. Crofford: — I can explain the difference, Madam Chair, in the cost. The original budget was related just to building, land, acquisition — that kind of thing. The additional amount is the equipping, furniture, etc., of the casino. So those are where I think the discrepancy in the figure has come in. The original figure never did include and nor was it intended to include the operational capitalization. It was just the land and

acquisition and that part of it.

Mr. Osika: — Madam Chair, I have, if I may, just a couple of questions. Have you any idea roughly at this point what percentage of visitors to the casino are from out of province?

Hon. Ms. Crofford: — Yes, we do. In fact I can give you a pretty definite number on that. I'll just check here.

The Chair: — These of course would be unaudited.

Hon. Ms. Crofford: — Yes. This is our understanding of the loads that are coming in. Mr. Canada has got 30 to 40 buses bringing 2,000 to 2,500 tourists each week into Regina.

Mr. Osika: — Which, if I can add to that for information purposes, translates to 5,000 visitor-days per week.

Hon. Ms. Crofford: — Yes. Three per person.

Mr. Osika: — I guess, Madam Chair, and Madam Minister, I understand as well that each visitor coming from out of province — or I'm not sure whether it's strictly out of province or by bus of any other manner or comes to the casino — is given \$100 in cash. Is that correct? And first of all, is that exactly what happens?

Hon. Ms. Crofford: — There is a marketing tool that's used for the out-of-province tours only, and it's not upfront money. It's \$25 per day for each day of their tour when they receive a coupon when they go to the casino. So it's not . . . they don't receive . . . here's your \$100 cash, thanks for coming. No, it's \$25 per day.

Mr. Osika: — Okay. Thanks for clearing up that confusion because the understanding was, or has been, that people get \$100, so why not pay \$119 to get a return trip from Winnipeg to Regina, get your \$100, and it only costs you 19 to visit here. So I'm glad to hear that because it would make more sense if it was in fact in chips or coupons. And I thank you for clarifying that.

The annual report states that the Saskatchewan Gaming Corporation works in cooperation with the government's initial economic development strategy, *Partnership for Renewal*. How does the SGC (Saskatchewan Gaming Corporation) fit into this new economic development strategy, the *Partnership For Growth*?

Hon. Ms. Crofford: — Okay. Well, Madam Chair, part of what the *Partnership For Growth* is all about is a targeted areas — tourism. And certainly the Tourism Authority considers this a good addition to the whole package that's available as far as the range of entertainment people might enjoy, for example, if you're trying to attract a convention, those kinds of things.

I heard recently that a convention that's been meeting around the province for some years had their largest turnout they've ever had recently, and I think it's considered just a broadening of the tourist offering.

Mr. Osika: — Did you re-book that convention for next year?

Thank you. Could you tell me how many employees are actually employed at the casino now or related to the casino activities?

Hon. Ms. Crofford: — Well an absolute exact number . . . I can give you a range because you've got full- and part-time. Between the casino and the ancillary services directly related to the grounds there, like not hotels and what not but directly related, it would be approximately 500 direct jobs within that area. Now not all of those would be directly under our budget because some of them are the restaurant. Some are the parking. Some are the gift shop, those kinds of things. So about 350 would be within our own operation.

Mr. Osika: — Okay, thank you. Could I then get back to the building and the building project, the final costs? Was it in fact \$37 million? Once again, that's a figure that's been thrown around. The final costs of the project . . .

Mr. Stengler: — Yes, it was slightly under that.

Hon. Ms. Crofford: — Yes, that would have broken down . . . What is it, about 25 million on the construction portion?

Ms. Meredith: — Building and land.

Hon. Ms. Crofford: — Yes, on the building and land and then the balance, about 12 million on the equipment and gaming equipment and interior office equipment, all the rest of it.

Mr. Osika: — Okay, thank you for clarifying that because once again that was something that seemed to be uncertain, the initial projection of costs, and then the final outcome.

Is there other . . . the financing arrangements, can I ask you about those, as far as the long-term leasing process?

Hon. Ms. Crofford: — We always did have in the original contract the option to assume the financing ourselves. The original financing was part of the RFP (request for proposal) that went out with the construction portion of the project. So there was always the option at the end to . . . well not even the option, the requirement to make a new financing arrangement. And we could've then made a decision either to continue on with the financing arrangement with the Dominion stage of the project, or we could have decided to assume that ourselves and basically buy out the financing.

And after we looked at all the options, including GST (goods and services tax) implications, we followed the example of Quebec and set up a corporate structure that would save us about 800,000 on the earlier buy-out of the financing contract as well as save us about 3.3 million on GST.

So it had a lot of financial scrutiny because we really wanted to get the best deal that we could while still keeping with our commitment to protect taxpayers' interests by not having . . . like I say, money coming out of Health to go into Gaming. So this thing had to be a standalone financing operation.

Mr. Osika: — Madam Minister, you're talking about Dominion Casino Projects Inc.; is that the . . .

Hon. Ms. Crofford: — What was the actual . . . NewCourt Investments was the financing arm.

Mr. Osika: — Oh I see, okay. But were there not some shares bought from the Dominion Casino Projects Inc.?

Hon. Ms. Crofford: — I'm going to . . . just because I wasn't there during all the beginning, I'm going to get Ron to answer that.

Mr. Stengler: — The initial contract was structured between Dominion Casino Projects Inc. on the basis of an anticipated capital lease. The definition of capital lease is you own the property at the end of the lease. And we had the ability to exercise an option to buy out that company at any given point in time over the 15 years for set amounts of money at any given point in time. Our lowest cost option was a quarter of a million dollars at this point of time. It would have then gone to a half a million dollars and then to three-quarters of a million dollars 15 years from now.

We chose to exercise the option at the same time that the final financing package was put into place. The final financing package was all part of the original bid, and we just exercised it at this point in time because it was economically to our advantage to do that.

Mr. Osika: — Are you at liberty to tell me who the original owner of Dominion Casino Projects Inc. was or is?

Mr. Stengler: — Yes, it was Roberts Properties.

Mr. Osika: — Thank you. And I'll just have a couple more questions here. If the tourism projections — I understand they're going quite well — if they're not met, how will that in fact affect the profitability of the casino?

