

**Saskatchewan Transportation Company**

**The Chair:** — Good morning, everyone. The hour now being approximately 9 a.m., we will commence our review of the 1996 annual report for the Saskatchewan Transportation Company. I would like to, at this point, welcome our esteemed Vice-Chair, and also the minister and his officials.

Minister Serby, we have changed the proceedings somewhat in this committee. What we do is, by consent of committee members, each party takes turns rotating the questions for a 15-minute period, and then we go to the next party. And we start with the opposition, then the third party, and then the government. As well, as you know, we do ask for the auditing firms to make a statement as well.

I understand, Mr. Minister, since you are booked to appear before the committee for the whole day, that that may interfere a bit with some of your other cabinet duties. So at any point that you want to excuse yourself you may, as long as you trust that your officials will give the same confident answers that you would.

Our schedule right now is to deal with STC (Saskatchewan Transportation Company) from 9 till noon. And then with the Saskatchewan Liquor and Gaming Commission from 1 till 5. Members of the committee do not need to feel under any compulsion to drag it out until 5 o'clock though, I'll point out.

So having said that, Mr. Minister, would you please introduce your officials and give a brief overview statement.

**Hon. Mr. Serby:** — Well thank you very much, Madam Chair, and good morning to yourself and members of the committee, members of the audit team. With me this morning I have to my immediate right, Mr. Gord Nystuen, who is the president of STC. And directly to his right is Mr. Don Ash, who is the acting vice-president of sales and operations. And to my left is Ernie Temrick, who's the vice-president of finance.

I appreciate your opening comments that suggests that there may be occasion this morning where I may need to slip out for a moment or two. And you asked the question whether or not — or made the comment — whether or not my officials would be certainly more than capable of answering the questions that will come up. In fact I may leave just so that they might be able to demonstrate that.

So I want to first of all indicate, Madam Chair, that just a couple of opening comments I think on the corporation. I think Ernie wants to just provide some broader, broader information around the annual report this year, but I just might state this as an opening comment. Our mandate of course, is to continue to provide common carrier, passenger, parcel, and express freight services across the province — continues to be the mandate for STC. The mission and value statement that we prepared, which I'm not sure whether you've been circulated yet or not, but we'll provide to you.

We believe, of course, that the transportation is fundamental to

the quality of life and economic development of Saskatchewan community. Through the Saskatchewan spirit of cooperation, innovation, we provide an efficient, we believe, customer-focused transportation network that enables people to commute provincially and beyond.

I think the following core values are ones that we are continuing to hold — and will continue to practice into the future — which are these: want to continue to provide quality customer services; innovation; entrepreneurial spirit and flexibility; honesty and integrity within the corporation. We believe that . . . we believe in people and employee development within the corporation and want to stress the importance of teamwork.

Our commitment, of course, into the future will be to provide safe, reliable, courteous, and responsive services to all of our Saskatchewan ridership. I think a couple of sort of important comments as it relates to the Transportation Company over the last year. Of course, as members of the committee know, STC is very much involved in the review under the Crown corporations. There has not yet been made the public announcement in terms of . . . or ministerial announcement by Minister Wiens on the future of this corporation, as it has not on the other Crowns as well.

As you know, over the last couple of years we have experienced a need to provide some subsidy to the Transportation Company and 1990 . . . the year under review of course, is no exception to that.

Some of that of course, is that we've seen, over the last year or two, some declining ridership within the STC company. We have tried to address some of those issues of course, with more efficient administrative technique, tools; looked at reducing some of the mileages that we're currently travelling across the province, to reduce some of our expenses; reduced, as you know, over the last several years, the size of the fleet, which were just some of the issues that we've tried to attempt to put forward in making this company viable and sustainable into the future.

With that I might stop, Madam Chair, and just proceed to answer the questions that might come our way then from members of the committee.

**The Chair:** — Well I'm sure with that opening introduction there will be questions from the members of the committee. Before we move to committee members' questions though, I would ask the representative from Price Waterhouse, Mr. Drayton. Mr. Drayton, would you please make a comment on the reports as audited by Price Waterhouse.

**Mr. Drayton:** — Thank you very much, Madam Chair, and members of the committee. It's a pleasure to be here to address you this morning and make a few brief comments about our engagement of Saskatchewan Transportation Company for the year under review.

As many of you will know, Price Waterhouse was appointed

auditors of STC for the current year. It's our first year of examining the company. Our audit plan was formulated and discussed with the audit committee in mid-fall, and the audit was conducted pretty much in accordance with that plan, including an interim visit in the late fall and our year end visit just subsequent to year end.

Our audit plan and the audit itself was of course reviewed by the Provincial Auditor's office and received their comments throughout. And based on the results of our audit work, we were able to issue an unqualified audit report as presented on page 18 of the company's annual report.

I might say that during the course of our examination we were provided with full and complete access to all the records of the company and were given whatever support we had requested from management and their staff to improve the efficiency of the audit. And everything went according to plan.

And that, Madam Chair, would be the extent of my comments, and would be happy to answer any questions that the committee may have at the appropriate time.

**The Chair:** — Thank you, Mr. Drayton. And now I would ask Mr. Atkinson from the Provincial Auditor's office, or someone else, to make a comment.

**Mr. Atkinson:** — Thank you, Madam Chair. Mr. Creaser will make the comments from our office.

**Mr. Creaser:** — Thank you, Madam Chair. I'd like to say . . . I have a very brief . . . I'd like to thank Price Waterhouse and Brian for their cooperation in helping us fulfil our responsibilities with respect to STC this year. And we felt the relationship is very strong, and we worked well together to get the statements out on a timely basis and resolve all issues in a professional manner.

We concur with the reports that the Price Waterhouse has issued to date, and we'll hopefully be able to continue to work together with them. And again, I'll answer any questions that the committee may have.

**The Chair:** — Do any members of the committee have any questions of the accountants here? No. All right then. I will then turn to the opposition, and Mr. Osika.

**Mr. Osika:** — Thank you, Madam Chair. And fellow members on the committee, and, Mr. Minister, your officials — welcome. Good morning to everybody.

I would like to begin by referring to some of the comments in your opening remarks, Mr. Minister, with respect to the annual report which indicates the celebration of 50 years of service in 1996, and then referring back to the number of people transported between 1980 and 1995 having declined so drastically.

The cumulative losses as well over the years totalling something like \$24 million reflects perhaps the loss of interest in passenger service. And there appears to be a projection that

this decline will continue and that projected losses will again balloon to somewhere of upwards of \$30 million.

I wonder, Mr. Minister, and I notice in the former president and CEO's (chief executive officer) comments that he indicates that the Crown review on public participation and the process provides a fertile opportunity to state a clear, non-contradictory definition of the role of Saskatchewan Transportation Company.

I wonder if you might just reiterate — and if I'm asking you to repeat what you've already said, I apologize — but I would like to have you respond to that, to my comments.

**Hon. Mr. Serby:** — Well just a couple of comments, Madam Chair, to the member.

I think that it's fair to say and the information certainly reflects that, that over the years and the time frame in which you've indicated from 1980 to 1995 we've seen a reduction in the number of folks who use the transportation system, STC. And certainly that reduction in ridership on our bus company is not succinct only to Saskatchewan but certainly is true when you examine bus companies across, for example, North America. You'll see, when you do that, that there has been reduced ridership by the travelling public.

The question as to why has that been the case, I think there are a number of reasons particular to Saskatchewan where that's been the case. I think when you look at the general economy of the province, particularly in the year to date and the following year that we'll look at in the future, you'll see that as the economy improves that more and more folks depend on their own means of transportation or use their own means of transportation and reduce the number of riders on buses.

I think the other thing that's important in passenger travel as well, which is part of the examination under which we're undertaking, is that as the populations of some of our smaller rural Saskatchewan communities diminish, the number of folks then who access the Transportation Company are also reducing themselves.

And part of our examination, of course, in the review of the entire transportation network in Saskatchewan is to try and put into perspective how we might be able to ensure that throughout the province we have good, accessible, quality transportation services. And who does that? Whether we do that on our own, continue to do that as a transportation company under the new legislation that we talked about under the transportation Act, of course.

We talked about area committees, and I think part of the discussions that area committees will get into is looking at how we might be able to provide good public transportation or networking.

The question about, do we project to see continued losses to the corporation, well certainly that has been the case as this year in question reports. Our objective, of course, is going to be to try to turn that around and expect to do that over the future.

**Mr. Osika:** — Thank you, Mr. Minister. And continuing on with the previous president's comments in particular then, I'd like to just quote one of the comments Mr. Glendinning made:

As a fully commercial operation within the Crown sector, STC continued to struggle during 1996 with what could best be described as its dual mandate - the maintenance of a non-profitable public service within an expectation of breaking even in the financial performance.

That's the end of the quote. Now would you say that this is an accurate description of Saskatchewan Transportation Company's mandate?

**Hon. Mr. Serby:** — Well certainly I think it's fair to say that STC's primary objective will be to provide a dual mandate — and that has been the case to date — providing both express services to rural Saskatchewan, as well as providing transportation, public transportation. We want to ensure that we have low-cost provider services, which is what the previous president of the corporation said. I certainly would echo that.

And it goes on to say that we'll examine our roles in the future in terms of what those transportation requirements for the people of Saskatchewan would be. And certainly that examination has been part and parcel of the entire Crown review, of which STC is very much a part of. Attaining a break-even . . . attaining break even as possible is what certainly is stated here.

I think that examination will remain into the future. I think we'll need to examine whether or not the province has a role here — and we believe that it does — in ensuring that we have sustainable transportation services, equitable transportation services, for people across the province, and that we have a significant role to play here as a provincial government.

Can we continue to provide those services on a break-even basis? I think that's an important question that . . . a policy question that our government will need to address and answer into the future. I view the \$6 million plus that we're talking about this year as being a subsidy. This has been a subsidy that we've provided to provide transportation services to the people of Saskatchewan.

Will we need to continue to provide that kind of a subsidy into the future? Well I suggest to you that we may very well need to. When you look at the current rates or fares that we charge to travel on the STC with us, those fares are cheaper than they are with any other bus company that we've looked at. However we have fixed costs that remain, and in order to ensure that we provide that kind of service, we may need to provide some type of subsidy to the transportation system into the future, for passengers.

**Mr. Osika:** — Thank you. Again, Mr. Glendinning is on record as having had some difficulties or concerns about interference by CIC (Crown Investments Corporation of Saskatchewan) and their attempts to paint their financial picture a lot worse, and put the subsidy level at a level higher than necessary so that Crown Investments Corporation could claim it has no other

option but to sell to an experienced operator. Now this is in some type of a conflict with STC's 1996 business plan.

Along with that, STC vice-president, Rick Neufeldt, as well raised some concern about CIC prohibiting STC from making the significant changes that are required to turn the company around. And I'm just wondering, is this conflict continuing between CIC and the people who are in charge of operating Saskatchewan Transportation Company? Is there some conflict between CIC and some direct input as to how it's going to operate?

**Hon. Mr. Serby:** — Well I might comment, Madam Chair, by simply indicating that I'm not privileged to know what kind of relationship existed between Mr. Glendinning and the members of the CIC board, or CIC for that matter. But I want to assure the member that in the short time that I've had responsibility for the Transportation Company, and I know just prior to that, that there has been some significant work done in terms of ensuring that the Transportation Company examine from within what we can achieve into the future. And what we're looking at trying to achieve, of course, is to ensure that we have in this province a very solid transportation program that provides services to Saskatchewan people.

My sense from the short space of time, as I say to you, that I've had some responsibility for the corporation, that there is an excellent working relationship that exists between the current president of the company, the employees that work for sure at the senior management level from which he is working with. And my relationship with the CIC board and that reporting that we have to the CIC board in terms of the future of the corporation has been very positive.

So there aren't any barriers, if I might suggest, that would impede the development or the design of what the future of the Transportation Company might look like either by CIC or the minister in charge of CIC for that matter. We think it's a very good working relationship.

**Mr. Osika:** — Well since STC has lost money over some 17 years now and is projected to lose more in the foreseeable future, do you believe that as it's currently structured that STC break-even is achievable and maintainable?

**Hon. Mr. Serby:** — Well I mean that's the million dollar question I suppose, or the \$6 million question about whether or not, you know, Saskatchewan transportation companies can continue to provide the kind of services that we, and you I'm sure, believe Saskatchewan public require or deserve, and at the same time be able to meet the cost of doing that type of business. And it's my sense, of course, that . . . and I know that people have viewed from time to time the fact that the Transportation Company is not breaking even. It spends more than it takes in, and as result of that it shows a red line in its annual report.

When you look at transportation systems, and I have some familiarity with them coming from an urban municipality, talked with people from larger municipalities like Saskatoon and Regina directly in this province, it's not unusual of course,

in fact it's commonplace, that transportation services are subsidized fully by the cities from which they operate.

Here we have . . . and to the tune, if you were to look at the Saskatoon or to Regina for that matter, cost of providing transportation services inter-city, you'll find that those costs are somewhere in the neighbourhood of 5 to \$6 million.

When you look at a transportation network like we have in Saskatchewan, which is STC, and we subsidize it — is the term that I use — to the tune of \$6 million, is that a high cost? When you look at a population in this province which is rural of about 600 million people . . . or 600,000 people, that in my opinion is not a large cost to the Saskatchewan taxpayer. When you consider that it provides the kind of accessibility that it does, interlinks, connects communities which is so important these days — not that it hasn't been, but extremely important. And I suggest to you that there are efficiencies that we can find within the corporation. We continue to do that — look for efficiencies that we can find and that will mean a whole host of different explorations of course.

But at the end of the day this transportation company, if it's retained under the auspices directly of the provincial government, may need to provide revenue funding in order to sustain into the future. If that's what . . . and certainly I believe that we need a transportation company in this province, or system, and would be putting that argument forward.

**The Chair:** — Thank you, Mr. Osika, and, Mr. Minister. I will now turn to Mr. Heppner.

**Mr. Heppner:** — Okay. Good morning, Mr. Minister, and to your officials. To sort of continue with the same train that we're discussing about the \$6.2 million question. You really have two options if you are going to get rid of that \$6.2 million. One is increase ridership and one is cutting costs. I'd like to address both of those. And starting off with the first one, what directions do you have in mind for increasing the ridership?

**Hon. Mr. Serby:** — Well I'm going to just make a comment or two initially on it, and then I might certainly defer to my friend, Mr. Nystuen, to sort of comment on some of the work that he's currently undertaking to enrich the kind of future riderships within the corporation.

I think that probably one of the key aspects that's important here is that we need to, I think, examine which areas of the province we're continuing to see a need, or a significant need for people to commute. Now I think one of the areas that we're certainly examining is, as we move into the future . . . two things.

If we're going to continue to provide express services in the province could we, could we tie that more significantly with the current transportation system that we have here, or do we need to modify the types of road equipment that we have today that hauls people and freight? And that will be one of the areas that we will certainly need to examine.

The other is that I've already indicated that our rates are

certainly some of the lowest in the country, and that's not certainly an option for us even though I think people have suggested that we need to look at increasing those rates.

But I think the other that's more important is accessibility. Are buses in fact arriving on schedule, on time, in locations in the province of which they would be better utilized. And so the examination of our scheduling, our routes, would be critical I think, in terms of what we are looking at today to increase that ridership.

**Mr. Nystuen:** — I think that there's probably a couple of significant challenges that exist with regards to ridership and most certainly STC has a focus on how we can optimize it in the future.

But the transportation industry has been changing significantly within the last, let's say five years. One of those things has been the deregulation of the airline industry and the result that we've seen is that the major routes . . . and if we take a look at what are the major connecting routes in inter-city travel in western Canada that STC plays a role in, one of them is the Saskatoon-Calgary route. Within that route, we now have competition from WestJet that offers air travel at prices that are, let's say, marginally higher than bus fare but most certainly are much more time compression on the times of travel.

Those issues will have significant impact. And indeed they have impact on STC, but they also have impact on companies like Greyhound which operate that route in conjunction with STC.

Indeed one of the questions that exists for STC down the road with regards to ridership is this idea that we do have a finite capacity with regards to the potential ridership because there are some significant population shifts that have occurred within Saskatchewan, and the challenge that exists for us is to optimize ridership at the same time controlling costs so that we can provide a very accessible network, but at least not have the wholesale withdrawal of the network.

**Mr. Heppner:** — Okay. Interesting couple of answers there. The one way that you propose to increase ridership, you gave two answers, one of which was a non-answer. The other one talked about things like timetabling. It seems utterly amazing that after running this thing for 50 years, now we're considering timetabling when we've been losing money for five years. Why does it take that long to decide that you have to now do something with timetabling after you've lost who knows how many millions of dollars over the last five years? Isn't that a little late to start?

**Hon. Mr. Serby:** — Well I think that it's never too late to start, if I might make that comment. And certainly, clearly, as I've indicated and certainly Gord has indicated, that what we want to do with this transportation company is to meet the kinds of objectives that you talk about as well.

One is that we want to see it more fully utilized, and secondly, we want to see the cost of operating the bus system reduced. And in trying to achieve that objective we're undergoing a

significant administrative review and operational review of the corporation from within. And we're suggesting to you here that into the future we're going to be able to achieve some savings to reduce that bottom line.

Your other question about how is it that we increase the ridership for the bus company, then there are a couple of things that we can do here. One is that we can try to attract larger ridership or new ridership or existing ridership in a couple of ways. Certainly we'll explore things like maybe passes for students who travel back and forth on the major network from the universities. That might be one, you know, one area that we could explore, I expect.

Are there things that we can do to enhance the senior ridership of our transportation company outside of, say the two larger centres, in rural Saskatchewan, where they're in fact having to attend, say, medical services that they might require? Are there some linkages that we can make between regional communities and smaller centres for individual services that they might be requiring? I think those are a couple of things. Are there medical passes? Can they be examined as possible options that we can put into place to enhance ridership in the province?

And the other of course is scheduling. I think our buses need to be more timely. They need to be going in the right direction at the right time. The question is, you know, have we been looking at that? Yes, the truth of that is that we have been looking at that. To the kind of degree that we maybe should have been giving it? Well we believe that there's been an examination of that, but we're going to attempt to be more thorough in that in our processes now.

**Mr. Heppner:** — Basically quite an amazing answer, that after five years of losing money and now finally we're, you know . . . you're making some effort to look at this. I would think that if you're a bit more proactive you would have looked at this when you saw things going down and not ended up with a single year of loss, rather than waiting this long to try and make those sorts of moves.

You mentioned WestJet. It's interesting that what we've seen in the air travel, that when you have a private company such as WestJet come in, we see what happens to the fares, and the service is excellent. Maybe we need to do the same thing with STC, is just sell the thing off and give it to somebody who can run it. Any comments on that?

**Hon. Mr. Serby:** — I think too, first, Madam Chair, one is that when you look at sort of what's happened with the Saskatchewan Transportation Company, it isn't just in the last five years that you've seen a reduction in the ridership within the bus corporation company. I think when you look through the '80s and into the mid-90s, which we're in now, I mean you'll see the passenger ridership drop by over half, or reduce itself by over half. And a lot of that reduction also happened through the administration of which you're familiar with. So this isn't an issue that I think rests only with one political party in government and it's been a process of decline over a period of time.