Hon. Ms. Crofford: — At this point we have only just begun to tap markets. We're really only . . . spread our wings a little way, and there's still a considerable wider net, I guess, that we can cast in the casino market.

So as we move slowly, one of the things we have to be careful of is not to exceed capacity because it's like going to a movie theatre. If people go to a movie theatre and can't get in, they're not very impressed. So we do have to move with some caution right now to make sure we keep a balance between the available number of gaming machines and the number of visitors coming in.

Mr. Osika: — Thank you, Madam Minister. One final question, and I'm hoping that the projections . . . and I'm hoping we keep that place packed for years and years and years to come. So I'll make this my final question in that respect.

If something should go amiss and the casino's profitability decreases to the point where mortgage payments cannot be made as a result of money being spent at the casino, what

happens then as far as paying that mortgage payment when there isn't enough money coming in?

Hon. Ms. Crofford: — Well people who I've talked to in the architectural and heritage community here say that that building had maybe five more years if it didn't have substantial work on it. So we would have lost the Union Station as a heritage facility in this community. Many people have recommended that site over the years for art gallery, this or that.

I guess the way you have to look at it is if the very worst case scenario happened, we would have recouped the amount that is related directly to gaming. I just think there's very little likelihood that that wouldn't happen. So your balance then that you're concerned about is your capital investment in that heritage site. And I think then you'd have to say what are the best alternate uses of this heritage site. And that would be the way I think we would look at it.

But I think most people are pretty pleased that that building has been restored and retained because it could not have continued on the path it was going. It was sliding downhill pretty badly.

Mr. Osika: — Thank you.

The Chair: — Thank you, Madam Minister. Thank you, Mr. Osika. Mr. Boyd, did you have questions?

Mr. Boyd: — Yes, a few. Looking at the statement of operations for the year under review, I see professional services at \$177,280. Could you elaborate on what those would be for?

Mr. Stengler: — KPMG; Michael Mitchell who is a heritage consultant; Western Limited; Brundon, Martin & Associates, in terms of property inspection, market analysis, and valuations; ACTES Ltd. for pre-construction management services, quality assurance on our behalf. And legal services were \$95,000. So that was the brunt of it.

Mr. Boyd: — Okay. With respect to accommodations, can you provide a similar breakdown as to the expenditure of 125,000-and-some-odd dollars?

Ms. Meredith: — As in the year under review, the accommodations run for space rental as well as some space improvements.

Mr. Boyd: — So the base rental . . .

Ms. Meredith: — Accommodation.

Mr. Stengler: — Rental of office space in the Ramada office tower.

Mr. Boyd: — For communications?

Mr. Stengler: — We have Phoenix Advertising at 48,900 and Insight Public Relations for \$32,000.

Mr. Boyd: — Insight Public Relations? What would those communications be with regard to? Like is it some sort of

advertising strategy or something of that nature?

Mr. Stengler: — Well there certainly would be development of communication strategy. If you recall, there was some controversy around the casino involvement: job placements, job advertisements, career advertisements — things such as that — news conferences.

Mr. Boyd: — Sundry, 39,000.

Ms. Meredith: — Just general office, general office expenses.

Mr. Boyd: — Just general office expenses, okay.

Travel, we see \$38,275 in travel expenses. What amount of that was spent on out-of-province travel? And I wonder if you could provide us with a detail of the destinations, and the purpose of the trip, and who went on the trip?

Mr. Stengler: — Would you like that tabled?

Mr. Boyd: — Yes, that would be fine.

Hon. Ms. Crofford: — Madam Chair, we'll provide a copy of the detail that Mr. Boyd has just asked for.

Mr. Boyd: — I'm not sure whether this falls under the year under review or not, Madam Chair, the \$100 cash give-away. Does that . . . you wouldn't have started up at that point. Okay.

A Member: — No.

The Chair: — And again, as I say, it is my hope that we can become current. The election last year kind of stalled the process because we couldn't have . . .

Mr. Boyd: — I'm sure you're going to push it through as quickly as you can.

The Chair: — Thank you. Yes. Do you have further questions, Mr. Boyd?

Mr. Boyd: — No.

Mr. Trew: — Thank you, Madam Chair. I move:

That the committee has concluded its review of the 1994-95 annual report of the Saskatchewan Gaming Authority.

The Chair: — Thank you. We don't require a seconder. Any comments on that? All those in favour of that motion please indicate. Down. Opposed? Okay, that's passed.

Thank you very much, Madam Minister. And I would really like to thank all members of the committee for their cooperation as we try to get more current in our deliberations. We will now take a brief recess. And at 10 o'clock we expect Minister Serby, and we will commence the consideration of the Saskatchewan Liquor and Gaming Authority. Thank you.

The committee recessed for a period of time.

Saskatchewan Liquor and Gaming Authority

The Chair: — Welcome, Mr. Minister. We will now commence our review of the 1994-95 annual report of the Saskatchewan Liquor and Gaming Authority. I wonder before we start if you could introduce your officials for the benefit of the committee members.

Hon. Mr. Serby: — Well thank you very much, Madam Chairman, and good morning to members of the committee and officials. My officials this morning with me are Mr. Dave Innes, who's the acting president of Saskatchewan Liquor and Gaming Authority to my right; Mr. Paul Weber, who's to my left, who's the vice-president of operations; Dick Bailey, who's the vice-president of corporate affairs; and Colleen Laing, who's the manager of financial services.

The Chair: — Thank you. I want to correct one statement I made when we were considering the Gaming Authority. I indicated that we customarily had a report from the private auditor. With respect to both the Gaming Authority and the Liquor and Gaming Authority, the auditor of record is actually the Provincial Auditor. So they serve a dual function.

I would ask them at this point if they would make a brief comment . . . Oh, before I do that I would like to indicate that the officials from the Saskatchewan Gaming Corporation did table with me, and I will have the Clerk circulate them now, the customary questions that are generally asked: the senior management's salaries, the board of directors' remuneration, consulting contracts, executive travel, executive expense claims, advertising contracts, and capital assets.

So we will now circulate those. And since Mr. Boyd has asked a question wanting further detail about one of those, that will be circulated to all committee members in due course.

And now, Mr. Atkinson, if you could make a comment about the annual report of the Saskatchewan Liquor and Gaming Authority, 1994-95.

Mr. Atkinson: — Thank you, Madam Chair. My colleague, Bashar Ahmad is responsible for the audit of the Liquor and Gaming Authority, and he'll provide our comments this morning.

Mr. Ahmad: — Thank you, Brian. Madam Chair, members of the committee, we audited the Liquor and Gaming Authority for the year ending March 31, '95. Our opinion on the authority's financial statement is included on page 33 of the Authority's annual report. You will note it's a clear opinion.

We also did our work on the Authority's rules and procedures to safeguard and control its assets. And the Authority is complying with Authority's . . . (inaudible) . . . activities. Our 1996 spring report includes our observations and recommendations on page 371.

In brief, our recommendations relate to independence of the

internal . . . (inaudible) . . . function and strengthening of . . . (inaudible) . . . agreement with Western Canada Lottery Corporation.

Madam Chair and members, you will note while the Authority's annual report provides considerable statistics about its operation, the annual report does not provide any comparison about the Authority's plan for the year and its actual result. We believe that's essential information you need for assessing the performance of the Authority.

The Chair: — Thank you. Do any members of the committee have questions of the auditor?

If not then, Mr. Minister, if you would make a very brief, overview, introductory statement, and then I will recognize members of the committee for questions.

Hon. Mr. Serby: — Well, thank you very much, Madam Chairman. And good morning again to all members of the committee.

Before I begin my morning opening dialogue, I would just like to say a few words about sort of the detail of the Liquor and Gaming Authority with respect to the year ending 1994-95. The Authority was established as a new Treasury Board Crown corporation in July 1993, and the Authority was created from the amalgamations of three former Crown agencies: the Gaming Commission, the Liquor Board, and Liquor Licensing Commission. And those agencies of course no longer exist.

Early in 1995 the responsibilities of the Horse Racing Commission were also transferred to the Authority. And that commission of course no longer exists as well.

As a result of those amalgamations, the Liquor and Gaming Authority is responsible for the regulation and control of all liquor and gaming in Saskatchewan except of course for lotteries, which are managed by the Western Canada Lotteries Corporation, such as that of the 6/49. And more specifically the Authority licenses all liquor and gaming activities in the province, manages a video lottery program, and manages a retail liquor system of where we have 81 liquor stores in the province and 192 liquor franchises.

The principal goals of the Authority in 1994-95 were three or four points. One was to build and maintain integrity in the liquor and gaming industry. Number two would be to enable communities and businesses to realize their goals through equitable access to liquor and gaming revenue. Thirdly, to provide excellent services to customer and interest groups, and fourthly we would try to develop the Authority into a vital, productive organization.

During the year under review, the Authority made a number of strides towards achieving those four goals that we've outlined. The amalgamation itself enabled us to improve customer services. The hospitality industry now deals with a single agency on liquor and gaming licensing and other matters. And that benefit, together with efficiencies of a single organization, have been recognized in other provinces who are also moving

to our amalgamated model.

I would like to mention several of the Authority's primary accomplishments in 1994-95. Liquor regulations were formed in a way that continue to balance community standards, customer services, and revenue opportunities.

The video lottery terminal network was brought up to 3,566 machines, close to the maximum allowable under the 3,600 cap. The hospitality industry realized last year approximately \$22 million in new revenue from the VLT (video lottery terminal) program.

In our effort to support charities in their fund-raising, we removed the 4 per cent fee paid by charities for gaming licensing and rebate to charities more than \$7.5 million in licence fees that was paid that year. On an annual basis this move benefit charities by approximately \$8.5 million. Overall, charities' share of gaming revenues in 1994-95 was almost \$47 million.

Several measures were taken in the year to develop and strengthen casinos in the province, including three areas: agreement between the province and FSIN (Federation of Saskatchewan Indian Nations) with respect to Casino Regina and FSIN community casinos, initiatives with exhibition casinos to strengthen their viability, and the new and expanded compliance requirements for casinos.

Service and efficiency improvements were made in the liquor store network, including store renovations, and we continue to build and maintain integrity in the liquor and gaming industry in several ways. Just giving you two examples . . . 13 inspectors made more than 9,000 contacts with liquor and gaming licensees for the purpose ranging from simple consultation to investigation, and nine audit staff managed 223 audits.

One other important item I should mention is the work of the Liquor and Gaming Licensing Commission. The commission is an independent body which hears appeals on decisions made by the Authority with respect to licensing and registration, preliminary cancellations, and suspensions. In 1994-95 the commission met approximately monthly, and heard 63 appeals. In all cases the original decision of the Authority was upheld.

In making these opening comments, Madam Chairman, I along with my committee are . . . my officials are prepared to answer any of the questions that the committee members might have on this.

The Chair: — Thank you very much.

Mr. Osika: — Thank you, Madam Chair. And thank you, Mr. Minister, and welcome to your officials. I have some questions because of the impact on the introduction of VLTs and expanded gambling policies of your government, which has in fact been a boon to the government coffers.

I just wondered if . . . and I'll just say for example from my own community of Melville, where over \$2 million has been taken out of Melville, and I'm sure it's a similar story all over

Saskatchewan. Has your government commissioned, or is it planning to commission a study on the economic effects that these VLTs have had on rural communities, on local communities throughout rural Saskatchewan? I dare to guess that they were adverse. However, I wondered if there were any plans or if there was a commission set up to take a real close serious look at this.

Hon. Mr. Serby: — I think that there are two sort of points that I'd like to make in regards to the VLT revenue that's generated, and how in fact it makes its way back into communities. I think when you take a look for example, and you ask about Melville, and certainly our area of the province which you and I both are from, the initial establishment of the VLT program in Saskatchewan was initially piloted, as you can well appreciate, in our part of the world.

And some of the reasons for that being piloted in that area is that the hotel industry, the restaurant industry, said to us that there was a great deal of revenue that was leaving our part of the world, and was moving across the border into Manitoba, and had suggested to us that we should try and put a stop to some of that movement in terms of revenue. And as a result of that, we were one of the first areas of the province that were piloted in terms of the VLT program.