And we've attempted to do some things, I think, through the '90s, to try to turn that around, by providing, I think, an enhanced express service that might be able to provide some subsidy to the passenger side. I think that's one of the issues that we looked at and to some degree that's had some success. Has it met with the full success that we'd hoped it to do? Well no it hasn't, and so that continues to be an area that we explore to see how we can provide transportation services that might break even, if we can use that term.

Are there considerations, broad considerations of what we do with the corporation and company? Well there are broad considerations. Should this company continue to be a public service subsidized by the taxpayer of the province, I think would be one question. Secondly, the option of whether or not you privatize this company fully would be another one of course that's still under consideration. And I think the third might be, is there a combination of how you might be able to do both. Can you provide a public transportation service integrating some of your private sector community to assist you in doing that.

So I think all of those options are being explored today to look for a solution in where you can provide continued linkages between communities at a cost that's at least sustainable, palatable both for governments and the people of Saskatchewan.

**Mr. Heppner:** — In looking at ridership, what is STC doing at present to increase the quality of service? We all know of examples in the past year where people were left basically sitting beside the road when they had a bought a ticket and called in and STC knew there was a ride there and they just chug on by and then tell the client that he's supposed to walk an eighth of a quarter mile in 20-some below zero weather with his baggage to catch the bus which has stopped some place the other side of the overpass. That's terrible service. I'm not sure if any heads rolled in that particular instance or not, but is that the quality of service that's usual? I mean it was a pretty bizarre situation that I'm discussing.

**Hon. Mr. Serby:** — Well I might just comment on the last part first and then maybe ask Gord or Ernie, or someone to just sort of talk a little bit about what we're doing to make . . . to accommodate more of the ridership. But I guess I'm amazed by your comment that we have people in Saskatchewan who aren't very well accommodated by the Transportation Company, particularly ridership, where a bus wouldn't stop for someone or wouldn't arrange to be at an appropriate bus stop whereby they could get picked up.

I mean we in Saskatchewan have some of the most severe winters in North America and for us to suggest here that we have people who are not well accommodated by the Transportation Company and ask them to do things that would be a bit unusual are a bit surprising to me to start with. And secondly, if you have information on this — I don't — I'd be very happy to see that and to examine it in a much more detailed fashion. Because that really isn't acceptable, in my opinion, from a public transportation service.

**Mr. Heppner:** — Very specifically, that instance, that happened to me personally this past winter. I was left sitting on a street in Regina where I had a ticket, was supposed to be picked up, and was told I was supposed to walk out of town and catch the bus because it was stopped out there about a quarter of a mile in 20-some below weather. So I missed that bus, and that was the weekend when there was an agricultural situation in Regina. There wasn't a hotel room available and I had to take a taxi home.

Now that's rotten service, and all that I got when I phoned the depot was someone trying to implicate me that I was telling a lie about the whole issue. So then when I wrote a letter to STC and asked at least for part of my trip being paid home, I got half a cheque first of all and had to go ahead and ask for the rest of it later on. And I'm just wondering, I don't ride the bus very often, once every five, ten years, but on the average I would have to say I'm getting about 20 per cent of absolutely terrible service.

**Mr. Ash:** — I'm familiar with that situation. You're absolutely right, that is not customer service and there was just no ends of communication problems and issues around that. My hope is today you will find different service, better service.

**Mr. Heppner:** — We'll probably try it again sometime and see what happens.

**A Member:** — I hope so.

**Hon. Mr. Serby:** — You don't want to be waiting 20 years to try it again though.

**Mr. Heppner:** — But we'll find out. We'll let you know if it's bad again.

We'll discuss ridership a little bit. What sorts of things on the opposite side are you looking at to cut the costs? Because we've discussed the things that are out there that are going to be difficult to increase ridership with the population of rural Saskatchewan going down, and you mentioned the economy being good, which has some effect on who uses the STC and who doesn't.

So if you're not going to get your ridership up to beat it totally, you're going to have to look at the other side, which is cutting costs. What are your plans on that side of the issue?

**Mr. Nystuen:** — If I could take a couple of moments to describe some of the cost structures that exist today at STC. With regards to the costs of providing service, the wage scales that we pay our operators, the wage scales . . . or the repair scales, the maintenance schedule, the mileage fuel costs, the repairs, largely fall within industry standards of what it costs to provide bus service.

One of the opportunities that I think exists for STC is to change some of the administration and how we do the things that we do, to reap some of the benefits there. Most certainly those who require some consultation with our customers and an example of that is the manner in which we transact our freight business

and the administration beyond that.

We have, and I'll give you some broad numbers on this, but we have approximately 4,000 clients today that ship regularly with STC. Of those clients, almost all of them run on an accounts receivable system for us. We have some very significant clients; those clients largely dealing in the parts distribution network within the province. And on those, there are some significant basis to have an accounts receivable. There's lots of business transacting.

However, we have a very, very significant portion of those 4,000 customer accounts that are very, very small in nature. And the question that we have to come to ourselves and talk to that customer about is the cost for us to process that account. To provide the invoices back and forth and settle the account often more than outstrips any of the margin that exists on that account. So how can we create new structures, new payment plans, new arrangements, such that they can continue to get the kind of service but significantly lower the cost.

That's a group challenge for both of us — STC and our customers — because our hope is that they'll want to keep with us, but to offer all of these accounts and all of the administration on a monthly basis requires a significant amount of person-years, computer time, and the infrastructure to man it.

And when we look at a company like Greyhound, they have a very interesting policy. They have something like \$60 million worth of freight business that occurs in Canada; 50 million is cash. They have a handful of customers that they're prepared to offer credit to. Everyone else — cash, cheque, Visa. But that's it. Those are your options. Those aren't the options that are today employed by STC.

So we have to get into a very serious discussion with the people who are doing the shipping. What is an acceptable method for you? Because the kind of method that we're currently using certainly doesn't meet the kinds of industry standards that we would like to have with regards to costs. And that's a discussion that we're going to have to come with, going out and speaking with many of our clients about that. But that I think, is a very significant opportunity for us.

**The Chair:** — Thank you. Do members of the government side have questions?

**Mr. Renaud:** — Just a few. Route rationalization and route changes — miles taken away from passenger, the passenger side, and the miles then added onto the freight side — I wonder if you could give me an idea of the change?

Bus size changes. There was some, I believe, purchases of smaller buses, and I'm not sure if that was in '96 or not, but there were some, I think, 27-passenger and 35-passenger buses purchased. And I guess how many do we have? How many buses do we have now in 1996 I guess, and how many do we have today? How many are the smaller buses? Is this strategy working?

There were some buses called brucks. Some of the passenger

part of the buses were taken out and freight storage were put into those buses — I wonder if they're still used. And why was the separation of freight and passengers done? What was the reasoning, I guess, for that?

**Mr. Nystuen:** — I guess if I could take sort of a couple of moments to describe some of the changes that have occurred at STC over the last couple of years, to try to answer the member's question.

In about '94 or '95 there was a process that was added to STC to add freight miles, which largely was a truck network, on top of the bus network that already exists.

Historically the strategy employed by STC was to have a transportation network that was focused on passengers — moving people back and forth between our small communities and our larger communities; between our larger communities and our cities. During the probably first 40 years of the company the strategy was, keep customer fares as low as possible. Customer fares have been below national averages I think, through all of STC's existence.

What's the strategy that you have to have to keep customer fares low? You look for offsetting revenue. In the case of STC, the offsetting revenue was: were there opportunities in the parcel business? So they said, well many of our customers travel and they are on day trips, so we don't require the baggage compartments underneath the buses for baggage like larger, inter-city bus lines in the United States do, because our customers are on day trips. All they're carrying with them is maybe a small satchel, lunch bag, whatever.

So the company went into some significant freight business. Indeed many of us who have lived and grown up in rural Saskatchewan had a larger affinity for the bus company, not through ridership, but through the delivery of farm parts and services to our communities, and for a couple of reasons. One was that often our communities had two times daily service, so twice daily service, and there was a morning bus and an evening bus.

What has changed a little bit through STC — in 1994 I believe the process began — was to de-link some of these efforts so that buses could run more appropriately on schedules for commuting. And because of some differences in the requirement of parcels, was there some excess capacity in the parcel business to have a stand-alone truck network that would run on a slightly different schedule? That has been expanded and has been part of the process that has been going through '94, '95, and '96.

The increase in miles that you see run, and I believe on page 16 of the annual report, it's got 1.46 million miles in truck miles of the network.

One of the parts that's interesting if you look about . . . look at STC and compare it to an inter-city bus carrier like Greyhound U.S.A., Greyhound U.S.A. is a company that runs people only. The storage capacity in the bottom of the bus is for luggage of the passengers only. Okay?

STC runs something like five, five and a half dollars in revenue a mile — about 48 per cent is from passengers, about 52 per cent is from freight. Greyhound U.S.A. has something like \$2.63 U.S. (United States) total revenue per mile.

So for us running a very small company in a small market — Saskatchewan — we have nearly 50, 60 per cent extra revenue per mile than a major U.S. private company, publicly traded company, does in providing bus passenger.

Now why has that happened? It's happened because we have a peculiar kind of clientele that don't require the bottom of the bus for their personal effects. So we've been able to offset that and capture revenue by serving the province, literally in the context of back haul — we're hauling freight back and forth.

One of the challenges that exists for the company now is because we have this dual network, both trucks and buses, is whether or not we have the capacity for both to be full, or are there ways to optimize it. And one of the questions that the minister — or excuse me — the member had was what about trucks? And what is a truck? A truck is a modified bus that has larger freight capacity than just the under-storage.

The question that happens is when you modify a bus and you don't use the truck network, your mileage costs with regards to fuel and repairs and maintenance largely remained unchanged, because the bus is travelling anyway. And is there potential to move some of that freight on some of the lighter freight lines away from the truck network back onto the buses.

Those are the kinds of processes in addition to the administrative reform that we'll look at on how we can try to more efficiently continue the service within the network and yet still have reasonable time schedules and still capacity to deliver the kinds of goods and services and people between Saskatchewan's smaller communities, our medium-sized communities, and our cities.

**The Chair:** — Are all your questions answered, Mr. Renaud?

**Mr. Renaud:** — I guess the statement here on page 16 shows the revenues and expenses from 1992 to 1996. I'm wondering, do you have the figures here that say from 1988 to 1992 whether the bus company was making money in those years or whether it was still losing money in those years?

**Mr. Temrick:** — I don't have those numbers here, sir, but the company has not made money in the '80s at all. As one of the other members said, it's been a case of about 15 years of losses in the company.

**Mr. Renaud:** — Thank you.

**The Chair:** — Before we move back then to the opposition, I wonder if I could beg the committee's indulgence to make a couple of remarks and ask a question. Is that agreed?

I guess I would like to just say having come from an urban environment, and hearing a lot about the so-called Roy's rural revenge, I find some of the conversation and the suggestions

passingly strange when we're considering STC.

And I would like to put a bit of this into context, because Saskatoon and Regina have together about one-third of the province's population, and each of those cities has a public transportation service and they subsidize that public transportation service by about \$7 million each city. And we're talking here about a loss, supposed . . . a so-called loss for STC of about \$6 million, and that provides public transportation services and freight services for two-thirds of Saskatchewan's population. So I think we do need to put this into context when we're discussing and debating STC.

It seems to me that public transportation is part of the social contract that we have in Saskatchewan, and quite frankly the transportation services for people that STC operates are primarily for senior citizens in small towns or people who are unable to afford personal private vehicles. And as has already been pointed out, in the cities they only do provide transportation for people; they don't provide that additional service, which I do consider an important service, which is the freight delivery to rural Saskatchewan.

So it seems to me that really when we're talking about STC and this supposed loss of \$6 million each year, really the problem isn't that it's a loss, the problem is the structure that STC has. Nobody is suggesting that the cities should do away with their public transportation service, and I'm at a loss to figure out why we would be suggesting that the province should do away with its public transportation service. Because we've called STC a corporation, we call that \$6 million subsidy a loss. And if it was a department, either a Department of Highways or Department of Environment, we'd call it a program cost.

The government used to provide a subsidy for the cities of Regina and Saskatoon for their public transportation services, and over the years that subsidy has been decreased. I think it's probably zero now, but perhaps the former minister of Highways could inform us of that. What's happened with the cities of Regina and Saskatoon is their fares have gone up and there's less mobility for the financially disadvantaged people.

It seems to me that when we're talking about the future of STC, we should be talking about different kinds of structures, and instead of just phrasing it as a simple black and white privatization or continued subsidy by the taxpayers for a Crown corporation, perhaps we should be looking at two other options.

And one is to have STC become a department of the Government of Saskatchewan, recognizing that it is a social program that we're offering here; and the other is to work in cooperation and collaboration with the major cities. They have existing transportation networks, they have existing drivers and so forth, and perhaps we could be developing a feeder system so that Regina and Saskatoon, Prince Albert and Yorkton could be perhaps providing some of the day trips in cooperation with STC. And then the corporation could get on with doing the other kinds of things that keep its cost per mile down.

So I think what I'm saying, Mr. Minister, is a plea for you to look at all options as you're examining the future of STC. But

being a city girl, I want to very solidly say that I feel STC is an important part of the social contract and most specifically the rural social contract in this province. And I'm hoping that STC in some form is around for a long, long time to come. Thank you.

And now I will turn it over to Mr. Osika.

**Mr. Osika:** — Thank you, Madam Chairman. Just continuing on with the courier service and the express service, the revenue accounted for something like 50 per cent or so of the entire 1996 STC revenue. In light of the fierce competition that exists in the courier business in this day and age, how much do you realistically feel you might be able to increase STC's market share; and if so, do you have a plan and what are the time lines or time limits? It seems to me that . . . well I'll let you address that first and then we'll go on.

**Mr. Nystuen:** — I guess this is a . . . you posed the question in a very interesting way. The challenge that you say is what's our strategy for increasing our market share in courier. Well many of the services that we provide in courier, or the bulk of the service that we provide in courier, our competition is the post office, okay. We connect 250 rural communities. Most of those rural communities are served daily, sometimes twice daily. Those communities are definitely not serviced by couriers daily — maybe weekly. If it's a special occasion it's \$50 a parcel. So in many, many circumstances we work with the couriers in completing their network, okay.

And I'll give you an example. We have two significant contracts that we operate with in Saskatchewan. One is United Parcel Service out of the United States; the other is Federal Express. We are their delivery mechanism to those 250 communities across Saskatchewan. They are the heavyweights, let's say, in the courier business. They use our network because it is relatively efficient, relatively timely, and by and large very, very low cost.

When you think that a small package travels like a postage stamp almost anywhere in Saskatchewan for 4.95, \$5, whether it be Regina-Meadow Lake or whether it be Regina to Estevan, that's a relatively low-cost method of transportation even compared to the post office.

So in a lot of these circumstances, it's not a case where we are looking to increase our market share because often we are the only group that provides the service. And if we were to withdraw from it, a community may go from having reasonable service — and this is where the whole public service context of both the bus and the freight comes in — to intermittent at best and high cost.

So that's more of the context. We have pick-up and delivery service that we offer in Saskatoon and Regina and, I believe, Prince Albert. That's largely the customer from the other end, saying I want to ship a package to my aunt or back to the farm parts dealer; can you take it right to their place of business rather than have the dealer come and pick it up at the depot? We offer that service. That's an extra cost. There's a question about whether or not we should offer that internally or whether



or not we should contract with a local courier service to provide that add-on.

That's something that we may work through as well in the future, but most certainly my strategic position is not how do we go about taking away business from other Saskatchewan businesses but how do we fit ourselves in to make sure that there's a reasonable level of service within the province, often going places that we can fit, because we happen to be going there with buses that it either won't be on a courier's list, or if it is, it's a special trip and it's very high cost.

**Mr. Osika:** — I guess what I hear you saying in all that is you do not intend to directly compete with private industry and yet on the other hand you're saying that you do offer courier service to pick up in urban centres from one place to deliver it elsewhere. Is that not direct competition with the local service?

**Mr. Nystuen:** — By and large that is something that didn't exist before. Shippers in Regina would have to . . . in the previous context before we had pick-up and delivery, their option was to deliver it to our facility. That was their option: you deliver it. What we've done is said, well we will bring our facility to your doorstep but it's for a fee. And so I mean you could describe that as saying, well now you're entering the market and competing more directly with small couriers.

But I mean one of the things that we also see is there are still a huge number of shippers that do use the private couriers that also ship through us. In other words, you have a letter you want to get to Saskatoon and the courier says \$12. Often what happens is the courier brings it to us, we take it to Saskatoon, the courier picks it up in Saskatoon and delivers it.

You shouldn't cast STC as being the competitor because often we are having relationships with even the very couriers that you're speaking about. Because there is a portion of that leg that because of our regularity is much cheaper than they would even provide that service for.

**Mr. Osika:** — But for that person that wanted to send that envelope to you, rather than . . . you're saying that rather than use a local courier service they would now call STC and have STC pick it up. I'd be interested to know what the difference is in cost for that individual to get that envelope to you and then on to a further destination. Is that not . . . if it's . . .

**Mr. Nystuen:** — Maybe I didn't describe it properly. If the scenario was you wanted to ship a package to the caucus office in Saskatoon, okay, to your leader, the opportunity that you might choose is, you may say, well I want to use Dynamex or you may want to use Tiger Courier. So you phone them up and say, what's the price for delivering this package to Saskatoon. And they'll say, well it's 12.50. Frequently what happens is they'll take your package, they'll deliver it to STC, we'll haul it to Saskatoon, then their Saskatoon courier will pick it up from us and deliver it to your office. So we are a part of their network as well.

So it's difficult to describe this as we're going to try to take business away, because you may not have chosen to use STC.

You chose to use a private company, but the private company in making its rational decision about how can we provide the best service to you on the time lines that you've outlined, may choose to use us as an intermediary. And some of those are inter-line relationships, some of those are . . . We don't know, we just think it's a regular practice — somebody walks through the door.

So like I say, it's difficult to describe us as being in the market-place to compete head-on because often what happens is that we are a part of our own network, we're a part of Greyhound's network, we're a part of Little Red Bus company's network, and we're also a part of the courier network in the province.

**Mr. Osika:** — So the cost to that customer would be all inclusive, in one cost, charged by the courier.

**Mr. Nystuen:** — Right. They would charge you \$12, they'd pay us 5, and they'd have the 7, and they'd have provided the complete window of service. You would not have known how it got where it got.

**Mr. Osika:** — Okay, I'm going to ponder that some more, but in the meantime I'd like to go on, that . . .

**The Chair:** — That's unique. That's the Saskatchewan way of collaboration.

**Mr. Osika:** — Can you tell me how much of the cross-subsidization from the freight service to passenger service, how much has that entailed roughly?

**Mr. Nystuen:** — That is a very difficult question to answer and it's one that I have asked myself, and I guess I will say I'm hesitant to answer now because of the nature of the splitting apart of the business.