What we're seeing of course, is that the revenues that VLTs are generating across the province in fact are making their way back in a variety of different ways into the community. So the \$22 million that we talk about, that I had mentioned to you earlier that makes its way back into the hotel/restaurant industry, of course, are all brand-new dollars.

And this money has really been essential in terms of propping up the hotel industry, making rural hotels in Saskatchewan viable again, and have sustained the kind of employment that rural hoteliers are saying that were required.

Your other question, I think as it relates to the revenue that government generates, which last year, '94-95, was about \$100 million. Your community of Melville and my community of Yorkton and communities around the province of course, see that money flowing back into your communities in the way of supporting funding to education and supporting funding to health boards, supporting funding to municipal governments, because the money from the VLT revenue goes right into the General Revenue Fund. All of that money then gets redistributed back into the communities in that fashion.

Mr. Osika: — Thank you. I guess that's what concerns me. And I appreciate what you're saying; it's just some uncertainty as to how that money is in fact getting back to the communities. The promise made by the Minister of Municipal Affairs that there would be 10 per cent go back that has not been seen. And I appreciate where the minister has said that it will go back in a different manner, but in what manner will it in fact profit those small communities who are relying on that specific funding? I mean there's 10 per cent.

And if in fact it's not gone there in this past year, what's going to happen to that money in the future? Is that commitment

going to be kept, or is it not? Or was it merely a promise that will not be kept in the future? That's a question that's raised. What's happening to that 10 per cent we were promised?

Hon. Mr. Serby: — Well I think that what should be kept in mind here is that . . . and I believe it was in 1994 when a decision was made that we would direct some of the \$10 million back to communities. And of course the discussion that precipitated some of that was in relationship to the question that you asked: how can communities benefit directly from a portion of that VLT money that might be, in your opinion, more visible?

And of course at that time, there was the extensive discussion with four of the key stakeholders in the province who include SUMA (Saskatchewan Urban Municipalities Association) and SARM (Saskatchewan Association of Rural Municipalities); SAHO (Saskatchewan Association of Health Organizations); and I think SSTA (Saskatchewan School Trustees Association) was a part of that discussion.

The undertaking of course was that those four bodies in the province would look at how they might in fact manage the \$10 million across the province so that some of it might make its way back into the communities that you suggest it could make its way back to. At the end of the day of course, there was a great deal of debate amongst those four organizations as to how that money would get back.

And some of it has in fact made its way back into the community. A portion of that \$10 million — I'm not quite clear on the exact figure that it is; I need to consult with my officials for a minute — but a portion of that \$10 million made its way back in respect to the emergency services 911 development around the province. Some of it went into the establishment of emergency services of which the RCMP (Royal Canadian Mounted Police) are involved in, in terms of becoming the central dispatching centre, I think, for Saskatchewan. We're looking at an emergency 911 service in the province.

So a portion of that \$10 million of course has made its way back in providing those kinds of services on an emergency basis which all of Saskatchewan people would benefit from.

There wasn't a resolution or an opportunity for them to reach a consensus on how in fact those four bodies would disperse of the additional \$6 million or five and a half million dollars I think that was left. And a result of that, of course, that money has then been redirected back into the General Revenue Fund and will make its way to communities through the traditional line departments that provide services to communities.

Mr. Osika: — But, Mr. Minister, would you not agree that when you do have a commitment, or a commitment has been made to communities and they rely on that commitment to be carried through, allowing or at least asking the opinions of four different organizations or five, the ones that you've mentioned, and they can come to any consensus, would it not be a sign of leadership to say, well look, we made a commitment; you people can't come to any consensus; we'll work it out on a per capita or however. But we made a promise to get that money

back to the communities, and we will, so they can use it for their own infrastructure programs, to prop up their own charitable organizations, and the like.

That is a concern that that money could have been well used by those small communities. They could have propped up those charities that had lost a great deal of the money that would have normally been spent on lottery tickets or on church bingo, whatever. But that's a concern, and I wonder if you would address that, please.

Hon. Mr. Serby: — Well I think my comment is that the four organizations across the province were expected to pull together a strategy where some of that money could make its way back into the community at the local level. I mean, I think we need to . . . we certainly have, and I do, appreciation for the people who manage the affairs of communities at the local level. And so it's my opinion that those are the folks who would've been responsible to make those decisions in terms of how the money makes its way back specifically into the community, of which they weren't able to accomplish.

I think that what's important to recognize here then is that the revenue that the four organizations couldn't make a decision on has in fact gone into the General Revenue Fund and is making its way back into the communities through the line programs and services that are being provided by departments and government agencies across the province, which impact, of course, every individual in the province.

Keep in mind that there are segments of our communities in Saskatchewan that are being supported in another fashion. When we have the AEF (associated entities fund) fund operating to its maximum or optimum in the province, what you'll see is some of that money flowing back into communities to the charities. We have in fact removed the 4 per cent on the bingo side, which has seen that money flow back into communities, in terms of the charities.

So it isn't as though there haven't been some opportunities taken here, I think, on the part of the Authority, to see that some of that revenue flows back, and on the part of government, to see some of that money flows back into communities, because I think that's happened.

Mr. Osika: — I appreciate that, and what you're saying about the 4 per cent reduction towards some of these charities. But have you in fact done any kind of a study or a review of what effects those VLTs have in fact had on the local charities? And I ask you that.

The other point, just to go back to the general revenue and the money going back to people in some way, shape, or form. But is there not some disparity then in respect to the monies not being equally shared with those communities that have invested in the VLTs? That is another concern.

And I appreciate what you're saying, all the citizens are going to benefit from the general funds. But in effect, those communities that may not benefit as greatly as others are not being treated with parity.

Hon. Mr. Serby: — I think, if I might just answer your first question as it relates to whether or not we have a study that's in place or study that we've commissioned, looking at the kinds of impact that gaming might have on communities. We haven't done anything that would stand out that I could present to you and say, this is a piece of work that we've done across the province to show you what some of those impacts have been and the outcomes of them in terms of how we're trying to manage them.

What we do do though, however, on a regular basis, on an ongoing basis, that we monitor all of the activities in terms of our VLT take from each of the communities, all of our machines, of course.

Now that casinos are on board, we have a good appreciation of the kinds of effects that casinos are having on the rest of the gaming industries and on charities, and so try to prop that up as best we can in the shift of some of the funding, for example . . . or shift in some of the policy, like the reduction of the 4 per cent tax on the bingo, which then left additional money for the bingos which they could then distribute back to their charities and to their communities.

I think that when you ask the question about whether or not there's disparity in terms of the amount of revenue that might come out of a community, I think there may be some of that. I'm not able to tell you specifically what it is or what that number might be.

If you look at communities of the same size — and maybe this is what part of your question is — if we look at say Melville, which is 5,000 people, and another community across the province that might be of a comparable size that have VLTs in them, would there be a larger take out of the community of Melville in terms of VLT revenue than there might be say Melfort, which is also about the same size. And then do an analysis of the number of charities that are in that community; how much charity revenue was generated in the past by that community before VLTs arrived. I don't believe that we've done that kind of a detailed analysis.

But certainly if that's part of what your question is, I take it as an area that we could do a closer review of in terms of monitoring what kinds of losses individual communities might be experiencing versus other communities across the province.

Mr. Osika: — Thank you, Mr. Minister. I guess I'm going along that line of questioning because still the monies that the communities do not receive that they were promised, affects their infrastructure programs, and the supporting of those local charities and recreational activities that they may have been able to use because of the money that would have been returned back to the community, which was taken additionally out of the pockets of people from that particular community. That's the concern about the disparity, where in fact money's taken out, a portion of which should have gone back, do not find their way back.

This affects also the sales, I would expect. And since you no doubt do work closely with the Western Canada Lottery

Corporation sales of 6/49 tickets, and those . . . the revenues from those ticket sales do find their way back into recreational activities in various communities. Now with the expansion, with the gaming expansion, the whole gambling expansion of this province and VLTs, how is that . . . or are you aware of or have you any indication of how the sale of those lottery tickets have been affected. Because once again that was another source that a lot of these groups relied upon — a good cut of those proceeds to help them along.

Hon. Mr. Serby: — I appreciate your question. I think we have a very close working relationship of course with western Canada lotteries, and monitor very closely with them the kinds of effects that gaming has across the province. And our indications are of course that the lotteries revenue has remained, by and large, stable. We haven't seen significant losses or changes in terms of the revenue that lotteries are able to access.

And it's true, of course, that lottery funds, lottery dollars do make their way back very directly to communities and are certainly significantly more visible than the other areas that we talked about earlier in terms of what happens with VLT revenues. Because those lottery dollars do make their way back to areas of sports and recreation and culture. And we have hundreds of organizations across the province in all of our communities that benefit from the proceeds of lotteries.

And you're correct in suggesting that they are very visible, and we continue to support the kind of work that communities are doing with the lottery dollars and lottery funding that's available.

Mr. Osika: — Okay, thank you, Madam Chair. I defer to my colleague, if I may.

The Chair: — All right. I'll just check . . . anyone else wishing to question at this time?

And if committee members would just indicate to me when they want to be on the speakers' list, I'd appreciate that.

Ms. Draude: — Thank you. Mr. Minister, I don't know how other to say this than to just come out and tell you, but I believe that this corporation is one of the ways that we're speeding up the destruction of rural Saskatchewan. Because along with all the other government policies, this is one that directly takes the money from rural Saskatchewan in ways that we were able within the social fabric, to keep some money there. And in things like bingos where the grandmothers could go and socially not only meet, but the money was something that could be used within the community, this is really something that upsets me drastically, and a lot of other people.

In my town of Watson, we know that \$200,000 to VLTs went into Regina. We got about \$31,000 back, which is peanuts and which is the kind of . . . the difference in the money is what it would take to help keep a town like Watson viable. We struggle every day with the cut-backs in municipal governments, in education and health care and the whole bit. And then this type of money is the extra spending money that people had that they could have used in their town, that now is going to Regina.

I guess I think it's a shame, and I think that it just emphasizes the point that this government doesn't have any respect for rural Saskatchewan. I see grandmothers that used to get together and go to bingos on Friday night so that they could meet with their friends, and it's no longer there. And I think that we are ruining the feeling that we used to have in our local communities, and I'm ashamed of what's happening. That's just my point of view, and obviously you're not going to agree with me. And I feel a little better for telling you. I don't know if you feel better. I hope not.

The Chair: — Can you relate your point of view to a question in the annual report?

Ms. Draude: — How much money directly went into general revenues from the gaming . . . from your Authority — whatever you call yourself.

Hon. Mr. Serby: — Under the year under review . . . I'm going to answer your first question first.

Ms. Draude: — My monologue, you mean.

Hon. Mr. Serby: — And then take the liberty of commenting on your comment.

Ms. Draude: — Okay, maybe I'll calm down by then.

Hon. Mr. Serby: — The year under review, the gaming revenue was \$101 million. But when you make the point that rural Saskatchewan has been probably the hardest affected by the gaming industry or by the VLT program across the province, I think there are a couple of things that we need to be cognizant of, irrespective of what our political flavour might be. Because when you take a look at what's happened across the country, and Saskatchewan is arrived at the scene, not ahead of everybody else in terms of the gaming industry, but sort of alongside of what's happened across the province . . . or across the country.

When I said earlier in my introduction that in our part of the world, east-central Saskatchewan is where some of the first piloting was done in respect to the VLT industry in Saskatchewan, it was done on the heels of a great deal of pressure and a great deal of lobby by rural Saskatchewan where rural Saskatchewan hoteliers came to the government, the restaurant-hotel industry came to the government and said, we're being devastated by the movement of some of our dollars outside of our communities, particularly in our case, I have to suggest to you, to Manitoba.

And I say to you that on a regular basis we had bus tours from our city where people — the grey-haired ladies that you talk about and gentlemen and folks — were getting on their . . . With all due respect to the Leader of the Official Opposition, he wasn't on any of those buses, I don't think.

But the argument was that we have, on a weekly basis, buses, bus loads of people who are leaving our communities, are going across the border into Manitoba, into Russell, and they're playing the VLTs over there. And they're taking with them the

revenue that they would traditionally, we think, be spending in Saskatchewan.

At the same time, not only would they be taking the money with them, they would be coming back to Saskatchewan, and fair to say I think that in the course of a lifetime of gaming you might have the occasional person who might become addicted to it. Okay? And then bringing back with them the social responsibility of having to treat the individual who has the addiction.