One of the efforts that we are currently doing is a study of the freight or the express parcels — what vehicles they are transferred on, what's the cost allocation, and how the revenue splits out — and until that study is completed, I'd be very, very cautious to say it splits half and half.

What we know is approximately a little under half of our revenue is from passengers, a little over half is from freight. But on which line and whether it be part of the truck network, which is stand alone, versus the combined freight-bus passenger network, I don't have a satisfactory conclusion to that so I won't . . .

**Mr. Osika:** — Okay. Thank you. The operating expenses in 1996 rose just under \$2 million. Some of that was the result in the increase in courier services and the addition of a million or so miles, I understand. But in 1996 the expenses of \$2 million, while revenues rose by only 1.1 million, with the resulting loss on courier operations. Now based on these numbers, not only is there no money from the courier service to subsidize the passenger service, but STC continues to lose money on both.

And I guess that puts the corporation in even more precarious a

situation. And I guess my question now is, at what level of loss, losses, and what level of subsidies is the government prepared to accept or tolerate these losses, and for how long? And how long can we expect this to go on?

**Hon. Mr. Serby:** — Well I'll just answer the last part of the question first for you, and then ask either Gord or Ernie, or maybe even Don, to respond to the operating statement as it respects the increases on the expense side, because there are some explanations for that that they'll have for you.

But I think, as I outlined earlier in my comments, the question that I think needs to be asked here as we prepare through the prudence of sorting out all of the options that we have available for us to both grow the revenue side and to flatten out the expenditures so you don't see what you see here — and that is that expenses growing and revenues not — our interest of course is, at the end of the day, ensuring that we have, in Saskatchewan, a good public transportation service, which I would expect will be our public policy.

When we proceed through our work of evaluating, assessing whether or not the Transportation Company can in fact have a balance, if it can't do that based on the best work that we can do internally, then I think the obvious solution then needs to be is that we need to continue to provide some type of subsidy to Saskatchewan Transportation.

What will that amount be? I don't know what that amount will be today, but that's part of the examination that we're undergoing. We're going to try to achieve a balance. But if we can't achieve a balance on this operation, then my objective then will be to put forward to my government colleagues, a plan that says that we need to provide some kind of subsidy to transportation services across the province, which is consistent with what I think other transportation companies are doing.

And certainly in a province like Saskatchewan, as earlier outlined by the Chair and that I'd mentioned earlier as well, is that when you have communities like Saskatoon and Regina where you have only a third of the population and they're subsidizing their ridership by — she says 7 million, I was using the number, you know, around 6 million — this is not a, in my opinion, not a huge investment to ensure that people in this province have transportation linkages.

I might ask Gord or . . . I guess Gord to sort of comment on your question as it relates to the expenditure increases.

**Mr. Nystuen:** — Again, I guess the question that you raised and how you framed it, I thought I was trying to answer in my previous remarks. We need to look at the network that we have and structure it so that the volumes of freight that we are moving fit in the most optimized manner possible with regards to the costs of delivering it.

And I mean there are several options in that. One of them is categorization of freight for our customers describing priority, which means it leaves on the next bus, or is it . . . can this wait until the next available bus so that we prioritize our freight and those sorts of issues.

And try to optimize our capacity, because in having capacity in the network one of the key variables tied to that are miles and dollars for running the trucks, doing the repairs, and all of those sorts of things.

**The Chair:** — Thank you, Mr. Osika. I'll now move to Mr. Heppner.

**Mr. Heppner:** — Thank you. We had a bit of a dissertation earlier on about bussing being a social service and freight was included in that. And I'm not sure freight is a social service. Farm parts business have been brought up many times this morning, and as a person that's owned a farm parts dealership over the years, I think we're painting a much rosier picture of the need for STC to be in that than is really the case.

And I've at times supported STC, especially when we talk about seniors in rural Saskatchewan. I've met with a number of seniors in rural Saskatchewan last winter on a fairly major highway and STC came up. And I said, well we have to ensure that our people in our small rural communities can, you know, have access to larger cities and we need to rationalize our bus services at that so that is maintained. And I was soundly shot down by, like I said, a group of only seniors saying, well sell it off, we can find our own way there and do it more effectively. It may cost us more on a particular trip, but it's better than seeing this bus go through town half full or even empty from time to time.

I was rather surprised at that response. And I guess that's where I'm taking some of my cues from this morning — is from the people that were out there that I thought were in need of the STC transportation to larger cities. And they didn't agree with me on that, so my support of STC was shot down even though I thought I was being a hero at that point.

Last April it appeared your bus courier service, which is one of your good money makers, was in danger of losing Lynden Air Freight. What's the state of that particular contract and future prospects for that?

**Mr. Nystuen:** — It is very, I guess, difficult for me to comment on that currently. We had discussions with Lynden at the time of those newspaper comments about Lynden's desire to look at the pricing structure that we had for them. And the comment provided back from STC was that the pricing structure that we had in place was what we thought should continue. And right now Lynden Air Freight is in the process of deciding or planning what their future is.

Indeed they may choose to use STC in the future. We think that there's a very good possibility of that, largely because of some of the reasons that Federal Express have commented to us, is that we're a one-stop shop where we cover off, you know, 250 of Saskatchewan's communities. And for large businesses like them and small markets like Saskatchewan, they need to have a very simple method of operation.

So as I said, it's difficult for us to speculate on what Lynden Air Freight may do. We have, like I said, offered to continue the relationship that we have. They're contemplating it. We think

that there are some significant possibility that they may stay, but that is the decision for Lynden Air Freight.

**Mr. Heppner:** — Thank you. I'd like to take you to the back page of the booklet where you have the map of the routes, and I have a number of questions on that. Which ones of the yellow ones would be the Greyhound ones, or are they all Greyhound?

**Mr. Nystuen:** — Greyhound operates through Langenburg, through Yorkton, through to Saskatoon, through to Lloydminster, to Edmonton. Okay. So that's the Highway 16 route is Greyhound.

**Mr. Heppner:** — And the other ones?

**Mr. Nystuen:** — Greyhound also runs from Winnipeg on No. 1 through Regina, Moose Jaw, Swift Current, to Calgary. Greyhound and STC jointly operate the Saskatoon-Calgary turnaround.

**A Member:** — Through Alsask.

**Mr. Nystuen:** — Through Alsask, sorry. That's a partnership.

**Mr. Heppner:** — And the other . . .

**Mr. Nystuen:** — The balance of the routes are various and sundry small private carriers.

**Mr. Heppner:** — Okay. And I guess here comes the interesting question. Those other routes that are now run by various and sundry carriers, those at one time were the responsibility of STC?

**Mr. Nystuen:** — I believe some were. Some were the responsibility of Greyhound, routes that Greyhound found no longer within their ability to provide cost-effective service and declined, and accordingly some that in previous years STC found that they could not provide service.

What happens is often the private carrier becomes an inter-line carrier with either Greyhound or STC or both, where all revenues are shared on a commission basis.

**Mr. Heppner:** — Okay. Do you . . . does STC get any financial information from these companies on how viable they are at present?

**Mr. Nystuen:** — No.

**Mr. Heppner:** — Okay.

**Mr. Nystuen:** — I should put it a different way — not that I'm aware of. I don't believe so, no.

**Mr. Heppner:** — Okay. We probably have to make an assumption that private companies don't stay in business long after they're losing money, that those other various and sundry carriers by and large are making some money. And they have moved into areas that STC felt were not viable. And I'm wondering, why don't we do the same sorts of things with other

routes that STC doesn't find viable and the private carriers seem to be able to survive on?

**Hon. Mr. Serby:** — I think one of the comments that I made earlier in the examination of how you provide a transportation . . . a public transportation service in the province or a transportation service in the province, the examination is to look at all of the options.

For the reasons that you've already pointed out — and that is in Saskatchewan when you look at the road map that you have in front of you, you have a variety, combination of different carriers that are providing those services at different rates and on different schedules and to some degree are accommodating the needs of Saskatchewan travellers — our options then are all open for review. And that's part of what we're doing in the examination of what this transportation company will look like into the future.

It should be remembered though that even some of those private carriers or services that are in some of those communities that you alluded to earlier, there may be some revenue through commissions that we're currently providing to ensure that there's a transportation service that links communities there.

**Mr. Heppner:** — Okay, but the commission is not a subsidy and so it's not . . . it's just something that they get for a service they provide, where if you gave a few of these other lines that you're losing money on over to private carriers, the same thing could happen — the service would be there, there wouldn't be a loss to STC, and where they pick up some of your freight and people, move them out, there is a commission sharing there, which is fair enough.

Which ones of those lines are profitable at present? Or are any of them profitable?

**Mr. Nystuen:** — You mean within STC's network? Well this is a very interesting debate within the bus industry, okay, whether it be STC or Greyhound or Grey Goose or whatever, because the industry evaluates bus routes in the context of contribution beyond direct operating costs, okay. And that is one of their most relevant benchmarks with regards to do you keep it in the network or not, okay, not strictly the paradigm of profitability on any given route.

I've had some significant discussions through individuals about Greyhound's network in Alberta. How do they structure? How do they look at where they go, how they go? Do they just discard routes that would fit a test of non-profitability?

And the response has been: well no, understand that the bus industry looks at this entire issue in the context of network. Because if you were to look at a stretch and say well, we can dilute that or delete it from the network because it's not profitable on those 3 miles, they are very, very hesitant to do that because what happens is their catch basin shrinks.

And so the question that they ask is, is there a contribution above the direct costs of fuel, repairs, operator salaries. Like are

we getting more from the line for those three or four items than what we have to pay? That's the first test with regards to designated tests from the network.

With regards to Saskatchewan, some of our preliminary numbers that we have — I don't know, 30, 35 routes — there are potentially half of them that would meet that test of where the route pays for more than the direct cost. So we have a number of routes that don't cover even fuel, repairs, and salaries.

However, on the whole, if you prune to only those routes, you significantly change the nature of the network or the catch basin. And that affects all of the other variables within the company. Passengers, because you don't know . . . you may do very well from Regina to Saskatoon, but if the passengers happen to come from Gainsborough and you delete that portion of the network, you may very severely detract from the company.

So that's the test. There's approximately half that meet the standard industry test, but there is a significant emphasis put on the catch basin and where does the network go even in the industry.

**Mr. Heppner:** — And, you know, I understand what you're saying with your catch-basin concept there because it obviously, you know, supplies you with what you need to move through STC. But obviously these other lines that have now gone private do also feed into you and do become part of your catch basin, which were lines that STC was losing money on and now private people are running and at least keeping going and providing the service that the people need and demand on that.

What happens on a situation, let's say, where you take two or three or whatever number of lines and decide that you're not going to run those any more, and then that may be something that you're looking at, you know, in the future because you've done this in the past. What happens to the employees and the union contracts that you have? Because obviously you're lessening your route and suddenly you have employees that now no longer have routes to drive.

The equipment is easier to deal with. You either wait until something else breaks down and just fill in . . . But what happens with the contracts and the employees?

**Mr. Nystuen:** — The question that you ask is very relevant but it's also very difficult to answer and one that, I think, the response that we'll give is that we're not able to answer that. That has been a matter of some very significant litigation between Greyhound and the Amalgamated Transit Union that I believe has proceeded past the Alberta Court of Appeal and may be potentially going to the Supreme Court of Canada about how does this work and what are the rights and what aren't those rights.

It's certainly not a position for me to comment or STC to comment about what the answer really is, because indeed it's of significant debate that even the courts are taking some very

thoughtful time to consider — exactly what rights exist, what abilities exist, what are the contexts of the running authorities offered through the provincial highway traffic boards and so on. But indeed that is something that has been litigated and hasn't been concluded yet.

**Mr. Heppner:** — Are there any of those particular routes that may, without listing which ones those are, that may be rationalized and turned over to private operators in the near future?

**Mr. Nystuen:** — I guess from STC's point of view, one of the prime questions that I'm dealing with is the value of the network. We have spoken a great deal today about policy and the public policy of transportation services and access. One of the foundations or pillars to that is the network. And the challenge that exists for STC is how do we structure the operation of the network to put it in as financially a sound basis as possible, understanding that there still may be some requirement for subsidy.

And as the minister has alluded to — that search for the combinations that provides that network includes options, as we have done in the past, where we have small private firms providing a portion of the service within our network. There are some characteristics to those private firms that allow them some extra latitude. One of those, largely, is that they move from a bus fleet to a small van fleet which is significantly less costly both to own and to operate and how they fit into the network in that kind of capacity.

I think STC has been a benefactor of some of the very hard work and diligence of those private individuals. And that's a very, very serious option that we have to look at in deciding how do we move forward.

But I guess my perspective is if we're talking about public policy, transportation services, the network is very important. The question is, how do we efficiently combine the resources that we have in this province to keep the network and keep it functioning.

**The Chair:** — Thank you, Mr. Heppner. I'll now move to the government's side. Do members of the government have questions? Ms. Bradley, and then Ms. Hamilton.

**Ms. Bradley:** — I just have one kind of short comment and question to make is, you know, on the map and some of the other questioning that's been done here. I know the importance still of STC to be there as a partner with some of these other lines. Of course the one that I'm most familiar with is the Little Red Bus Line, which is private but it's a group of business people and seniors that went together to form the board to run that bus line. And I know the Bakaluk Bus Lines too.

And I see that those perform a real, definite function for those communities and areas where we didn't want the big buses. I mean it wasn't viable for the big STC buses to be going down there yet these little, small vans are doing a tremendous service. But I know that they can only operate effectively if they can coordinate and work through STC.

Because I met a lady one day, came into my office, and said thank goodness that we have the little bus line to get me out of Bengough to Regina. Then I can get on STC to get down to Weyburn. I mean she was just so thankful for that kind of partnership and that it is working.

So I guess I want to just comment that I believe there can . . . we do need STC really strongly still in rural Saskatchewan. And maybe it's in different manners or forms, maybe there are partnerships with communities and you have a mix of some of the private or different kind of community groups running some of these bus lines that connect, but STC itself still needs to be there very strongly.

And I guess what I want to encourage and ask about is that we don't forget to keep them in the loop of the restructuring, you know, of the consultation process and to make sure that we're learning from these small bus lines and how to service all these communities as part of the STC structure. And hopefully it's there in the future, but I still see the real need of a partnership kind of for rural Saskatchewan in this.

And I guess I . . . what my question is, is that do you still see these as very valuable services and are they part of making sure that they're part of all of the consultation and what you see as the future for STC?

**Hon. Mr. Serby:** — I don't think there's any question and I really appreciate your comment, Judy, because I think operators like the Little Red Bus Line is a good example of how communities are linked. Where you have the major carrier — in this case it's STC — that still provides the transit services to those larger communities which the smaller bus service isn't in a position to do at this point in time.

I mean this isn't the . . . When you examine the concept . . . And there's lots of discussions that are going on currently between the Transportation Company, Mr. Nystuen and his people at his shop, and communities at the local level as you explore what kinds of options are available.

And I say this from some of the work that I think has been done through the transportation . . . under the new transportation Act of which I inherited but some wise work was done in advance of where I get it today and that is consulting with communities about how they might in fact benefit from transportation committees.

Although to a large part, some of that work is looking at how you manage grain handling and how you transport commodity, we can also do that when we're talking about people. So transportation committees, I think, will become very much a part of those discussions, and communities will be very much a part of that discussion. And from that I think, will stem a whole host of different options.

As the member from Rosthern, Mr. Heppner, points out that there are in his discussions with particularly seniors who suggest that there may not necessarily be a need for them to have this kind of a transportation company into the future. Some of the discussions that I've had with seniors around the

province say to me that we need to have the linkages.

So if I'm sitting — and I use the area that I'm familiar with — if I'm sitting in Sturgis, Saskatchewan today, I have an STC bus that happens to go down that highway route but it's travelling from Yorkton to Preeceville at night with not a lot of people on it. In fact some days it travels with mainly only freight in it, okay? And it doesn't have many passengers in it. And when you examine the cost of running that unit down those highway miles, it gets to be fairly expensive. But you still have seniors in that part of the world who say to us that that transportation linkage provides a necessity for me to get to the Saskatoons or the Reginas of the world, where many of our specialized services exist. So as we examine and explore those linkages, it'll be critical to ensure that communities are involved in that process, and I think that the options might change.

I'm not suggesting for a minute that we're not going to have an STC bus that's running from Yorkton to Sturgis or Preeceville, but I am saying that there maybe other ways that you might be able to provide transportation linkages amongst communities which are a little different, or that we learned from experiences like you have in your area, which is a Little Red Bus Line, and try to incorporate those concepts into making sure that communities are tied.

**The Chair:** — Thank you, Ms. Bradley.

**Ms. Hamilton:** — We hear a lot about deregulation, particularly in utilities industry, and I was listening with interest to the answers to some of the questions on provision of services, be it hauling freight, perhaps the courier services, and passenger service. I'm wondering when STC is going to face the federal deregulation — what impact it's going to have those areas of service — and are we well poised to be able meet that challenge?

**Mr. Nystuen:** — Well there is some significant discussion going on currently about deregulation in the bus industry. From a historical context, the federal government took a policy that it wanted to deregulate the airline industry and the trucking industry, and that passenger buses would come. Those first two largely have been completed, as I understand it. The third issue, passenger buses, is a complicated one. Because what happens is that currently, passenger buses is regulated nationally through a delegated authority to the 10 provinces and territories, okay? And so in order to change that there was supposed to be a process by which we all sat down and discussed what's the appropriate regulatory regime.

There was a task force report that I believe was finished last year. I believe it had most of the provinces in agreement with regards to the conclusions of it. Largely the theme of the task force report is something called "Alberta II Regulation" which would have, on a national basis, adopt the kind of model that the province of Alberta has with regards to regulation, okay? So in other words, rather than scrapping regulation, but would maintain it but in a scaled-down version so it doesn't have all of the regulatory reporting structures and so on, which was one of the goals of the federal government to get out of.

That seemed to have received enough consensus from the various provincial jurisdictions that that was going to move forward and largely be the model that would exist into the future. So in other words, small modification rather than significant rewriting of the entire regulatory regime for passenger buses in Canada.

On May 16 the federal Department of Transportation wrote all of the provinces and bus carriers and the comment that they had was, you know we really appreciate the task force report, but we think we're just going to do it a little faster and a little more narrow. And you guys can do what you want, but we're just going to consider repealing the federal Act, okay, and just have no regulation.

Well the difficulty that that creates for all of the jurisdictions is that in the absence of the federal Act, we have de facto deregulation, okay, because the manner in which it's structured, the provinces can't regulate federal carriers. So anybody who would have an interprovincial licence, whether they be only operating a route from Bengough to Regina or Gainsborough to Estevan, because they'd have a federal licence, would largely fit into a capacity of being unregulated.

My understanding — and I was on a conference call last week with the bus industry — Greyhound, Grey Goose, which are really the more national carriers and who the deregulation impacts most significantly, are extremely put off by this. They thought that they had agreed to a process with provinces and the industry about how this would move forward and it looks like it's going in a different direction now. That becomes more complicated because there's some discussion about whether or not this is merely a bureaucratic push at the federal level because it occurred during the federal election campaign and that indeed this is not something that has even been raised to the level of the policy makers. But that's sort of what's out there in the field.