So I think what's important here to recognize is that in spite of the fact that you're feeling some pressures in rural Saskatchewan, or you make the comment that there's a loss of revenue in rural Saskatchewan by people who are playing the VLT machines, where the revenue actually makes its way right back into the province, for the province's benefit again. Because those people who are gaming anyway are going to continue to game. But instead of the revenue leaving our province, going somewhere else, we now have an opportunity, if people choose to make the decision to game, to use that revenue to provide all sorts of services back to communities or prop them up in a way in which we hadn't had in the past.

Ms. Draude: — Then why didn't you bring ... offer the opportunity for more of that money to stay in the local communities where it's coming from? I think you had a great opportunity to ... by putting up these machines ... If people were leaving in bus loads to go gamble somewhere, fine, but then leave the money where it came from — back in the communities where it was spent. Like \$200,000 out of Watson; why didn't you leave 130 of it in the town?

Hon. Mr. Serby: — Well I think that what's happening here ... Of course when I say to you we have \$101 million that came out of VLT revenues last year, be cognizant of the fact that that money is coming back to communities. It's not going to individuals who benefit from it outside of the Saskatchewan taxpayer. They are making ... that money is making its way back to each and every one of our communities in a variety of different ways. I mean it's not going into my pocket as the Gaming minister. But it's being used eclectically to provide a whole host of revenue support to the people of Saskatchewan.

Now I think that's what ...

Ms. Draude: — I guess we'll have to agree to disagree on that because I still think that rural Saskatchewan is losing a lot of funds that would have been available for them in other ways. But I guess to get back to a question, is money that went directly into the general revenues ... did you say it was ninety-some million?

Hon. Mr. Serby: — It's a hundred and one million.

Ms. Draude: — So at the end of this fiscal year, there was still \$281 million in Gaming Authority?

Hon. Mr. Serby: — The number that you're looking at, all of the revenue goes to the General Revenue Fund, but the other portion of it is really the Liquor portion.

Ms. Draude: — So what I'm reading is 281 is ...

Hon. Mr. Serby: — Liquor and Gaming.

Ms. Draude: — So that's how much was left in this account after the transfer into general revenues?

Hon. Mr. Serby: — That's right.

Ms. Draude: — So how did you come up with this number of ninety-seven two or a hundred and one or whatever it was. How is that determined, how much is going to be left in there?

The Chair: — You can have your officials answer directly.

Hon. Mr. Serby: — I'm just talking to my officials quietly here for him to do that.

Mr. Innes: — Thank you, Madam Chair. Maybe just a clarification on this technical issue. The actual net revenues on the VLT program were \$101 million in the year under review. That, together with the Authority's profit on the liquor side of operations, go into our total profit.

There is then a transfer of a portion of that profit from the Authority to the General Revenue Fund as determined by the Department of Finance. And that will leave from year to year a retained earning which you can see in this statement is \$280 million. That then is drawn down by decisions of the Finance department in future years, and in fact that was drawn down in the subsequent year.

Ms. Draude: — So then, it's whatever ... Finance looks at your bottom line and decides how much of it you need to take to balance the books on either side.

Mr. Innes: — That's correct.

Ms. Draude: — So if they wanted to have more money in the general revenues, they could decide that if I need another \$15 million to make the Education department run better, they could take 15 million from here.

Mr. Innes: — Well essentially, all of the profits that are earned by the Liquor and Gaming Authority on liquor retailing operations and on gaming operations ultimately wind up in the Consolidated Fund of the province. And decisions are made from time to time as part of the broader budget strategy as to precisely when to draw down those amounts from our retained earnings.

Ms. Draude: — So it's just a decision that's made by government, cabinet or whatever, and then they tell you?

Mr. Innes: — As part of the overall budget process, that's correct.

Ms. Draude: — And you don't suggest that you should leave in a certain amount. You're just given this number, and the government decides.

Mr. Innes: — That's correct.

Ms. Draude: — I see that . . . (inaudible) . . . gambling is . . . I'm wondering if the number that is shown in this book for this year, is that consistent? Or has it gone down in the last couple of years? I guess it's 286 million roughly. I was just wondering if that number is consistent with other years. Maybe I'm reading it wrong — on page 12 under charity gambling and gross gambling.

Hon. Mr. Serby: — You're looking at the total spend of 285?

Ms. Draude: — Yes, I'm wondering if that number has . . .

Hon. Mr. Serby: — And the charity share is 49.7.

Ms. Draude: — That's correct. I'm just wondering if the amount of money spent through on bingos, raffles, casinos, break-opens — is that number fairly consistent over the last few years or has it gone up and down?

Hon. Mr. Serby: — The bingo revenue has remained about stable. There was a small dip in it earlier when the program, the VLT program, made its beginnings in the province. But the bingo revenues to charities has remained about stable. And it's helped with us taking 4 per cent off. So that revenue of course has propped it up. Our break-opens of course are down over the last period of time, and raffles are remaining about stable. They're about the same.

Ms. Draude: — Then the numbers that you're quoting are for the year ending . . . this year end, '94-95. Okay, so then to see if there's a real change now with the additional casinos, we'll have to wait until the next year end?

Hon. Mr. Serby: — That's correct.

Ms. Draude: — Okay. I have just a couple of other questions before you go back to my colleague. How do you determine who is the authorized outlets to supply supplies for bingos and Nevadas. Who determines who those outlets are?

Mr. Innes: — Madam Chair, the Authority registers suppliers of gaming products in a province. That was just introduced in the last year. So in the year under review that was not the case. There are several companies in the province who supply bingo paper to the charities who operate the bingos. Break-open tickets are provided from a single source supplier, Western Gaming Systems, based in Saskatoon.

Ms. Draude: — So that is by contract basis, or are they just the only people who can do it or what?

Mr. Innes: — They are the only company that's currently registered in the province to provide those supplies.

Ms. Draude: — So how do they . . . how do you become currently registered?

Mr. Innes: — Companies can make application to the Authority for registration as a supplier of gaming supplies,

whether it's to the casino market or to the charity gaming market. And they are subjected to a review — a background review, a police record check, other evaluations of that nature. And decisions are rendered on whether or not they would be granted registration as a supplier.