So there was a formal process, that there was some significant consensus about how this should play out over the next number of years and there was some agreement. But there's now some confusion because it appears as though what may have been sort of the nucleus of a structure may now not be what it was believed to have been. So we will have to see. I understand transportation ministers are meeting in the near future and I expect that this may be one of the items.

**Ms. Hamilton:** — Under a scenario if the federal government does move forward on this dropping the ball, how would that impact on our bus line?

**Mr. Nystuen:** — Okay. Well the impact on STC of an active deregulation, at the heart of it, strikes at the ability for STC to provide local service or to the smaller communities. Because the current structure that we have, we use our best routes to provide us with revenues so that on the weaker routes, we can still go there, okay. It's cross-subsidization, is exactly what it is. We use those resources to go to other locations.

The result — this is my speculation — of deregulation will be that there will be increased competition on those best routes,

okay. So there may be more selection, lower fares, on the best routes. What happens in that scenario, indeed there is a potential for the consumers in those markets to say, oh there's some enhancements because now fares between Saskatoon and Calgary, rather than being \$78 or 68 are now 36. So they had a major windfall.

The result will be though, as the margins on those high activity routes are squeezed to the bottom, firms like Greyhound and Grey Goose, which offer most of the network across Canada, will have to force a strict profitability test on all of their small routes. And small routes in the bus industry in Canada may be something like Red Deer to Calgary rather than Calgary to Edmonton. It's not necessarily a Gainsborough to Carnduff example. Okay?

So indeed what happens is all of the firms will be under pressure because their best routes, which they now operate in a regulated environment with the Highway Traffic Board setting the rates and setting the terms and conditions under when and how they should operate the service . . . to now being in a structure where they will have competition.

The likely result will be lower fares, which lowers the profitability there, which really jeopardizes the balance of the network. It's one of those things that strikes at the entire structure of the bus industry, about the catch basin concept and how that works.

I mean in the bus industry in Canada, STC is a very small player. But the very significant players are rather put off by the potential of deregulation as it impacts on them.

**The Chair:** — Thank you, Mr. Nystuen. I will now move to Mr. Osika again.

**Mr. Osika:** — Thank you, Madam Chair. I would just like to follow up on your efforts on developing schedules that allow rural passengers the opportunity for day trips. Do you have an idea of how many communities have . . . you've developed these schedules for and what are some of those communities, and if in fact, there may be other measures that you've taken to try and increase ridership?

**Mr. Nystuen:** — With regards to scheduling, we are in a much more conceptual level than that because we see scheduling as a potential to improve the service. Okay? It's identified as one of those things that we can do to improve the potential within the network.

The reason why we see this is that we have many regional centres within the province — the Yorktons, the Moose Jaws, the North Battlefords — that there is some significant traffic that occurs between those centres and Regina and Saskatoon. What we would like to find is a manner in which for us to facilitate that day trip traffic travelling from those centres, having a day's business in Regina or Saskatoon completed, and return to your region.

Because of the relationship that we have with Greyhound and the requirements that we have in timing of our schedules so that

passengers through the province, through the country, can connect, it becomes a very, very significant scheduling effort because we have to connect buses for freight commitments and all those other things. So we see the potential scheduling to be something that we can do to facilitate the movement of passengers.

However, because of the nature of how we're structured, we have some discussions to go on with Greyhound about what kind of flexibilities they may have. Also, they may have some goals that they want to achieve in improving their service.

So it's that kind of process that we have to go through prior to saying it's going to change from this town to Regina from eight o'clock 'til seven and so on.

**Mr. Osika:** — I'm not sure that . . . Perhaps you didn't hear the second part of my question. It was whether or not you had any other efforts that you were making to increase travel.

Let me just directly refer to a memo that we have dated April 4, 1997 to Saskatoon passenger service attendants from Allan Douglas, project manager, re: Casino day tours. Can you enlighten us perhaps a bit, or elaborate on what the intent . . . or what this memo had to do with any subsidization?

I guess my question is: what affiliation do you now have with Regina casino as the Saskatchewan Transportation Company?

**Mr. Ash:** — There's a couple of things going on with Casino Regina and STC. First of all, we have a program called Casino Express where travellers on the STC system can purchase — I think it's for \$5 — a package, a Casino Regina package by using our service on regular fares. So they buy a \$5 voucher that they can use at Casino Regina.

And basically what that was meant to do was provide a service. Well we're providing the service in the province, moving people around, and if people were coming down to the casino, it was something that we could work with Casino Regina on, on offering an add-on. So there was really no change.

What the memo you're referring to there is associated with is we've worked out arrangements with Casino Regina for them to purchase capacity, surplus capacity, on the coaches. So if we're running a coach with 20 people on it, they will purchase up to 20 seats and put people on them.

**Mr. Osika:** — At a cost to whom?

**Mr. Ash:** — At a cost to the person buying their package.

**Mr. Osika:** — So that they would in fact pay the regular rate for travelling to Regina; however they would get something in return from the casino?

**Mr. Ash:** — No, that's separate. Casino Regina would pay us, and I forget what the number is . . . \$20 for the seat. They would bulk-purchase 20 seats on that coach. Casino Regina would pay us and in essence we would, rather than haul 20 people down, we would haul 40 people down. So they were

buying capacity that we weren't using.

**Mr. Osika:** — Okay. Perhaps I'm not understanding, but I guess what I envision is someone that pays a full, regular rate from rural Saskatchewan, small town Saskatchewan into Regina, but through some system of notification or awareness, other individuals may only have to pay something less?

**Mr. Ash:** — No, this is just between Regina and Saskatoon. There's two programs, and I'm sorry I'm not explaining myself very well. There's two programs. There's the Casino Express program, which is available to anybody in Saskatchewan riding STC. For an additional \$5, through either STC or their agent, they can purchase a Casino Regina package that they . . . they get matched play chips and these sorts of things from Casino Regina.

So for an additional \$5 on top of your fare you can access, or anyone can access, Casino Express. Okay. And that was to get people from Saskatchewan into the casino. It was a program that we jointly worked on and a service that we provide.

And then what you're talking about in the memo is us selling basically empty seats to Casino Regina over and above our normal fares. So if we had a coach coming down from Regina with, as I said, 20 passengers on it, full-fare passengers, Casino Regina would purchase the 20 seats and offer them to people going to the casino.

**Mr. Osika:** — You've targeted some communities . . . well you said it's just Saskatoon for now?

**Mr. Ash:** — I believe so, yes.

**Mr. Osika:** — What has the response been?

**Mr. Ash:** — Minimal, marginal. I checked a couple of weeks ago and I mean there was two or three people that had taken advantage of it.

**Mr. Osika:** — So the cost for the advertising and for the brochures or direct mail-outs is not returned. It's . . .

**Mr. Ash:** — That's Casino Regina. Basically they've come to us and said, you know, we want to buy the surplus at capacity and we'll sell it. We said, fine.

**Mr. Osika:** — Perhaps Casino Regina could bail out STC and just operate it out of the casino and with the profits . . . No. I'm just being a little . . .

**Mr. Ash:** — Whatever will work.

**Hon. Mr. Serby:** — With the afternoon discussion, Madam Chairman, I'm hearing the member from Melville suggest that we should have travelling casinos now.

**Mr. Osika:** — Well that's . . . But it sounds like that's what's being promoted — encouraging people to get aboard the bus and come into Regina to gamble. I just wondered . . .

**Hon. Mr. Serby:** — We haven't thought about that but that's a concept we could explore though.

**Mr. Osika:** — What's the reaction?

**The Chair:** — I think they tried it with the riverboat steamers. The idea has already been used in a much better form.

**Mr. Osika:** — Okay. Thank you for the explanation of that.

I just . . . You mentioned earlier the number of brucks that you had converted into servicing express courier service, whatever. How many do you have in service now, and do you see what the cost-effectiveness operationally . . . what did that save? Or how did you make out with that?

**Mr. Temrick:** — What it involves is taking say a 45-seat bus and installing a bulkhead which takes the space of about half of those seats and using it for express. And it's ideal for serving locations where passengers are sparse but there's a great deal of express.

The saving, I don't know if there's a saving as much as a cost avoidance thing. You're able to provide in one coach the delivery of parcels and passengers that without the bulkhead might require another vehicle to get the express out to the location.

**Mr. Osika:** — I don't get it. You have four now. Would the deployment of more of those brucks enable STC to resume some of those routes that have already been eliminated?

**Mr. Nystuen:** — I think that the question that you're asking is, is it the intention of STC to sort of re-take over the routes that are currently being offered by small private carriers? I don't think that that would be on the top of the list of the priorities of the company right now. I think what we would be focusing on is, how can we take the network that we are responsible for today and continue to provide the service in the most efficient way possible.

I'm, I guess, not convinced that the large bus even with the bulkhead is the appropriate vehicle to service some routes in this province. Indeed what we have seen some of our private partners do is to use 8- and 10-passenger vans and pull a small freight trailer. And it appears as though that may be the appropriate size.

So for us to invest in a \$400,000 bus and make a change that indeed will run into tens of thousands of dollars as well to try to resume our service on those, I don't think would be the highest level of priority with regards to the use of the funds that we do have.

And I think the question that exists more relevantly for the brucks are routes that we have passengers and a truck on today, whether or not we can combine those two so that we then run a bruck that has significant passenger load and the freight, rather than running two vehicles, two repairs, two operators. I think that's more of the strategy that we're likely to employ with those.

**Mr. Osika:** — Thank you. Mr. Minister, I just have a couple more questions and then I'll be done. My question is that . . . about . . . The current president of the company has come on the scene April 1 and I don't really envy him having to head down Saskatchewan's pothole-infested highways with . . . you know, in the driver's seat of STC, and particularly a company that's lost money for 17 years, and now losing \$6 million annually.

I'm sure it would seem that you would require a seasoned veteran of the industry to meet all those challenges and I . . . my question is that, as a Saskatchewan taxpayer who's subsidizing STC, I wonder if the minister could explain to us what Mr. Nystuen's qualifications are to meet those very serious challenges to turn STC around to, if not profitability, then at least break even.

**Hon. Mr. Serby:** — Well I want to begin my comment by first of all stating that although Mr. Nystuen exemplifies a sort of a youthful appearance — somewhat different than both yours and mine, of course — Mr. Nystuen has had a fairly lengthy experience, for sure over the last five years around the operations of this administration, in a fairly — not fairly but in a significantly — senior role.

And when you examine some of the work that's been accomplished through the course of this government over that period of time, both in the areas of, certainly I might suggest the Liquor and Gaming Authority; certainly in the area of the Department of Agriculture and Food and then with some of the financial direction that the government has certainly taken and some of the successes that we currently enjoy today, it would be fair to say that Mr. Nystuen has had a fairly significant role in some of those and in others a minor responsibility.

So when you look at the kinds of expectations that we have or goals that we want to try to . . . objectives that we want to try to achieve with the Transportation Company, my sense is that Mr. Nystuen brings to this portfolio, and certainly to this department, an extensive historical perspective that's been fairly successful.

And within that of course, is that Mr. Nystuen has a extensive appreciation of what kinds of organizational requirements we have within the corporation and that will work, I know, diligently. And some of what he's already provided me, gives me good sense and comfort that we're on the path of heading down the right direction to re-establishing a fairly strong operating transportation system in the province for passengers and/or freight.

To my second comment, regarding the potholes in Saskatchewan, I can't leave that one untouched, only from the point of view to suggest that in the next day or so I will be part of a fairly significant discussion in Toronto, with my Ottawa friend, talking about the lack of funding of course for a national highway transportation program in this country, which we don't have.

And I think that when we make the comment about how we're going to sustain Saskatchewan roadways and highways in this



province, it's important that we get some assistance from those who have the opportunity to do that —like the member from Melville — in putting some pressure on our federal friends to help us with the national highway funded program.

I mean today we have about 6 per cent of the funding in a developed country which goes towards a national highways program which, in my opinion, is embarrassing. And so all efforts that we can have to try to support some additional revenue for a national highways program, of which would see some revenue flow back into this province, would be most, most helpful. Because based on the although growing budget in the Highways department, any time that we can grow that to support a more sustained highway network will be most appreciated.

**Mr. Osika:** — I appreciate your comments with respect to the potholes. It's a neglect over the years of this administration and has resulted in rather serious conditions on the highways but that's not going to cure the ills of STC and what's being projected for it.

On page 20 of the annual report, it shows an increase in administration expenses of \$405,000. I believe some of that may have been accounted for. I just wondered if we might refresh our memories with respect to the reasons for that increase.

**Mr. Nystuen:** — You said page 20?

**Mr. Osika:** — Page 20 on the annual report. Under expenses. Administration.

**Mr. Nystuen:** — Administration expenses indeed are shown going up some 400,000, and as compared to 1995, the explanation I can offer is that these are selling expenses. Selling in administration for the express side of the business was up over 1995. And we had some data entry cost increases with the growth in the express business. And we had some increase in the human resources area associated with several programs. There's an employment equity program and we negotiated a new contract with the ATU (Amalgamated Transit Union) in 1996. So there were some additional costs in that area.

**Mr. Osika:** — Thank you. My final question, if I may, Mr. Minister, I wondered if the CIC, Crown Investments Corporation, or the cabinet or somebody, has really come to the conclusion as to whether or not STC is a business or whether it is in fact a subsidized public transit. And considering that it is a provider of public transit that's essential for rural services, and that will require . . . it appears that it will require permanent government subsidies, should it not perhaps — I'd like to hear your views on this — should it not perhaps be removed from CIC and made into a Treasury Board Crown or perhaps a Highways and Transportation department budget item, and that way making its budget a little more transparent and subject to review and scrutiny of the Legislative Assembly? I just wondered what your thoughts would be on that?

**Hon. Mr. Serby:** — Well I, Mr. Chair, Deputy Chair, and certainly to the member, I think that the comments that he

makes are ones that we certainly are examining in a significant way. Because if we're going to view, as you suggest, the Transportation Company, and I think the public policy that the government will adopt will be that we should be providing a sustained transportation service across the province for Saskatchewan and for Saskatchewan people. And what form that will take, as we've had the discussion this morning, may be a variety of different types.

But where should this company be funded through or where should the accountability lie in the future, I think, is an important question that you raise and certainly one that we're examining in some detail. Should this continue to be a Treasury Board Crown with accountability . . . or should this be a CIC Crown with accountability to CIC, or should this become a Treasury Board Crown where accountability then becomes to the Legislative Assembly and in the future to this committee and that of Public Accounts?

Or in fact — and supplementing that of course is how do we view the vote that goes to it — should it be recognized as a subsidy? And often we speak about it of course as being a loss. Of course it is losing. It does experience a loss. But should we simply be prepared in the future to provide a vote of a certain amount of dollars to it and then it become a treasury-managed department that gets the scrutinies that you've talked about, being broad brush.

We haven't yet come to that conclusion. It's of course part of that discussion that's included in the Crown review. My sense is that we're getting closer to . . . obviously getting fairly close to making some announcements on that. The CIC minister and the board are examining the kinds of responses that will be necessary, I think after a long review of the Crowns.

But in respect to this particular company, we're certainly examining very, very closely all of the options that I think need to be on the table and your points are certainly well made and we certainly give strong consideration to it.

**Mr. Osika:** — Thank you and then this will be my final . . . and just to wrap up and I should have clarified earlier when we were dealing with the STC and Regina casino, is there a plan to expand the promotion of the availability of Saskatchewan Transportation Company services for Regina casino, to bring people into the casino? And might you also consider doing that for the mineral spa in Moose Jaw? Are there any of those types of promotions to increase your ridership in the making?

**Mr. Nystuen:** — I guess with regards to those sorts of promotional things, currently our focus with regards to sponsorship vis-a-vis the casino and other, let's say tourist spots within the province, aren't our primary focus. Indeed Saskatchewan has a very aggressive charter business that STC has not been vigorously competing with over the last significant number of years, and right now our place in the market is to provide scheduled bus services.

If promoters like the casino themselves would like to use our system of scheduled buses and have them retail, have them go out and pre-sell their packages, use our system, I think that's

something that we might consider. But with regards to STC going into the market-place and saying you should go here, you should go there, with a view to going after that kind of charter kind of market, I don't think that's our focus. Our focus is moving people amongst our communities in the scheduled bus environment right now.

**Mr. Osika:** — Any public reaction to your promotion?

**Mr. Ash:** — On the casino return? No, other than, you know, coming into the city, we're stopping the coach at Casino Regina and dropping people off. I mean they think that's great, don't have to come down to the bus depot; and on the way out of town we'll stop, as we do at malls. You know, we're trying to tailor it more towards the customers' needs but it's based on the regular schedules that we run.

We don't run a special Casino Regina bus. We run six schedules a week between Regina and Saskatoon and try to fill the bus.

**Mr. Osika:** — Thank you very much, Mr. Minister, and to your officials; thank you for responding to our questions and clarifying some of our concerns. And thank you, Madam Chairman.

**The Chair:** — And thank you, Mr. Osika, and Mr. Heppner, both. I think the focus and the quality of the questioning is really improving in the Crown Corporations Committee these last few meetings. And I'm extremely impressed with the diligence and the research that all members are bringing to the committee meetings.

Since Mr. Heppner has indicated to me he has no further questions, I would at this point recognize Mr. Trew.

**Mr. Trew:** — Thank you, Madam Chairman. As you've pointed out today, we've had some real encouraging comments, in my view. Encouraging because there's been some probing questions that are seeking improvements not only to STC but challenging the minister and the managers in a, I think, by and large a very positive manner. And having witnessed STC, Crown Corporations, since 1986, I was struck with the fact that there was zero hint of anything even remotely approaching a scandal in the two and a quarter hours we've been here.

And I've cast back — not that last year's involved a scandal — but I know last year one of the auditor's comments was STC's cash handling controls in some specific instances was inadequate. The same comment was notably absent from both auditors' comments this year.

And I think that means we should be taking our hats off to the minister and management of STC because, presumably, if there was an ongoing problem with the cash handling, it would have been brought up again. So congratulations on that. And I think a fair amount of the credit, in my opinion, should be going to the former CEO, Peter Glendinning. I'm sure that those changes didn't all happen in the last month or two. It would have happened under his tenure and I just wanted to acknowledge that.

In previous years we've heard in this committee of a hiring process, or might I describe it as a lack of a hiring process. Never heard anything about that today.

We've heard of a computer that was purchased and a program to go with it from a company that closed its doors within two months of STC having purchased said computer. We saw the number of data input operators at STC triple as a result of that.

We saw monthly statements timeliness go to where they had a turnaround in excess of four months, all of which, I know, has been hugely . . . Well that problem is . . . I'm talking five, six years ago, when I'm talking about the computer problem. Not that . . . I suspect that you still have some computer problems, but they would pale in comparison to that.

This committee witnessed buses with a million miles on them, purchased for ever so close to new price from Montreal. Again, I'm talking seven, eight, nine years ago.

Then for a change of pace, at this committee we reviewed the renovations of the Regina service depot. I was asking the then minister about why that job had not been tendered. His answer — and this is almost a direct quote — was, well you know, you bring somebody in to replace a doorknob that broke and then they realize, gee, the door is rotten, so they go to replace the door and they realize that the jam is rotten, and then it's the frame, and then it's the wall, and then it's the wiring and the insulation. And before you know it, you've got yourself several hundreds of thousands of dollars, literally. That's virtually a direct quote of what went on in the past at STC. And of course the crowning glory in those days was the Eagle Bus fiasco.

So I'm more than a little bit encouraged by what I'm hearing today. The general questions, the tone of questions, and the probing to urge that we get ever-better service with ever-fewer resources and help turn . . . I don't know whether to say turn the corner, but help keep this good, little company that employs roughly 300 people directly, and helps depots right across the provinces and helps a huge number of people.

I do have a question, I guess about the computer, and I genuinely don't know the answer. You've heard me talking about the situation five, six, seven years ago. What is, for example, the turnaround time now on monthly billings? When I say it was at one time four months behind, I know that's very close to the way it was. What's the turnaround now?

**Mr. Nystuen:** — Well we are endeavouring to have ever-increasing shortening of the time with regards to monthly billings on our account statements. We instituted in August of last year, a new computer system that tracked many, many more issues than have ever been tracked in the previous past. It has created some significant challenges for us in the last while in getting it all sorted out, merely from the volume and capacity that we have. And right now we're in a process where we're trying to turn around all of those within the month.

So we certainly hope that by the time the cut-off is done that all the accounts will be rendered within 30 days and returned to us. Now that's a very significant goal for us, but that's the target.

And as I alluded to earlier, one of the challenges that exists with that is structuring the business relationship that we have with our customers, rather than a huge number of accounts that are on receivable, into different structures that more efficiently accommodate them and so on.

**Mr. Trew:** — Good luck in that goal.

Madam Chair, I move:

That the Standing Committee on Crown Corporations conclude its review of the annual report and financial statements of the Saskatchewan Transportation Company for the year ended December 31, 1996.

**The Chair:** — Thank you very much, Mr. Trew. I appreciate that motion. Does the committee agree? Any opposed? No? Carried unanimously.

Thank you. And thank you, Mr. Minister, and your officials and the auditors. And we will see Mr. Serby back here at 1 o'clock along with all committee members. And STC can go chugging on its way, firing on all cylinders. Thank you very much.

**Hon. Mr. Serby:** — I want to thank you, Madam Chair, for the questions that the committee had asked this morning, and some very timely comments that were made in our work of reviewing the corporation. So I want to thank you for that.

Also want to suggest sort of as a final close to the comment made by Mr. Trew, where he said that — and I think he's right — that door knobs have probably been responsible for a lot of failures of systems across the province over the years. So I take that as a very significant sum. And thank you.

**The committee recessed for a period of time.**

#### **Saskatchewan Liquor and Gaming Authority**

**The Chair:** — The hour now being approximately 1 o'clock, we will once again convene our meeting of the Crown Corporations Committee, this time to review the 1995-96 annual report of the Saskatchewan Liquor and Gaming Authority.

I would welcome the minister and his officials, ask him to make a brief overview statement, and then I will call on the Provincial Auditor, who is the auditor of record for Liquor and Gaming, to make a comment on the annual report. Mr. Minister, welcome.

**Hon. Mr. Serby:** — Thank you very much, Madam Chair, and my apologies for taking a little longer getting here than I'd hoped to take. I don't know, in the interim, if my officials have been introduced. If they haven't been, then I'll do that accordingly now.

**The Chair:** — All we did was solve the lap-dancing problem.

**Hon. Mr. Serby:** — Oh, good. Seated directly to my left is Mr. Dave Innes, who is the acting president and CEO of the

corporation. To my right is Mr. Dick Bailey, who is the vice-president of corporate services. Mr. Wes Mazer, manager of financial services, over to my far right. And Al Barber is the manager of retail services, to my extreme left. And where are the crew? There isn't anyone here. I was just checking in the back rows to see if anybody had slipped in unnoticed.

With the committee's permission I might, before we respond to some of your questions, just briefly summarize what some of the Authority's responsibilities have been through the current year under review.

The Liquor and Gaming Authority, as you may know, is responsible for the distribution, control, and regulation of liquor and gaming throughout the province. The Authority manages a retail liquor system of about 80 stores and 192 private franchises. It also owns and operates the video lottery system through its agent, the Western Canada Lottery Corporation.

The Authority licenses most forms of gaming including bingos, raffles, breakopens, casinos, and horse-racing. Also the Authority is the sole licensing agent for the sale of liquor from eligible establishments throughout the province. Broadly speaking, the Authority's guiding principles and values are: fair access to licensing opportunities; responsible for liquor and gaming; revenue benefits to charities, businesses, and the province; and excellent customer services and business operations.

In 1995-96 of course there were several challenges. Some of the highlights that I'd just like to bring to the attention of the committee are these. An agreement was reached with FSIN (Federation of Saskatchewan Indian Nations) for the establishment of the Saskatchewan Indian Gaming Authority — or as we call it, SIGA — and Indian owned and operated casinos.

In the year under review the Regina casino opened. The Authority, in consultation with SIGA and Casino Regina, developed new and improved regulations in terms and conditions within which to regulate the new casino industry across the province.

In this period the Authority also sought to strengthen the horse-racing industry through the establishment of the Horse Racing and Breeding Advisory Board. In the liquor store system the Authority introduced debit and credit card options for customers and initiated several improvements to store priorities. And the designated driver program was introduced in 1995-96 with sponsorship and support from the Authority.

Charity organizations received more than 46 million from bingo, raffles, and breakopens in this year. And growth in the video lottery terminal program benefited the hospitality sector by about 27 million, and the province's General Revenue Fund by 124 million. Overall, the Authority's total net income from all sources was 242 million for the year 1995-96.

Those, Madam Chair, are some of the main events of the 1995-96 year. There may be other initiatives that we could talk about as we go through the afternoon.

At this time I would also like to acknowledge the work of the Authority in managing the very busy portfolio through the course of the past . . . or through the course of the year in question, 1995-96.

I'd be happy, Madam Chair, to respond to any questions or comments from the committee.

**The Chair:** — Thank you, Mr. Minister. I would now call on the provincial auditors.

**Mr. Atkinson:** — Thank you, Madam Chair. Mr. Mobashar Ahmad, who has direct responsibility for our examination of the Saskatchewan Liquor and Gaming Authority, will provide comments.

**Mr. Ahmad:** — Thank you, Brian. Madam Chair, members, we have completed our audit for the year ended March 31, 1996. Our audit opinion on the Authority's financial statement for the year ended March 31, 1996 is included on page 45 of the Authority's annual report.

You will note that our opinion of the Authority's financial statement is without any reservation. We also found our opinions on the Authority's system of internal control, and Authority's compliance with the legislative authorities.

Our spring 1997 report to the Legislative Assembly includes our observation on page 325 relating to the Authority's internal control system and its compliance with the legislative authorities.

This concludes our comments on Liquor and Gaming Authority. Thank you, Madam Chair.

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

Okay. Now we've dealt with that aspect. Now we'll move on to more general questioning by committee members. I will first recognize Mr. Osika, and then from there move as is our custom to the opposition, and then the government side.

**Mr. Osika:** — Thank you, Madam Chair. Mr. Minister, and once again welcome, and welcome to your officials from the Liquor and Gaming Authority. It's good to see you.

Everybody would be disappointed if we didn't start off by asking a question that's been foremost in a lot of people's minds and views and so on around various parts of Saskatchewan. And it's somewhat surprising to many folks that I've spoken to, that a government that took a great deal of . . . made a great deal of effort to become internationally recognized as being opposed to people wearing spandex at bars where liquor is served, is now allowing strippers to operate throughout Saskatchewan.

And I know, Mr. Minister, that you are awaiting a court decision, but in the meantime do you have any idea about how many establishments are currently hiring strippers to operate in their clubs?

**The Chair:** — This is of course related to the '95-96 annual report. But since it isn't, Mr. Osika, I hope you will realize that the Chair is going to allow this line of questioning and be very tolerant.

**Mr. Osika:** — I appreciate that. Thank you.

**The Chair:** — Okay.

**Mr. Osika:** — It relates back to . . .

**The Chair:** — That's right. Probably the court challenge was launched in '96, right? Even though the decision was rendered in late February '97.

**Mr. Osika:** — Yes.

**Hon. Mr. Serby:** — I don't know, Madam Chair, how many establishments across the province in fact currently have strippers as part of their entertainment. But as you well know, the government has been very front and centre in terms of the position regarding what we're going to do regarding strippers.

As you know, when we were unsuccessful when the Court of Queen's Bench turned down the stripping issue, what we in fact decided, as you know, was to proceed with the first level of the appeal. This matter has been before the Court of Appeal now for some months. The matter has now been heard. We're expecting, in our opinion any time, a decision will come down that will rule on the stripping issue in Saskatchewan. I think I can stop there. I think that's basically where we are.

**Mr. Osika:** — So there's no idea when the court ruling will come down, and I take it that in the meantime there's absolutely nothing that can be done about the performances that go on in public establishments, in licensed public establishments. I take it that's correct that the Authority has no power to do anything at all?

**Hon. Mr. Serby:** — Well the Authority does have some power to do something else, and that of course is to bring in some regulations that would in fact regulate the entertainment in the province. We're of course of another mind in that our position, as you well know, is that we believe and support the position that we not have stripping as entertainment in the province.

And so if in fact the court decides in its wisdom, the Court of Appeal decides in its wisdom, that stripping remains legal in the province, then we have the option of doing one of two things — to proceed then and recognize that in fact we're going to . . . that we have stripping in the province and then regulate it, and regulate it in a similar fashion that's being regulated in other jurisdictions across the country; or we examine the rationale around why it is that we weren't successful at this level of appeal and then proceed to a Supreme Court challenge to try and support the position that we've taken and that is to ban stripping from the province. To date we haven't . . . that's basically the intervention that we've taken.

**Mr. Osika:** — Thank you. I guess having checked with some provinces that do allow strippers, they have many, many rules

and regulations that govern where they can perform, what distance from the patrons, what they can or cannot do, touching, and so on.

Mr. Minister, I just wondered if it would not have been prudent when this court ruling initially came out, that there would have been some interim regulations laid out so the type of offensive acts that people are exposed to now with utterly no controls might have been governed to some degree, to some extent. At the present there seems to be nothing that prevents all types of acts, touching, and so on by the strippers.

And I guess my question is, why was there not some action taken initially, at least some interim regulations? The Authority would have had the power to perhaps do that and we could have even debated those while the House was in session. I guess that's the curiosity, particularly when a few years back there was such a great hue and cry that people in bars wearing spandex serving liquor were totally out of order.

**Hon. Mr. Serby:** — Well I appreciate your comment and certainly the wisdom that you use in terms of bringing in the regulations at the same time or doing which when proceeding with the court hearing. And as certainly you're familiar with the way in which the legal system works, having been around it for many years, we explored in great detail the option of bringing regulations in at the same time as we're proceeding to an appeal. And of course the judicial system . . . or the legal system advised us that if we were to bring the regulations in, that to some degree that may damage or hamper our case when we're pursuing the matter of taking the position that we did, which is banning stripping from within the province fully. Because to some degree then what the legal opinions told us both from within Justice and private opinions that we sought, that in fact would damage our position at the Court of Appeal. And so that's why we didn't do it.

The question, of course, that leaves to be answered is that by not regulating has there been . . . has the entertainment, for better words . . . is it out of hand in Saskatchewan? Well our sense at this point in time is that we don't have any knowledge of it being out of hand. But if that were the case, and that's the instruction that we were getting today, I think it would be fair to say that we would be pursuing some sense of regulation. But at this point we're waiting for the appeal.

**Mr. Osika:** — In the event that the appeal once again is not in our favour, is there someone that's working on some regulations in the interim, at least to be prepared? Or is it your intention that if the ruling does not come within your favour that you will further pursue it to the Supreme Court.

**Hon. Mr. Serby:** — Well what we've done, Madam Chair, is that we've reviewed the regulations that exist in other provinces across Canada very thoroughly in anticipation that in fact there could be a court decision that would overturn . . . or that would not favour our request. And if that were the case and we have prepared a series of regulations that we think we would take forward that would be complementary to what already exists across the country. We wouldn't be breaking any new ground here as you well know, realizing that we're the only province in

Canada that's left that doesn't have this type of entertainment in their province.

So we've certainly looked at the kinds of regulations that other provinces are using. And as I say, if we're not successful at this appeal then we have the two options. We have the options of certainly accepting the fact that we'll have this type of entertainment in this province and then regulating it or proceeding to another level of appeal which is the Supreme Court.

**Mr. Osika:** — Do you have any idea or any sense of how long this might take before it comes to some resolution?

**Hon. Mr. Serby:** — Well we had hoped that we would be finished this process by now. To be perfectly honest with you, we'd expected that by now we would have had a court decision, and we're a little surprised I guess, that we don't have one yet. But we anticipate, of course, at the breaking of each day that we're going to have a decision on this particular issue, but yet we haven't received one.

**Mr. Osika:** — Is there a cost, and I expect there would be, of legal costs involved to your department and what would those costs be to this point in time? And what is the total figure that might be anticipated?

**Hon. Mr. Serby:** — I don't have that number with me today, Madam Chair, but what I can do is provide for the member what those costs have been to date. And I don't know what . . . We may do an approximate on it as well. If there's some costs that we don't have yet we might include them to give you some sense of what that would be. But that cost is to the Authority.

**The Chair:** — And when you get that answer, Mr. Minister, would you please table it with the Clerk and provide 15 copies so they can be distributed to all members of the committee.

**Hon. Mr. Serby:** — I will, thank you.

**Mr. Osika:** — Thank you, Madam Chair. Thank you, Mr. Minister. We appreciate you uncovering those facts for us.

On that note I'll just switch gears a little bit, and perhaps we can talk about the native-run casinos which have been open for some time now. I wonder if you can give us some sense . . . or an update on their progress as far as profits, employment, their viability, how you see them as far as being the economic development tool that . . . for the purposes of employment opportunities and profits.

**Hon. Mr. Serby:** — I think what's important to realize in the development of casinos across the province and particularly first nations casinos is that really there were two objectives that we were trying to achieve. One is that the first nations people really viewed the casinos as being an avenue where they might be able to generate some revenue, would be able to generate some revenue to spawn economic development, particularly for their own people and their own community.

And secondly, associated to that was the job number. I think

that if you were to look at the four casinos that are operating across the province today, I think the number is about 400 jobs, of which I would suggest 99 per cent of those people who are working in those 400 jobs would be people of aboriginal extraction. So that's probably the high side of . . . one of the high sides of what's happened with a number of . . . of the four casinos that have been developed around the province.

From a revenue-generator perspective, I think that they've now generated about \$5 million in profit over the time that they have been operating, which when you asked the question about whether it meets their expectations when they developed them, the answer to that would be yes. I believe when we opened the . . . or announced the framework agreement in November 1995 our . . . (inaudible) . . . to the framework agreement in 1995, what they had indicated was that they had hoped to achieve somewhere in the neighbourhood of about \$4 million. So today when I give you the number of 5 million, it certainly exceeds any expectations, or all expectations that they'd had of their casino operations around the province.

I can speak briefly about . . . just from my own personal presence in my own community, because as you know there is a casino operating in Yorkton. This past weekend there were two tour buses on Saturday sitting outside the facility. I know that their revenues are greater than what they anticipated for our region. The community itself talks favourably about the spin-offs, because when people are coming into the community they're staying overnight, they're staying in hotels, they're eating at the restaurants, the vehicles are buying fuel at the service stations. So the spin-off benefits that are there for the community are certainly significant, and that holds true for North Battleford and certainly Prince Albert.

**Mr. Osika:** — Thank you. Associated with all these casinos are a couple of funds, the associated entities fund and the first nations fund. These funds have been placed into the Municipal Affairs department and I wonder if you could just rationalize that.

**Hon. Mr. Serby:** — Well initially, when the discussion was had regarding who should administrate the funds, one of the concerns was of course that you don't have the duplication. You don't develop another board or an organization that would oversee . . . or an authority that would oversee the distribution of the funds. Of course the Municipal Government through Sask Sport have had a long history of course, of distribution of funds to communities. I think there are 12,000 community groups today that benefit from the money that flows from Sask lotteries. And so our wisdom was that we thought, we thought we would use that mechanism to distribute the money back to communities when it became available or as is it became available.

So the wisdom then was to choose the Municipal Government because it had that kind of history of distribution of funds to communities. And that's basically why the distribution of the money is really within the Municipal Government portfolio.

**Mr. Osika:** — Does your department have any control over these funds at all? Now we've got three government agencies

administering the revenue from the casinos: your own, the Gaming Corporation, and now Municipal Affairs department. And it seems that it's under three umbrellas instead of one. How does that . . . You have no control over your monies that you take in. It's all turned into Municipal Affairs.

**Hon. Mr. Serby:** — I'm going to have Dave answer this question because he has . . . The technical flow is what you're asking?

**Mr. Osika:** — Yes, yes.

**Mr. Innes:** — What happens here with respect to the first nation casinos is all the revenues fall first into the Authority and they're recorded as revenue to the Authority. Then they flow from the Authority to the Consolidated Fund, and are then voted in every budget by the House into the respective first nation fund or AEF (associated entities fund) in the Department of Municipal Government.

Casino Regina revenues flow directly from Casino Regina to the Consolidated Fund and they're then apportioned on a different basis to the first nations fund and the AEF as well. There are different formulas that govern the distribution revenues from the Indian casinos versus Casino Regina.

**Mr. Osika:** — I'm sorry, maybe I missed it. So it all goes into the Authority from the corporation and from the . . .

**Mr. Innes:** — The revenue from the first nation casinos does flow — that is the net revenue, the profits — flows to the Authority, and from the Authority to the Consolidated Fund.

**Mr. Osika:** — And from the Regina casino or from . . .

**Mr. Innes:** — Directly to the Consolidated Fund from Regina casino.

**Mr. Osika:** — Okay. It's just kind of confusing when you have three government agencies administering, seemingly administering, the revenues from various casinos.

**Mr. Innes:** — I guess I'd observe that ultimately the funds all wind up in the same pool: the Consolidated Fund or the first nations fund or the AEF fund, from all sources. And the legislature votes those appropriations.

**Mr. Osika:** — Is that efficient, running and operating it that way?

**Mr. Innes:** — Well I guess in the sense that each of the money does wind up in a single pool that is then administered by a single agency, as the minister said. They're not duplicate bureaucracies set up to administer the fund to a single one.

**Mr. Osika:** — We've just recently passed the legislation that allows this type of thing to happen. I was wondering if the regulations for this Bill that was just passed in the last session, if they spell out which organizations can receive money from casino profits or will they be totally up to the discretion of the boards that are administering these?