Ms. Draude: — So how often does somebody . . . last year did you have 10 different companies try, or how many people actually try to become distributors for this?

Mr. Innes: — I don't have records here with me, but certainly in the last year — that is in the last 12 months or so — several companies have made application, have been registered as suppliers for casino gaming, for example.

The Chair: — You may wish then to take notice of that question, and when we're dealing with the '95-96 annual report, probably the question will be put again and you can provide greater detail.

Mr. Innes: — Certainly.

The Chair: — Ms. Draude, do you have any further questions?

Ms. Draude: — No.

The Chair: — Before I recognize Mr. Osika, I have an indication from Mr. Trew as well that he wishes to be on the speaking list, and I would ask out of courtesy, Mr. Boyd, did you want to direct any questions at this time?

Mr. Boyd: — Not at this time, no.

The Chair: — Okay, Mr. Osika, if you could then question. And we will be adjourning at 11 o'clock, and I would like to be able to recognize Mr. Trew for a couple of minutes as well.

Mr. Osika: — Do you want me to go ahead then and . . .

The Chair: — You go first.

Mr. Osika: — Okay, just to get back to what we've been talking about. The income since 1993, do you have a figure of how much money was taken in since 1993 from VLT revenues? Do you have that figure?

And I guess . . . and I'm sorry for sounding so sceptical about where this money is going or where it's not going when it was promised to be going specifically to communities. I fear that that money has probably been going to perhaps balance the budget or perhaps even pay for some of the other policies of this government such as the Crown Construction Tendering Agreement.

And that concerns me and I feel that our communities have been truly let down. And I'm not sure whether or not they've been contacting you, Mr. Minister, and expressing their total being upset about the promise that was made and now being broken, and with respect to the return of that monies. Have you had any other communities contacting you, expressing their disapproval?

Hon. Mr. Serby: — Specific to your question about whether communities have been asking, I have to say to you that I haven't had communities specifically asking me or suggesting that they're unhappy or dissatisfied with the initiatives that the government is currently managing in terms of the gaming industry. And the fact that there should be a greater piece of the money that should be making its way back to the individual communities, I haven't had that specific request.

I have to say to you that there has been some question about the line of questioning that you were on earlier, and that was, will the \$10 million be reinstated again in a way and shape and fashion it was in the past.

And I guess that broader question, of course, will need to be addressed again by the government caucus, and the cabinet, and further deliberations with the four players, if that avenue is still available for them. I think that's a broader policy question that has to be worked at.

In respect to your comment and fear about where the money is ending up from in the General Revenue Fund, I think . . . I mean we can speculate a whole host of scenarios about where the money goes. Now . . . and we could get into a serious debate here about who back-fills what and how much of it is back-filling education, and how much of it is back-filling social services, and health. But this isn't the appropriate, I think, arena for us to get into that but . . . or how much is propping up Crown tendering.

Our position is that the revenue that's been generated from VLTs makes its way back into the General Revenue Fund. And in terms of the priorities of services to the people across the province, we use that parcel of \$101 million to enable the provision of services, across the piece, that government is responsible to provide. Okay.

What portion of it is extrapolated to provide specifically for different services, I mean we can't provide that because we don't have that, other than in the estimates that show how the allocation of general revenue for the province is provided.

Maybe a part of the \$101 million goes to pay all of the salaries of MLAs (Member of the Legislative Assembly) in Saskatchewan. Okay. Or maybe it goes to provide for the management of executive government. Okay. It's part of the general pool.

Mr. Osika: — Thank you, Mr. Minister. Could you now give us some assurances that you will endeavour . . . or you will represent the rural communities that have been promised that 10 per cent; that in the future that 10 per cent will go back to them? Can you give us some assurances that you will speak on their behalf to ensure that that money gets back to the communities?

Hon. Mr. Serby: — Well I guess that the assurance that I provide to the member is the assurances that we provide, that governments provide, to all people across the province. And that is that what we do with the general revenue that we have accessibility to, is that we redistribute it back in the best fashion

that we're entrusted to do, to ensure that people are equitably serviced or have access to equitable services, have comprehensive services across the province, and that all communities, by and large, are treated equally.

Mr. Osika: — Okay, I appreciate that, but I guess what I was looking for is for some help from you, on behalf of the communities, to say look, I will ensure and do my best with my input from my responsibility area, to see that that money does in fact get back, that was promised, in future years.

Hon. Mr. Serby: — I think that what's important to recognize here is that the Liquor and Gaming Authority has at its purview, some opportunities to ensure that some of the general revenues that we take in from gaming make their way back into communities. And we've done that, I think, in a couple of ways.

We've done that through the 4 per cent relaxation to the bingos so that that charity money can make its way back to communities. We've assisted with the percentage that we pay to hoteliers and restaurant owners for managing the program at their level. This, in the year under review, it's \$22 million. I expect that next year it'll be slightly higher than that. So some of that revenue is making its way back already to those communities.

Mr. Osika: — Thank you, Mr. Minister. You've stated that earlier and I appreciate that. I just . . . in the interests of time, I guess there are a couple of questions that I still want to get through here if I may, please, Madam Chair. I'll be brief.

First, what is the return, what is the percentage of return, to the hoteliers that operate or take care of or look after the VLTs? Do they own them? Maybe I could ask this to you real quickly, and you can answer it real briefly, if you wouldn't mind. Do they own them? And do you feel that they're being adequately compensated for administering the additional tax collection duties that they are in fact responsible to do through this VLT program?

Hon. Mr. Serby: — First of all the equipment is owned by the Liquor and Gaming Authority. We own the equipment. Fifteen per cent of the gross is retained by the hoteliers or by the operators. And you asked the question, I believe, of whether or not I believe that that's sufficient or how they feel about it.

Our discussions with them, and I meet with them regularly, is that that figure is more than adequate in terms of what they provide. Of course they would like to have more; I don't think there's any question about that. But they certainly feel that that's a fair compensation for the work that they're expected to do in terms of remittance.

Mr. Osika: — Thank you, Mr. Minister. Again in the interests of time, I'll make this my final question. I see here your hand-out with respect to Liquor and Gaming Authority senior management as of March 31, 1995, the vice-president of licensing, the minimum salary is 71,808; the maximum, 93,348. Salary as at March 31, '95 is 101,232. Can you explain that discrepancy, please.