**Mr. Innes:** — That's spelled out in part — with respect to Casino Regina — that's spelled out in The Saskatchewan Gaming Corporation Act by and large. The associated entities fund does receive revenue from both the first nation casinos and Casino Regina. It has a separate board that oversees the distribution of funds from that fund, but they're allocated primarily to three main groups: charities, exhibition associations, and the Metis people.

The first nations fund — and again we have revenue flowing to that fund both from the first nation casinos and from Casino Regina — again is governed by a single board which oversees appropriation of those funds to first nation groups.

**Mr. Osika:** — Are there Metis representatives on those boards?

**Mr. Innes:** — Not on the first nations board.

**Mr. Osika:** — Any of the other boards?

**Mr. Innes:** — I'm not aware on the AEF. I believe not. Metis people are certainly designated as a beneficiary for up to 25 per cent of the funding from that fund.

**Mr. Osika:** — Okay. Thank you. In some areas, the government's take from VLT (video lottery terminal) revenues has fallen significantly as a result of opening these casinos, and specifically the one in North Battleford. Between 1994 and 1995, '95-96, the VLTs went from 1.8 million to 2.6, but in '96-97, that seemed to go backwards; now it's back down to 1.9 million. Is that . . . do you feel that's a direct effect of the casino, the native-run casino in North Battleford?

**Hon. Mr. Serby:** — I think that where you have casinos today, on all the communities — Prince Albert, North Battleford, in Yorkton — there has been a reduction in the amount of revenue that we take in from VLT play. That's correct.

Now is your question, how does that affect . . . who does it affect? Is that . . .

**Mr. Osika:** — Is that directly attributable to the opening of those casinos, and how will that now affect . . .

**Hon. Mr. Serby:** — Yes, I don't think there's much doubt that with the commencement of the casinos in each of those communities that there's been a decline in the VLT play in each of those three sectors.

**Mr. Osika:** — So that would be the same for Prince Albert, Yorkton?

**Hon. Mr. Serby:** — Yes. It's not the case for Regina though.

**The Chair:** — Did you want to pursue that, Mr. Osika, before I recognize Mr. Heppner, or . . .

**Mr. Osika:** — No, that's fine. I just want to clarify that that was in fact the same in Prince Albert and Yorkton.

**Hon. Mr. Serby:** — Yes.

**Mr. Heppner:** — Good afternoon, Mr. Minister, and to your officials. I'm going to kind of pursue the line of question that we started when I was here at the beginning. I'm going to save you a long tirade on the morality of running a government on liquor money and gaming money and people-taking-off-their-clothes money, but a few questions on the direction that you're going in that area specifically.

If that appeal fails — and I guess you have only two options, either it's going to be successful or it will fail — if that fails, are you considering the notwithstanding clause? I mean it is out there, it will work, and it was designed for provinces who want to do something unique. So is that a consideration that is out there?

**Hon. Mr. Serby:** — I know that you've asked me this question in the past and my response to it was that — and it remains the same — is that it's really a rare and unusual occasion where you would in fact institute the notwithstanding section.

And part of what the legal opinion on the notwithstanding speaks to is that, if in fact you've exhausted — and really this is when it's intended to be used — if you've exhausted all of the legal options that you have, that then you would proceed with the notwithstanding clause, if in fact it's in your opinion that there's a detriment to society by not acting.

I think there are two things that are — well certainly one — that is of issue here. That is that we have not yet exercised all of the options. In fact we're proceeding through the judicial process and using due diligence along the way to make sure that that process happens.

So as I said, we're at the first level of appeal if we're not satisfactory. If it's not satisfactory to our thinking there then we still have the other option, which then, I think, at the end of the day, when you've exercised, I'd suggest, judicial prudence, then you would try to decide whether you should be implementing the notwithstanding, based on the fact that you think that there is a serious, decided consequence here by not implementing it.

**Mr. Heppner:** — I think the people of Saskatchewan and I believe most legislators in Saskatchewan are definitely concerned, and the majority of both of those groups are. So I think that may be there.

Now admittedly, the notwithstanding clause hasn't been used very often. But just because it hasn't been used very often doesn't mean it shouldn't be used. And in a case like this, where we seem to be running into an impasse or something happening very slowly, I think our society would be quite supportive in Saskatchewan of you looking at that and using it to make Saskatchewan a unique place. And if that's what it is, so be it.

Switching from that one. The White Bear casino was given a deadline of May 4 to submit its liquor consumption taxes or having its liquor licence revoked. What's the status of that one?

**Hon. Mr. Serby:** — The agreement, as I've mentioned earlier

on this question when it was raised, is that really Finance takes a lead on this. There has in fact been an agreement reached with the Department of Finance, and as I understand it today, there will be the remittance of the outstanding consumption tax that was in question.

**Mr. Heppner:** — Good. I think that's one of the things that sort of we've been looking for.

The success tax that's been out there, and that relates again to native casinos where if a casino such as Regina doesn't do very well, it basically ends up being subsidized from some of the native casinos. Can you give an explanation of the rationale or the reasoning behind that sort of a move, which sort of seems like the more successful you are, the more you get hit. It's like an income tax but it's based on one person's success and another's obvious failure, then.

**Hon. Mr. Serby:** — I think actually when . . . I think you may be talking, Mr. Chair, about the flip clause? Is this part of what you're speaking, alluding to?

I think when the clause was initially instated or implemented, the numbers, of course, that were being used to some degree, in my opinion, were artificial because there wasn't any sense of what, I think, casino operations in this province would do. So the reliance on what the sort of generic achievements of all of these casinos across the province would do were somewhat open to experiment — if I might use that word. And so when the flip clause was initiated, it was intended, I think, by part is that it would never need to get exercised. I think that's part of some of the thinking that was there.

And I don't know that it so much punishes those who are generating a greater profit or a net income. It's more to do with the fact that the Regina casino's projections, in my opinion, were probably significantly higher than what we might have anticipated they would be. And of course, what's happening today is that that's proving to be the case.

And I don't think that it reflects whether one has operated any better than the other. And I think if you have this discussion with the first nations people, they will say to you that when you look at the operations of the Regina casino they're well operated, they're well managed.

And again, a high number of employees who work in the Regina casino are first nations people and some of the same objectives that were trying to be achieved in rural casinos, or the first nations casinos, are being achieved in Regina.

But it's to do, by and large, with the high capitalization of the Regina casino versus the capitalization of the casinos that are operated by the first nations people. And as I said earlier, I think that the aboriginal casinos have exceeded their projection, far greater than what they would have ever anticipated. And it isn't to do with anything other than the kind of interest I think, that has been expressed in Saskatchewan for this kind of entertainment in the rural areas. So they're generating, I think, about 5 or 6 million.

**Mr. Heppner:** — It's interesting that the employment thing comes through, but you didn't use that in lap dancing. You see it probably should be valid there as well; if it's valid in one case, why not use it there because you're employing people as well.

You mentioned the estimates for Casino Regina. Those estimates were out so far. Were those just picked out of the air or, you know, where did that estimate come from? I mean if it would have been out 5 or 10 per cent, you know, estimates can be that, but this one was out wildly.

**Hon. Mr. Serby:** — Well I wish I could answer that in a better fashion than I'm going to be able to do it for you because I don't know what kind of wisdom was used in the early determinants or formula to try and suggest or think what the general revenue accumulation for a Regina casino might be because there hadn't truly been any kind of experience with it in Saskatchewan.

And when you look at a population of a million people, and you have five casinos or six casinos that would be operating, given the fact that the exhibition association, the Silver Sage one is still operating in Regina, and you still have the one in Moose Jaw . . . And then you add four more to the pool, even though you take out the one in Prince Albert, but you add four more casinos to the pool, it was . . . I think it was difficult for people to try to project what kind of activity you're going to see here.

And I mean as critical as we can be about what it is that the Regina casino hasn't been able to achieve, it's interesting when you look at the projections that the first nations people made based on that scenario, they hadn't anticipated that they would do more than \$4 million worth of revenue and they would be impressed if they would have got there. They're at five and pressing six.

So I mean if you look at the percentage of error, if you want to use that, in the case of the aboriginal people, it's to their favour of their casinos. In the case of the Regina casino, it's not in their favour.

But truly, we're going to, I expect, wash out somewhere in 50 per cent of what that number was. And as a result of that, the flip clause that you talk about, we currently have on the table for re-examination as part of the larger gaming agreement and we'll reach some resolution I expect on that within the next little while.

**Mr. Heppner:** — Could you review what exactly . . . how that flip contract operates right now and what direction you're sort of thinking of going with it if you're going to renegotiate it?

**Mr. Innes:** — Well just to supplement the minister's comments, it's an issue that FSIN have raised and out of concern that, as you say, it may be a bit of a detriment on a profit potential in those casinos. It is triggered by a certain level of profit at Casino Regina. And I think in simple terms, FSIN is simply taking the position that that is unfair and needs to be modified in some way.



As the minister says, the Authority has agreed to review some options around that and we are in discussion with FSIN about those options at this point.

**Mr. Heppner:** — When Casino Regina first opened, there was also some discussion with Regina exhibition and what is going to be happening there. Can you outline for us why the discussions and directions that you had in mind for that organization seems to have sort come off the rails as well?

**Hon. Mr. Serby:** — Well I think what's important here is that when the negotiations, I think, for the Regina casino . . . and I'm speaking around what I've read and seen and what I've heard over the process of developing this agreement, but there was an understanding here of course, that around Saskatchewan with the development of the casino — it's not just in Regina — that there would be the responsibility here to keep exhibition associations whole. And as you know and appreciate, that in Regina the exhibition association here was generating somewhere in the neighbourhood of about \$2 million and the agreement states that we would continue to ensure that that level of funding would be achieved — or sustained, I mean.

In the discussions of course, or now that we've had some opportunity to operate the Regina casino and they've had . . . the Regina Exhibition Association's had an opportunity to operate their Silver Sage venue, clearly there appears to be some question here about whether or not there's room for two gaming venues of this magnitude in one city. And as a result of that, there's been open, ongoing dialogue from day one of when the Regina casino was developed.

There's a sincere interest here to make sure that when we . . . that we could reach a resolution as to what the future will be both for the Regina Exhibition Association and the games that are currently there. And I guarantee that there will be a life for the revenue; that there's been a commitment that we be . . . the government's prepared to make to it in the same way that we will to North Battleford and to Yorkton and to Prince Albert where the exhibition associations there have moved out of the gaming business.

**Mr. Heppner:** — Is there a specific dollar commitment to the Regina Exhibition Association at present and what is it? And is it tied to an inflationary thing so that they aren't kept at whatever dollar figure that is for the next 10 or 20 years?

**Hon. Mr. Serby:** — Yes, it's currently at 2.2 and it doesn't have an inflationary factor built into it; it's a fixed amount.

**Mr. Heppner:** — So that over time with inflationary costs and these sorts of things, it does mean that the exhibition ends up with less usable dollars over time and as things go on.

How does that 2 million that's going to have to come out of Casino Regina then to go over there . . . what's that going to leave Casino Regina with? It's going to be a pretty fragile operation at that point.

**Hon. Mr. Serby:** — I think that that — not I think, I know — that that amount has really been built into their revenue

projections from the onset of when the casino was established so that number is always in the pool. Because as I say, when the casinos around the province were approved, there was always the commitment there that the exhibition associations would remain whole in those communities.

**Mr. Heppner:** — On May 22, again gaming review, you were conducting an internal review of the status of gaming in the province. The review was focused on the benefits gained from casinos and the costs incurred and that includes, the costs included, increased gambling addictions and future options for the industry. What are the results of that review and is that review . . . or a copy that we can get our hands on?

**Hon. Mr. Serby:** — Well the assessment sort of, or review if we can use that term, in terms of the impact that gaming has had across the province, was by and large an internal process, which really involved three departments or four departments, and the data collection and the information that we've been able to put together is really one that isn't public. But it is for our own use within government to help us to sort out the future direction that I think we want to look at in terms of how we can ensure that communities are more fully served by the kinds of revenues that are being generated by the gaming dollar.

And I think there were . . . In all fairness to the process, it took us about six months to go through that exercise, because it's a complex issue, and when you examine the kinds of things that we wanted to look at of course — some are identified in the annual report here today and we identified them last year.

And that's part of the reason and rationale why we were undertaking this process. One is that when you look at what's happened to some degree on the charities, or on the charity side, we've seen some losses of revenues by the charities in communities across the province. And some of it we attribute to the growth in the VLT program. And what we're hoping to achieve here of course is to look at ways in which we might be able to support charities again in growing the kinds of revenue that they're dependent on.

I think the other issues that was important to us is that we've seen the numbers grow slightly when you examine the health factor. And you talk to both the non-profit or private organizations and the government departments that are involved in working with people who serve folks who've been addicted by gaming, we see that number growing slightly over what it has over the previous years.

And one of the statements we've always made is that in spite of the fact that we think we have very good addictions programs in the province, the fact that we have . . . per capita we spend more money than any other province does in terms of gaming addictions, we always are cognizant of the fact that if there's need for an examination or additional resources in those areas that we try to make that available.

So a part of the review was to examine whether or not there are some options available for us here to add additional resources to the addictions piece.

I think the other of course is that we have a variety of different gaming events that have grown in the province since 1993. With the coming of casinos, with the growth in the VLTs, you have simulcast in the horse-racing, and as a result of that, there hasn't been a significant amount of time, in our opinion, placed on reflecting about where we've come from.

And at the same time what you're seeing here, I think, is a variety of groups that are competing with each other for gaming dollars. And so arriving at the table on an ongoing basis are, for example, a community group from the south-western part of Saskatchewan who say to us we want another casino. We have a group who arrived to visit with me to talk about yet adding another casino in Saskatoon because they believe that in fact what that will do is provide economic opportunities for them from a gaming resource.

And we say in Saskatchewan we need to reflect a little bit . . . or stop and reflect to see where gaming has gone in the last three years and to examine who in fact is being affected by it and are there some ways now that we might be able to mitigate some of those effects on charities, on hospital foundations, on the horse-racing industry. Because when you look at it in a generic fashion, you can see that there are some groups that have been, for a better word, disadvantaged by the growth in the VLTs and by the casinos.

And so part of that review was to look at who are those groups and how might we start looking at supporting them in a different way or by supplementing what they can do to grow some of that revenue.

**Mr. Heppner:** — So on following through on that but going down a slightly different direction than where your answer went, what are the increased costs to date on an annual basis to Social Services and to Health because of the increase in gambling addictions?

**Hon. Mr. Serby:** — I don't have that number, Mr. Chair, here but I think that would be useful and I can get that for you through the Department of Health. But it would be as easy if you were to make that request I think through the Department of Health because they'd be tracking those numbers and would have . . . could make them available for you.

**Mr. Heppner:** — Social Services and Health obviously comes largely out of straight, cold tax dollars. They don't do much fund-raising as such. Why doesn't your department fund the excess costs to Social Services and Health brought about by increased gambling addictions because basically if it's happening, then your department is the cause of it.

**Hon. Mr. Serby:** — Well I guess that our belief is that all of the revenue that we generate from gaming all makes it way back into the government treasury pool anyway and then gets redistributed into each of the departments that you talk about, and broader than that.

Specifically I think if you say, well how much are you targeting for addictions? Well in Saskatchewan for those folks who are addicted to gaming, we have 1.5 million which is the

Saskatchewan government's piece. And the first nations, of course, also puts some cash into that as well. And per capita, specifically the gaming addictions as I mentioned earlier, we're spending more money today than anyone else is in this whole field.

But in terms of what do we do, what does gaming dollars do for Health generically or Social Services, it all goes back into the Treasury Board and it makes its way into communities across the province.

**Mr. Heppner:** — I consider that a fairly inadequate answer because then you could make by the same statements, saying that these same monies that are created fill potholes and highways, and build airports and do everything else. And we know that isn't really what's happening in it.

And it's still back to the point that I was getting at is we have increased costs of Social Services and Health. There isn't enough money being created from these departments that we're discussing this afternoon to cover the monies that goes back into communities for various groups that are there that are using those funds. And those are valid things that are happening in the community. And they need some funding.

But there isn't enough money being created by what we're discussing to cover that and to get anywhere near the Social Services and Health. At least I don't think there is, and it seems to me as if the department doesn't have any specific numbers on that one as well.

There was a discussion some time ago about privatization of Casino Regina. Is that being still looked into?

**Mr. Innes:** — I could just report that Casino Regina has, I believe, contracted a consultant who is examining options for future management of the casino. The Criminal Code of Canada does stipulate the governments must operate and manage electronic gaming. So it would not be a sale necessarily but perhaps some kind of an arrangement, and again, it's just at the option stage and the consideration stage of some form of lease or management arrangement.

**The Chair:** — Thank you, Mr. Heppner and Mr. Innes. I'll recognize . . . I guess I should, before I recognize Mr. Osika again, I should check to see . . . I did an informal straw pull earlier, but do any members of the government side have questions of the minister or his officials? No questions?. All right. I will then recognize Mr. Osika.

**Mr. Osika:** — Thank you, Madam Chair. Sorry, when I came in I heard you talking about the review that's being . . . the study and review that's under way, perhaps I missed the answer to a question that may have been asked. Will that study and the review be released? And when could we expect it?

**Hon. Mr. Serby:** — I mentioned, Madam Chair, that in my earlier comment that the review that we had put together was, by and large, an internal review of which we had three or four departments that worked closely on, sort of, examining the whole broad issue of what's happened to gaming over the last

couple of years. But the document is really and the work is really internal to that of government and we don't anticipate and don't expect that it would be a public review . . . a public statement. We wouldn't be making a public statement on it.

**Mr. Osika:** — Okay. Then perhaps I misunderstood. I understood that there was in fact a review underway that would perhaps look at where we've gone with our gambling since 1993 to this point, and I guess hoping that it would take in into its purview the social and economic impacts.

Mr. Minister, you're saying today that that's not happening. That it's merely an internal study that's being done that will not be for public release.

**Hon. Mr. Serby:** — Well what I'm saying is that the work that's been undertaken by the committee won't be for public disclosure because we don't have a, *per se*, a document that looks like this annual report that says this is what we've achieved at the end of our six months of work here by the three or four committees that have been working . . . or three or four government departments that have been working on this process.

What the review, as I mentioned earlier to Mr. Heppner, was to look at how we might in fact address some of the major issues that are out there as it reflects the growth in gaming over the least three or four years. Because as you know since 1993, there's been significant growth in gaming in Saskatchewan but also across the country and North America. In Saskatchewan we of course have the growth in the VLTs; you have the casinos coming on board.

And the question of course that we've been asking is that we need to take some time here to reflect on what has happened here in Saskatchewan with the kinds of growth that you've seen in gaming from the point of view of what's happened to some of the charities and some of the hospital foundations, for example; what's happening to the horse-racing industry in this province when you have this kind of growth in the gaming sector.

Associated to that of course is that we track on a regular basis through Health what are the . . . are there any, are there growing numbers of people who have become addicted or affected by gaming. And of course we're seeing some growth in those numbers on a gradual basis. And as a result of that, part of the discussion was do we need to be making some resources available here in order to assist in some treatment, the education, the prevention as it relates to gaming.