Hon. Mr. Serby: — I think that what's happened here is that when the amalgamation occurred, we had the CEO of the Liquor Commission . . . the Gaming Commission, having his salary then red circled and would have remained at the same salary. The individual I think you're speaking of is currently the acting executive director . . . or the acting president of the Liquor and Gaming Authority. So that number is there with the amalgamations.

Mr. Osika: — With the . . . I'm sorry, with the which?

Hon. Mr. Serby: — The amalgamation.

Mr. Osika: — The amalgamation of both the Authorities?

Hon. Mr. Serby: — That's right.

Mr. Osika: — So there would be then a new salary range scale? Or is this one that just moved up?

Hon. Mr. Serby: — The salary range was . . . or the position was simply . . . The position simply remains. It's currently vacant, I think, when you look at the chart that you're looking at.

Mr. Osika: — This one?

Hon. Mr. Serby: — That's right.

The Chair: — Perhaps, Mr. Minister, you might provide a more detailed response in writing and table it with the Clerk, giving an explanation of how the amalgamation and the change-over affected the salary grid, and answering the apparent discrepancy with respect to Mr. Innes's salary. Could you table that in writing?

Hon. Mr. Serby: — Well I might just comment, Madam Chairman, that there isn't a discrepancy in Mr. Innes's salary. Mr. Innes's salary remains as it was. His position . . . his salary was frozen and was red circled when the amalgamation occurred. Mr. Innes is currently in the position of the acting president's job and so we would have a vacancy then in the vice-president's position.

The Chair: — Does that answer it sufficiently, Mr. Osika?

Mr. Osika: — I think I understand what we're saying. Now we don't have a vice-president of licensing any more and Mr. Innes is now the acting president?

Hon. Mr. Serby: — That's correct.

Mr. Osika: — Soon to be president, or is that confidential?

The Chair: — That's not the year under review.

Mr. Osika: — Okay. Thank you very much, Madam Chairman. Thank you, Mr. Minister, and for your officials.

The Chair: — Thank you.

Mr. Trew: — Thank you. I will try and be brief. I see the hour . . .

The Chair: — You will be brief.

Mr. Trew: — Yes, I will be brief. I won't just try.

I want to attach myself to the member from Kelvington-Wadena's frustration or expression of frustration with gaming. I'm frustrated with gambling because it seems to hold out the offer of something for nothing. And I think it was Barnum and Bailey, one of them, said that there's a sucker born every minute.

But there's a flip side to this whole thing. I'm not simply going to get into an anti-gambling, personal tirade. I think that's known to anybody that knows me. I recall vividly, Minister, in 1991-92 a discussion around VLTs and the intense pressure that we were feeling from rural hoteliers. We were told that over 50 rural hotels had no even basic fire insurance and the VLTs was their sort of lifeline to try and prop up some of these rural hotels.

I guess as a Regina member, Minister, I'm frustrated that somehow the opposition play this as our rural revenge or something like that, when the very fact that the VLTs came in was a rural initiative. And I can't stress that strong enough.

The question of where does the money go. I just want to attach some comments. Where does the money from Watson go? Well of course it comes in to the Gaming Corporation and flows into the General Revenue Fund at the end of the year. Where does the VLT revenue from the city of Regina go? Well it flows through the corporation into the General Revenue Fund. From there, Minister, payments are made to Health, Education, Social Services, Highways, and the list can go on and on and on.

Before I get to my question, there's one further comment I want to make. And that is in 1991-92 the Gass Commission very, very clearly recommended that we role up these sorts of operations that can be funding directly smaller operations. They recommended we role up the piecemeal operations so that the dollars, the funds collected could be followed and dispersed with greater accountability. Those are my recollections.

So I just . . . though I certainly attach myself to the member from Kelvington-Wadena's frustration, I also know there is the flip side to it and things are never easy.

I have a question about liquor we haven't even touched, and I think it's a fairly straightforward one. But I was interested in noting that the charts . . . and I'm wondering, why is it that Saskatchewan beer and wine sales and consumption is the lowest per capita in Canada? Is it that people are making their own beer and wine in greater amounts here or is there cross-border shopping or is it that we're drinking less?

And with respect to spirits . . .

The Chair: — We're tough and there's less need to alter our reality.

Mr. Trew: — And the second part of the question is with respect to spirits. There's four or five provinces that have higher sales. I know traditionally we're a hard liquor, rye-drinking province, but even there we slide to fourth or fifth. It's a slide I like to see as long as it doesn't mean that people are cross-border shopping for liquor or running stills.

I'd appreciate your comments on those questions.

Mr. Weber: — Madam Chair, there's a number of factors that will affect the sales — some of it was cross-border shopping, some of it would be home production, some of it would be changes in lifestyles and product switching and those kinds of things. And they're all affecting the sales trends across Canada.

And in Saskatchewan I think we have less of a problem, for example, with cross-border shopping, smuggling, and those kinds of things, than Ontario or Quebec, where they have communities right on — and large communities — right on the border.

It's primarily a lifestyle change in Saskatchewan. People are spending the disposable income that would normally have been allocated towards spirits or towards wine and spirits . . . we're competing now with that dollar as a total entertainment dollar. And the trend is across the country and our per capita sales are affected as well, and in this case a little more than perhaps some of the other provinces.

The Chair: — Thank you, Mr. Weber. Thank you, Mr. Trew. And, Mr. Minister, and your officials, I do thank you. We've had a great deal of discussion about choices, and clearly you're offering at least a made-in-Saskatchewan choice with respect to — as Mr. Weber so euphemistically points out — the entertainment dollar.

The committee will meet again next Thursday morning from 9 to 11, at which point we will be discussing the SaskEnergy annual report and also Sask Water. Just one point of note, the June 6 meeting will be cancelled because this room will be used for a briefing by the Clerk's office for implications of the McDowell commission.

I had scheduled SaskTel for June 6, so I would ask if representatives from the opposition parties could perhaps meet with me in the House this afternoon so we can discuss rescheduling of that.

The committee adjourned at 11:05 a.m.