I think it would be fair to state that when you look at provinces like Alberta and Manitoba, they've now, in the case of Manitoba, they've been in the gaming business for about three and a half years. They've just completed, I believe this past winter, an extensive health/social review of what the whole gaming industry has done in their province.

Part of the consideration of our review of course was to examine how we might do something like that in Saskatchewan, as well, from a broad perspective, which I think

would answer some of the questions that you're raising.

At this point in time, we expect to see an ongoing advisory committee that would be in place, that would address itself to a number of broad issues as they relate to gaming across the province. So then they would become the sort of the centre-piece of the central intelligence in terms of ensuring that there is a response to some of the issues as they relate to gaming to the future.

**Mr. Osika:** — Mr. Minister, as you know, you will recall that that was a concern I raised with respect to the lack of an overall, a global review province wide, particularly from the social and economic impacts.

We often hear about the positive economic benefits but reluctant to talk about the negative side of the expansion, the gambling expansion programs. That's why I had, I guess I had it in my mind and felt that finally there is going to be a review, a study — one which has been probably long overdue.

You mentioned Manitoba has got an ongoing thing. But they initiated that type of a process by first of all having an overall review. Alberta, I believe, has already done two. I guess in my mind — maybe I don't understand, if there may be some implications — why would this not be a good thing to do after now four years being in the gambling business to say, let's step back and look at the whole picture, not just where we are going internally with respect to expansion or cutting back or moving into some other areas. That was my concern.

I believe that type of a study is imperative and essential for the next step to now form an advisory group or board or whatever to determine . . . keep an eye on things, recognizing where are the positives, where are the negatives, and dealing with the negatives. I just address that.

And the other one too when you mentioned, and Mr. Heppner had talked about the funding of addiction programs, and I had raised this as well, as a matter of fact attempted to bring forth legislation that would now have the authority, fully responsible as a line item, to set aside from its profits X number of dollars to take the pressure off district health boards and health departments and directly fund those type of treatment programs.

I'd just like your thoughts on my comments. I'm sorry I kind of rambled on a little bit, but it's not something new and it's not something that we haven't talked about before.

**Hon. Mr. Serby:** — Well I think if I might comment by sort of looking at two aspects of what we were trying to achieve here, and I think they might fit into what you're suggesting might be done.

One is that in the review that we had undertaken within the . . . under the direction of the Authority and our partners was to look at . . . just to sort of step back, I guess is what I might say, to step back and reflect on what's happened in the growth of gaming over the last three years and examine who in fact has been affected by that.

And in that process, internally looking at what's happened to organizations as I say, hospital foundations, charities across the province, people who support themselves or try to support themselves off lottery funding, what's happened to bingos, what's been the outcome of the break-open programs.

And at the same time to try and design a framework or a policy that would address itself to the kinds of pressures that we're still getting today to grow gain and to place some kind of a closure on whether or not we should be . . . I mean today we have 3,600 VLTs. I have daily pressure from organizations who say to us we should grow that to 4,000. We have four rural casinos in Saskatchewan, if I can call them that. I get pressure today to grow that to six or seven, because there are people who really believe that there's lots of revenue generated in the casino world.

And so part of the discussion internally of this committee was to examine whether or not there's any more room to do any more of this. And in fact, to put some parameters around where it is that we're going into the future, examining where we've come, and then try to provide some mitigation where we can for those organizations or groups that in fact have been affected by the kind of growth that we've seen in gaming in the last three and a half years.

A second piece of that, I think, is what you're asking about, and that is to look at what have been the social health implications, specifically, of gaming in the province. And to that issue there's been some address, I think, in — well not I think, has been made — in Alberta and certainly just completed in Manitoba. And I think would be fair to say should be a process in Saskatchewan, or likely will be a process in Saskatchewan, where you have somebody examine that whole social health piece.

The rationale around why it hasn't been initiated or hasn't started earlier is, first I think you need to complete or to set a plateau that you're not going to grow it any more or that you're finally done, and then examine what you've been doing over that period of time. And I think we're saying that today.

The governments are saying we're not going to grow the number of VLTs in this province. We've reached that saturation. We're not going to grow casinos in this province any more. They've reached that kind of saturation.

And now I think through the advisory . . . And we believe that there should be an advisory committee that speaks to your earlier point about, you have a gaming minister over here, which happens to be me, then you have somebody in charge of casinos, then you've got somebody in charge of VLTs, so you should have somebody that's sort of is in a committee role maybe, or an accountability role, of which all of the gaming initiatives in the province sort of make their way through. And as a result of that, sort of becomes the central accounting piece for government.

That's the next stage that I think we're examining today. And through that committee, we'll be reaching out to address the kinds of questions that you ask about the social health piece.

**Mr. Osika:** — I appreciate that, and I would have thought that with the type of information that you would have had in hand by now had there been a study initiated, that you would have been in a better position to say to people: no, we're not expanding, or, yes, there is room, or it's not as bad as what people think it is. Or yes, it is as terrible, and we have to cut back rather than expand.

And working from that kind of information as opposed to just merely saying, well, no, we're making a decision one way or the other, not based on any particular facts as to the negative impacts or why it's causing problems.

And you mentioned yourself some of the charities and the organizations that feel the pinch, but how in-depthly or how familiar is the Authority with the number of charitable organizations that have virtually gone down the tubes because of the expansion of gambling in the communities?

**Hon. Mr. Serby:** — Well I think from a fairly accurate perspective, the Authority is familiar and certainly knowledgeable on the kinds of impacts because you can see them in the revenue disclosure that we provide for you in the financial statements. You can see what's happened with the charities and you can see what's happened with the break-opens and you can see what's happened with horse-racing and you can see what's happened with the VLTs and the casinos.

I mean you see one side of the ledger where the numbers grow and on the other side they've decreased. So when you examine that, I think from the Authority's perspective, and look at the kinds of revenue that flows within this particular portfolio, there's a sense here of course that there are areas that we need to provide some mitigation to. And that's part of what the review was about — is to examine how it is that we might be able to stabilize this or we might flatten it out.

Now at the same time, keep in mind that as much as we might be saying that we don't want to grow this any more — and I expect won't — there's a lot of folks out there who believe we should. So there'll be groups that will approach you as they approach me and suggest that we should be taking that 3,600 VLT limit to 4,000. There are folks out there who believe that we should grow casinos in at least two other jurisdictions around the province because they believe that there's an opportunity here.

There are some initiatives that are being put forward as they relate to things like electronic bingos. Because they have them in Alberta, there is a belief that we should have electronic bingos in Saskatchewan.

There is a belief that you might take the bingo industry . . . or that you might take the VLTs and you link them so you have one great, big, linked video . . . or VLT system in Saskatchewan. And so it doesn't matter where you play your VLT. If it's in Melville, Saskatchewan or whether it's in a small hotel somewhere in rural Saskatchewan, we're all playing for the same prize. Okay? So you link them all up. And of course this has all kinds of implications for charities and casinos and breakopens and the horse-racing industry.

But those kinds of pressures are there every day that the Authority needs to deal with because people believe that we should be moving that to another level. And as a result of that, that's part of why this internal review by government is to examine where we've come and really believing that it's time that we put some brakes on all of these initiatives that people have and examine what kinds of issues are out there and how do we mitigate some of that into the future.

**Mr. Osika:** — Mr. Minister, how you deal with communities that's similar to some in Alberta that would come and say, hey look, we want these out?

**Hon. Mr. Serby:** — Well the position that I've been taking and continue to hold is that if there are communities here that come to me with a resolution from their council that suggests that VLTs need to be removed from their communities and that's the consensus of their governing body, that certainly I'd be prepared to sit down with them and have a discussion about what that means and the implications of making that kind of decision.

Clearly, the responsibility of VLTs in communities rests with the provincial government, and the discussion that I would be having with those individual community leaders would be what effect that has on them individually. Because I think you can certainly make the decision that you're going to close down VLTs or remove them from one community, but 8 miles or 10 miles down the road, I mean you have the VLTs operating.

So what happens is that your patrons simply leave the community that they were in where you've banned them and they simply just go down the road and play. Does that solve the issue of addiction? Well I think it doesn't do much for the addiction piece because people will find it if they're addicted anyway.

What does it do to the businesses in small communities? Well I mean you read about what the Punnichy people said: we don't support this decision because it affects the small-business guy who does work in our community and supports the hockey team and the local . . . all sorts of local charity groups.

And remember that hotels in this province — hotels association — took, this year in review, 27 million. That's their chunk of change out of the VLT program in this province, which means that they put that back into the refurbishment of their facilities. They put it into additional staff. You know there's a whole host — they put it back in donations to community groups or organizations — there's a whole host of other benefits here that I think communities would need to look at and do look at when they arrive at a point where they're making a decision to make the request to move the VLTs out.

**Mr. Osika:** — I'm sure . . . and I know what you're saying about moving them out of one community, people move to another. I'm sure you'll recall that was the situation leading up to the decision in 1993 to introduce VLTs, I'm sure. Bus loads of people leaving eastern communities, communities in eastern Saskatchewan, and travelling across the line into Manitoba. So it's a sort of a matter of self-defence.

However, between those years 1994-95 and '95-96, there was a significant increase in the amount of revenues taken in by the government. Can you attribute that perhaps to more people gambling or those gamblers that are gambling spending more money? Is there . . . do you have a handle on that at all?

**Hon. Mr. Serby:** — Well I think with the introduction of the VLT program in 1993-94, what you've seen of course over the last years consecutive is that you've seen continued growth in the play and in the revenue. And I think that's probably the rationale for why you see that kind of growth.

I think we're reaching to some degree some plateau here. We're going to see a levelling-off of the amount of VLT revenue and play. And that's already showing up, as I mentioned to you earlier, in the constituency that you and I are from — in the North Battleford area, in the Prince Albert areas — that you're seeing your VLT revenues by and large flattening out and to some degree reducing themselves in some areas.

**Mr. Osika:** — On referring to those communities as well, Mr. Minister, I wonder, dealing with the exhibition associations that run casinos of their own, whenever they have any type of project, they've had trouble competing with the casinos, the native-run casinos in those communities, particularly Prince Albert, Regina, and North Battleford. Do you have any . . . can you quantify the numbers in terms of how negatively they are impacted in loss of revenue as a result of that?

**Hon. Mr. Serby:** — Well with the decision to proceed with the aboriginal casinos in the four sites around the province, one of the . . . part of the agreement was that we would keep all of those exhibition associations whole. So in the communities that you talk about, North Battleford and Prince Albert and Yorkton and here in Regina, the decision was that we would make sure that they would continue to get the same level of funding that they had in the past and we've been able to maintain that.

In the case of Moose Jaw, they still operate . . . their exhibition association still operates their casino. I think it's four days a week that they operate. They have a base line that they're expected to achieve and to date I believe they're still achieving that on their own. So we're not providing any subsidy or for a better word, we're not providing any support to them.

**Mr. Osika:** — But do you still have plans to use monies from the associated equity fund to bolster up those associations? Is that . . . it's in the report and I would hope that that's going to continue.

**Hon. Mr. Serby:** — That's right.

**Mr. Osika:** — Okay. Do you have any terms of the deals that you might have entered into with some or any of the exhibition associations in those communities that are now facing competition? Are there actual agreements that have been entered into as far as terms of compensations for those associations as they stand today?

**Mr. Innes:** — In most cases there are agreements or funding arrangements between the Authority and each of the

exhibitions. Essentially what those agreements do is guarantee a floor level of funding to the exhibition which is comparable to the revenues, the net revenues, they drew prior to them getting out of the casino business or casino expansion taking place. And most of that money in most cases will come from the AEF.

**Mr. Osika:** — Are those the same commitments or promises made when these casinos were first conceived, recognizing the full impact of FSIN casinos and Casino Regina would have on those?

**Mr. Innes:** — Yes, yes that was anticipated and I should maybe clarify here the funding comes from two sources: either the AEF — or in the case of Saskatoon exhibition and Moose Jaw exhibition — from the VLT revenues that are placed in those two casinos by the Authority. And there is a revenue split there that allows those two exhibitions to maintain their historic profit levels.

**Mr. Osika:** — Thank you, sir. Is the government involved in the marketing of the FSIN casinos at all in terms of strategies and cost sharing?

**Hon. Mr. Serby:** — The answer is no.

**Mr. Osika:** — My next question deals again . . . and coming back to Casino Regina. How do you avoid Casino Regina competing directly against the four other casinos or do you think that that's something that needs to be avoided? There's a great deal of publicity from your perspective. I can see that as a . . .

**Hon. Mr. Serby:** — Well I think part of what I'd said earlier about the work of the committee, part of the discussion of the committee was that what we need to try to do is stop competing with each other, but in fact looking at some ways in which we might be able to work together. And the casino operation is certainly a part of that.

There is ongoing discussions that are going on between the first nations operated casinos and the Regina casino to provide sort of the best utilization — if I might use that word or term — for the exit . . . for the Regina casino and the first nations casino.

For example, I had mentioned that earlier today — that this past weekend there were two buses that were sitting in my city or our city that were at the casino. Well that bus was in Regina the day before and was likely on its way to Prince Albert for the following day. So part of what's happening here is that some of the discussions . . . there are discussions of course, that are going on between the Regina casino operations, SIGA, and they're now looking at how they might be able to do tours, to have people sort of access all of the venues. And it's advantageous for them to do that kind of stuff and so there's that kind of discussion going on.

**The Chair:** — Thank you very much, Mr. Osika. I will now recognize Mr. Heppner.

**Mr. Heppner:** — Thank you. I'd like to move in the area of liquor licensing for awhile. There were some changes made to

liquor licensing regulations last summer. Could you briefly outline the key ones that were involved in that change of regulations?

**Mr. Innes:** — I'm wondering, sir, if you're referring to the changes that were made in 1994? There were a number of changes then that basically simplified and updated the liquor classification system for all of the licensed outlets in the province. And a number of changes occurred then. There was a differentiation between, for example, a hotel licence, a night club licence, a brew pub, and restaurant lounge, and the fifth category was a community special event. There were some minor changes in terms of some new permits. Pool halls, which previously were not permitted to have liquor, were allowed to have liquor under very strict supervision of minors. Brew pubs were allowed to sell their own product off sale as well as on the floor. A number of changes were made in that sense in 1994 but not during the year under review.

**Mr. Heppner:** — The hotels association I believe objected that those regulations didn't go far enough and they felt that there might be too many liquor licences issued. And they felt that it would make it too tough for them to compete in that new arena. What's your reaction to that direction?

**Hon. Mr. Serby:** — Well we meet regularly with the hotels association, of course, and this continues to be one of the issues that they still have on the table for ongoing discussion as it respects the number of licensed establishments around the province. And what they are keen on having a discussion around, of course, is setting up some new criteria that might examine, for example, what the value of a piece of property might be before you in fact issue a licence, okay. They believe some of the discussion that they also raise is that maybe we need to have a body, an industry body, that helps determine whether or not somebody in fact should have a liquor licence to operate.

But those remain consistent issues for people who are currently privileged by having a licence. It's not the opinion that's held by people who want to get into the business, okay. And so we're continuing to work . . . try to work that process through with the hotels association but they're concerned about proliferation.

**Mr. Heppner:** — The hoteliers, I think another one of the items they bring up in that particular discussion is that if there's a proliferation of outlets, because it makes the competition tougher, that that could in fact make it more difficult to control under-age drinking and that's sort of an argument that comes from the hoteliers. Again from the ones that have the licence presently. Do you see that as something that you'd take into consideration in the whole mix?

**Hon. Mr. Serby:** — Well certainly I would think a part of what's important in the premiss that we talk about with the hotels association that says that they believe that there is a fair bit of proliferation, that in fact does occur. But when we did the review of this whole process — and I'm reading from some of the work that was done — for example, on a province-wide basis the number of permits issued in 1990-91, there were

1,483 permits. And then to 1995-96 that goes to a total of 1,586, representing about a 6-point climb . . . per cent increase, which is not a very significant increase over a five-year period.

So when they raised that with us of course it's my opinion there isn't a great deal of proliferation that every day occurs here.

**Mr. Heppner:** — Okay, there was a transfer from your agency into the provincial budget of, I believe in the vicinity of \$400 million. Why was that particular transfer done in this particular year? Like it isn't a yearly sort of a thing.

**Hon. Mr. Serby:** — That position is really made by the Department of Finance and Treasury Board. And we really simply ensure that the revenue that is taken in from the gaming and from liquor is in fact in our court. But the decisions in terms of the allocation of the funds really are that of Treasury Board and Department of Finance.

**Mr. Heppner:** — When was the last year that there was a withdrawal then — I guess it should be called — done from your agency, and how much was it at that time?

**Hon. Mr. Serby:** — The last one was done in 1995-96, and it was in the amount of \$290 million.

**Mr. Heppner:** — Okay. When this last one came out, which was around the 400 million, what basically does that leave in your accumulated surplus? Where are you at once that came out?

**Hon. Mr. Serby:** — I'm not sure where you're working with the number 400 million, because I don't have it either anywhere locked in my mindset or see it here anywhere in the financial report. But even with the 290 million that was taken out in 1995-96, the retained earnings that are left within the Authority remain at 233 million — just over 233 million.

**Mr. Heppner:** — Do you feel that you need a certain amount left in there to sort of carry on the ongoing business? And what is that amount that you sort of feel you need left in there when your withdrawals are made?

**Hon. Mr. Serby:** — We're really probably one of the more fortunate organizations within government because we can operate on a cash flow.

**Mr. Heppner:** — Better than this morning.

**Hon. Mr. Serby:** — Where were we? Yes. Yes, better than this morning for sure. We have a very healthy cash flow within the Liquor and Gaming Authority so a base number for us really isn't significant.

**Mr. Heppner:** — Okay. So we've spent some time discussing the social situation and now there's the few questions on the government revenue side. Which one of those do you see as your key mandate — raising revenue for government; or on the social mandate, looking at numbers of outlets and rules and regulations?

**Hon. Mr. Serby:** — Well I think what's really important I think for the Authority — and that's really the cornerstones of our values that I talked about earlier — I think we want to make sure that within the industry, within the liquor and gaming industry — and there's lots of folks here who depend on the liquor and gaming industry for their livelihood — that we have a, you know, fair access to licensing opportunities is what I talked about earlier. And of course the definition of fairness will always be interpreted by those in which you deal with any time that you're a regulatory body, in the case of the Authority.

Responsible public use of liquor and gaming products has to be one of our number one, key issues. If we think that we're licensing or we're permitting somebody where in fact there's going to be a public backlash, for . . . a better word I think, or there's going to be some negative implications for issuing a licence to somebody or a permit, then we hope that we're prudent in making a decision that we're not going to do it if it's going to have an effect on a community, or on the society of Saskatchewan as a whole, maximizing the economic benefits to the Saskatchewan community.

Of course when we're making agreements or getting into arrangements — be it with the first nations people or with the hotels association — our objective always is that we want to make sure that we get the best value for the Saskatchewan taxpayer. And so that would be our thought.

And we want to make sure that we provide good customer service. In the case of the liquor system across the province, we think we have an excellent working relationship with the hotels. As I mentioned earlier, I think we have 610 licensed hotels, restaurant-lounges in the province.

We have 190, or 192, liquor vendors in Saskatchewan. Many of those people, if it wasn't for the liquor vendor or the liquor outlet, their business wouldn't exist in a small community. And at the same time we want to try to enhance . . . And when you look at Saskatchewan we have . . . we think we have a nice blend of private enterprise and public service or public establishments for the supply of alcohol.

And so I think the final one here is sort of the customer service issue, making sure that people are well served and are well trained in the work that they do. And I think it would be all four of those that would be sort of our objective.

**Mr. Heppner:** — You mentioned in the first part of your answer, the effort to be sensitive to where a community is at with licensing. If a community that is — probably for lack of a better term — a dry community and there's application made, what sorts of criteria do you look at in making the decision whether to grant the licence or not? And on the reverse, if a community wants to go in the other direction, how do you look at that to decide that you're going to withdraw it, or is that not a possibility?

**Hon. Mr. Serby:** — My officials tell me that a community that's not a band community or that isn't governed by a band council, that really there isn't any choice as to whether or not they want to be a dry community. That option is not there for

them. But certainly an Indian band or a band council by resolution can make that statement and the Authority would honour that decision.

**Mr. Heppner:** — So a community that just doesn't wish it, even a majority, really has no say in that basically. The licence is just granted.

**Hon. Mr. Serby:** — What would happen — and because this is new territory for me that you're taking me into — what would happen here is that a community certainly could file an objection and that objection then would make its normal process to a commission hearing.

The commission would hear it and then of course the commission's ruling would be final as it would apply to the licensing by the Authority. It would obviously be a court process. Beyond that, if the community wasn't satisfied with the decision of the Authority . . . or the commission I mean, they could take that likely to a higher level.

**Mr. Heppner:** — You mentioned, in part of an earlier answer, the blend between government outlets basically and private outlets. And I guess the question I have is what is the rationale for government being in that business. Why not just turn it over to private and then, you know, if you need some revenue, there is a taxation component that can be there. What do you see as being the advantage of having the government outlets?

**Hon. Mr. Serby:** — Well I guess there are a couple of reasons. I guess our sense is that in Saskatchewan we've had a well-served liquor system and have expanded that into the private sector to a significant degree over the last several years for a couple of reasons. One is that it's eliminated the need for government, for example, to invest in the capital, and that has been an area in which we haven't had a great deal of resources to invest in in the past number of years. But from a customer services perspective we aren't convinced that privatized liquor systems in Saskatchewan would be more beneficial to our consumers than what we have today in terms of a mix. We don't believe that the services would be improved in any fashion.

In fact when we examine some of what exists by our Alberta neighbours, it is certainly reflective that our services in terms of a liquor system are as good here. Other than the fact that we've had the advantage of using some of the capital dollars that are not dependent on government, we believe that the mix is relatively good.

**Mr. Heppner:** — Okay. But still I haven't been anywhere near convinced what the advantage is to having all those government dollars tied up in the facilities in the buildings when that could be taken care of totally by the private thing and that those dollars wouldn't have to be in that.

**Hon. Mr. Serby:** — Well I think that the philosophical decision I think in this province has been that — and there hasn't been any rationale as I've seen it certainly in the last two years that I've had some responsibility for this portfolio — that what you would enjoy in this province if you were to have a

fully privatized system that you would have better access to liquor and alcohol in this province, that the services would be of a greater value or would be more improved, or that in fact the accessibility would be any different than what it is today.

And I think if you're going to making those kinds of changes, if you're . . . or you entertain — and we're not entertaining making those kinds of changes — there would have to be some benefit that could be demonstrated as to how in fact one sector could provide a higher quality service or a better service than what we currently have.

Clearly we have an employment market and an employment sector that's dependent on the operations of publicly owned liquor stores in the province. We think that they're serving the public in an amiable fashion considering that they are competing with — or to some degree competing — with the vendor system of course, the hotels.

So at this point in time I just don't see an advantage. I haven't been convinced, nor has anybody put any pressure on us from that point of view to move the system in another direction.

But I'd be hard-pressed to understand why we would want to do that when I truly . . . outside of the capital investments that are currently being undertaken by the private sector anyway for the facilities, of which we have a good example of in this community right here. We have a liquor store that's on east Victoria here . . . or Victoria East. I don't know why we would want to move in that direction.

**Mr. Heppner:** — How many facilities on an average is your department building or creating or getting into on a yearly basis?

**Hon. Mr. Serby:** — This coming year we're not planning any new outlets or foresee any new ones in the immediate interim.

**Mr. Heppner:** — Okay. Is that because of financial constraints or because there is . . . you don't see a market opportunity?

**Hon. Mr. Serby:** — I think if you look at our annual report sort of consistently over the last few years what you'll see is there's a sort of flattening out of what the liquor consumption across the province has been and the amount of revenue that we're generating from it. And by and large it's stable.

So we don't view the market-place sort of increasing demand over the next year or two where we're going to have build a whole host of new facilities. I just don't see that the case. Now there may be some that we'll need to retrofit or upgrade or change location, and that's, you know, that's commonplace. It's part of doing business. But in terms of adding more to the system, we just don't see that as being the case.

**Mr. Heppner:** — Okay. I'd like to switch gears a little bit, going back to gaming revenues. Some discussion has taken place over the last number of months with the fact that the number of dollars that come out of a community from gaming do not equal the number of dollars going back into it. And I think there's quite a number of communities that have had



examples of that. My own community has been one of them. So basically these communities are experiencing a shortfall of total dollars going out over what's coming in and I'm wondering how you're looking at addressing that.

**Hon. Mr. Serby:** — Well I guess you and I probably hold a different opinion in terms of whether or not money from the VLTs actually does make its way back into communities. Because when I examine the fact that the VLT revenue makes its way back to the General Revenue Fund, that says to me that there's opportunity here to redistribute those VLT dollars across the province. And accordingly they'll make their way into health district boards or into school boards or into highways programs or into municipal government revenue-sharing. I mean they're part of the general pool.

I mean part of what I think people like you might be asking for is a dedication of that revenue to a specific purpose. And as you know, this administration doesn't dedicate its revenues to individual programs. And certainly VLT dollars might . . . if that were the case, we could say to you, all right, we could take a portion of the VLT revenues and say well now a portion of that goes to municipal governments, so here it is, or a portion of that revenue goes to health boards and there it is.

Now health boards will use them for what? For acute care services, and they might use them for long-term care, or they might use them for respite care. And the same argument would be raised, okay, only it would be raised at the local level.

So I mean at this point in time what the government says is that here's a chunk of change. In this case it's \$240 million or 200 . . . \$240 million. It makes its way into the General Revenue Fund, and the General Revenue Fund through the Treasury Board in its wisdom will make its dedication.

I expect that the amount of money that comes out of a community like yours, in the gaming side and the liquor side, probably makes its way back into other aspects. If you were to look at the concept that I talked about, you have a school in your community and some revenue-sharing and some health care benefits. And likely when you add that all up you'll see a much larger pool of money that comes back to the community than what leaves in the form of the VLTs.

**Mr. Heppner:** — There may be . . . we may argue on the specifics to some extent exactly the number of dollars. But when you have, you know, a large number of communities that have no VLTs and maybe 15, 25 miles away from one, obviously the communities that have them, those people are much more likely to use them oftener at least. And so when you redistribute that there's still more money coming out of the particular communities that have them than the ones that don't.

**Hon. Mr. Serby:** — Yes, but I mean I think that's part of the rationale that we might use when we're talking about when a community comes forward and says well we're not going to . . . we don't want the VLTs any more in this community.

But really what happens here is the community with the VLTs subsidizes a number of communities around it that don't have

the VLTs. It's part of the general revenue pool sharing.

It's not any different than policing costs in this province. I mean today you have municipalities that don't pay any policing costs at all and then you have municipalities over 500 that pay for policing costs. To some degree, if you use the VLT program similar to that, if in your community you have 10 VLTs and you know 5 miles or 15 miles down the road you have a community that doesn't have any VLTs, clearly the revenue that's being generated by your community, some of it will make its way into that community down the road.

And I think that's part of the positive attribute to having a general pool because everybody benefits from it irrespective of where it's collected. I mean if you look at the Regina and the Saskatoons for example, where the majority of the VLT revenues is generated, we in rural Saskatchewan are benefactors of what is spent in these two centres because it simply makes its way into some of our rural areas.

**Mr. Heppner:** — Well it still isn't totally fair, as you admitted. It goes to those communities that don't have any and that may be a long ways away, so there's a shortfall there.

There was a commitment made to members of groups at 10 per cent, I believe, of all that VLT money would be going back into those communities directly. And that was the Municipal Government minister made that one. And that money was never committed back to municipalities to use as they needed it for their own budgets. I'd like to hear your comment on that.

**Hon. Mr. Serby:** — Well I think, Madam Chair, part of . . . there's a bit of a misnomer in terms of whether or not any of the money that made its way back to communities actually did when the commitment of the \$10 million was made. Because in fact I believe about \$4.5 million of that \$10 million commitment actually did make its way back to communities into a couple of areas.

One is into the 911 project that is being developed across the province, which would be viewed as . . . was viewed by consensus by the three organizations that were sitting around a table trying to determine where this money should go. The other is that some of the RCMP (Royal Canadian Mounted Police) radio equipment, dispatch equipment . . . some of the funding from this \$4.5 million also made its way into that pool and that's the two major areas. There were a couple of other small areas where I believe there is some money that was dedicated. The other \$5.5 million returned back to the General Revenue Fund and then got distributed in that year in which that commitment was made.

But I mean, the question that continues to come to mind for me when it's raised on a regular basis about what happens to the . . . if you could dedicate or chose to dedicate a pool of money again, who would you dedicate it to? I mean part of what you suggest here today is that it should be the municipalities. Well the health boards believe that they should have a large portion of this and school boards believe that they should have some of it. And so when you try to get some consensus here about who it is that should be managing this piece of money, it in my

opinion becomes a fairly rigorous kind of task and we've just gone through that experience when we experimented with it in 1995.

**Mr. Heppner:** — Okay, I'm not sure the task was nearly as rigorous as it was made out to be. The 911 situation for example, there's a definite fee that's being assessed to everyone that's online there to cover that. So I think what's happened here is money that's come out of the VLTs is actually going to be staying with SaskTel instead, but that's not your department as such.

When you try to account for the money, I believe you accounted for about 40 per cent of it. That still leaves another 60 that people thought they were going to be getting in the communities. It was a commitment they heard that was made and I think it's something like Sheila Copps there. Maybe we need someone to make a decision and say well, we'll go back and see if that's what people actually heard.

**Hon. Mr. Serby:** — Well I don't want to comment on Sheila Copps, but truly I've made an error in the numbers that I've given you because I said it was 4.5 million that was dedicated; it was actually 5.4 million that was dedicated. The 2.4 was dedicated to a province-wide computer mapping system which is for the 911 and that was the 2.4. The other \$3 million did actually go to the RCMP radio system, and the other 4.5 went back to the General Revenue Fund.

And the reason why it went back to the General Revenue Fund is because there wasn't any ability by the organizations of SUMA (Saskatchewan Urban Municipalities Association), and SARM (Saskatchewan Association of Rural Municipalities), and SAHO (Saskatchewan Association of Health Organizations), to make a concerted decision as to where that money should go; and so it returned to the General Revenue Fund and made its way into communities in a different way, into highways or . . . well although not as much into highways as I'm sure at that time we'd wanted it, but it went into health, and education, and social services.

**The Chair:** — Thank you, Mr. Heppner. I'll recognize Mr. Osika now.

**Mr. Osika:** — Thank you, Madam Chair. On that note, Mr. Minister, in getting back to what we had talked about earlier with respect to communities not wanting VLTs or wanting you to remove them, have you given any thought or any consideration to some method . . . I know that you mentioned SARM, SUMA, and SAHO — should that not give us more incentive to try and come up with some way to give back some of that money to individual communities, small communities such as yours and mine, which had been hurt, the charitable organizations that have been hurt?

There must be some device or some mechanism that might be initiated to get some of that money directly into the hands of those communities, which may lessen the cry for getting rid of them if the communities could see some benefit close to home. We talk about the monies going into the Consolidated Fund, the General Revenue Fund. Well people say well, that's all fine and

dandy but I don't see it at my back doorstep or I don't see it down town when I go down town where we're getting poorer and poorer and they're taking all this money out of our communities and nothing is coming back. Is there any way, shape, or form that . . . There must be some way to devise a means.

**Hon. Mr. Serby:** — Well I think part of what you say is correct from the point of view that communities want to see something that they can touch, or feel, or hold, or smell, that really comes out of the VLT program. That's different from what we talk about, of which it's part of the general pool whether it's for a hospital, or for hospital services, or education, or highways, or whatever. In some provinces, what you will see is that you'll see a small portion of the VLT monies that's dedicated to particular initiatives within a community.

And of course the same objection is raised by those communities, is that they say well, you know, there's part of the money that you get from gaming, but where's the rest of it? The rest of it of course, is in the General Revenue Fund. Or they say well, it was part of the budget anyway so we don't believe that it was gaming money in the first place. It's just part of the General Revenue Fund that would have been dedicated there anyway.

I think part of what you're asking is that you want to see a community be able to sort of point their finger at it and say, well there is the skating rink that the funds from the VLT revenues has built in our community or there is the road ambulance that was purchased by VLT revenues.

And I think maybe part of the way in which the General Revenue Fund addresses itself to the dedication of gaming money can be explored. I don't think there's any question about whether or not that isn't the process. We can explore that. And will it provide some comfort to communities? I don't know, but certainly that's an area that we could look at where you take your pool of gaming money and then in your dedication to communities across the province say, well this is really what VLT monies are contributing to your town or your city. The question will be of course, whether or not a fine gentleman like yourself will support that as being money that's actually flowing out of gaming or whether you make the argument that it is money that would have been there anyway through the department's allocation.

**Mr. Osika:** — The department's allocation has been withdrawn from . . . if you're talking about municipal grants and that type of thing, more than ever municipalities are really short-funded in trying to do their infrastructure, and they don't see any money coming in from anywhere for all these extra little things that could spruce up their communities, their infrastructure programs with the municipal departments being cut back or cutting back so drastically.

This might be a little bit of a light or glimmer or somebody saying, well we don't agree with these VLTs; they're a bad thing, they hurt a lot of people. But at least we get something back into the community and it comes from the people. I mean if somebody went and, you know, goes door to door and says,

look, give us five bucks a piece here and we're going to fix up the roads or fix up the swimming pool, they'd be a little more reluctant than to go down the street and play the VLTs, knowing that well, it's kind of a heartbreak but at least we're getting something back from it.

And I believe that's a very real concern. I expected some of those communities that have indicated less desire to support VLTs — and I'm just taking a wild guess at this — would probably be a little more receptive if they could see some local benefits coming back.

**Hon. Mr. Serby:** — I don't dispute the fact that if you could demonstrate that VLT revenues in fact are dedicated to something that, as I said earlier, that you can see or touch or feel or smell, the community would say, well there is something that the VLTs have contributed to as opposed to saying it all goes back to community anyway and is part of the general pool.

My question still remains though, if this option were to be looked at in a serious way and entertained, who is it that that money should flow to? Is it the municipality? Is it the health board? Is it the school board? Who is it in your communities that in fact should be the agent of call for that particular chunk of change? In the past experience that we've had we said collectively to SAHO and SUMA and SARM, that this is your money so you try to decide, and of course you know what happened. Those three bodies couldn't come up with the amicable solution to use it all. Part of it they did.

So the issue remains, is that if that's an option that gets exercised, that you need to have a definitive group that would actually be representative of taking that money and then allocating it in the kind of fashion that you suggest and I think it might work. Because if in your community or Mr. Heppner's community or mine, you could say, well there's that first response unit that was purchased by the health board and it comes out of VLT money, the community would feel some comfort in that I think, or might feel more comfort for a better one.

The issue however becomes, well who funded it? Was it really VLT monies or was it out of the general revenue pool for health that the province provides funding for anyway? Okay. Now if you're building things that are more tangible and more reflective in communities like hockey arenas or playgrounds, those kind of traditional developments that you see in communities that are coming out of municipal revenue-sharing grants, then yes, they become a lot easier to identify and become more tangible. But I guess I'm not convinced that when we go to distribute this revenue that it's necessarily the municipality that should have the sole call on it.

**Mr. Osika:** — On that note, thinking about only the one figure, I remember . . . And by the way, Mr. Minister, if I may I wonder if we might be able to get an update on the revenues from VLTs from all the cities throughout the province. I know you were good enough to supply it to us once before, and that's where the figure of something like two and a half million dollars from '93 to '96 or to '95 — I'm not sure what the years are — came out of Melville alone.

So some portion of that two and a half million dollars . . . There are community leaders that if given — our civic leaders — given X number, percentage, whatever, okay . . . And now it's off, you know, it's off anybody's shoulders. It's hey, here is the money that goes back into your community, okay, and you folks make the decisions. Whether you need to support the hospital building fund or whether you need to fix your roads, your sewer system, or whether you need to shore up some charitable organizations — you split it out.

Like there had to be . . . And I can understand why SUMA, SAHO, and SARM would be at odds as to where the money should go. Each of them would want to have their fair share of the pie, and probably agree to disagree on where that money should be directed. However I guess what I'm suggesting is that it be narrowed down to more basically, rather than SUMA or SARM, to individual RMs (rural municipality) based on per capita, amount of money that goes in from those areas.

Okay, here's the deal. We get so much money out of this particular area, this much goes back, whether it's percentage or however. The people probably that could work with figures a lot better than I, would be able to figure out or sort out a formula on how that can happen. And I'm sure you have qualified people in the Authority that would be able to do that. Those are the thoughts. And I still feel that that kind of help would be welcomed with such open arms that . . . and the communities would benefit.

Okay. Let's just go back to the native-run casinos. Are you aware of or . . . Let me ask you, are you aware of, and if in fact there have been, any strife or labour problems such as we might have seen at Regina casino? Do you . . . What's the government's role in sorting these out or do you get involved in these at all?

**Hon. Mr. Serby:** — We don't know of any labour disagreements or strife that first nations people have experienced with their operators, but we wouldn't be involved as an Authority. The Labour Board — Department of Labour — would be involved in that process on a normal basis.

**Mr. Osika:** — Okay, so the government from the Labour Board's perspective would be . . . It wouldn't involve anybody from your . . .

**Hon. Mr. Serby:** — The Authority.

**Mr. Osika:** — Okay. Thank you. Do you have . . . I believe I heard a figure earlier of the employees, the numbers, in these native-run casinos at about 400?

**Hon. Mr. Serby:** — That's correct.

**Mr. Osika:** — Okay. And is that full time or are there full time, part time that's included in that figure?

**Hon. Mr. Serby:** — I would stand to be corrected, but my last discussion with Chief Favel would be that that is full-time equivalents. Those are full-time equivalents — 400.

**Mr. Osika:** — Okay. Okay. There was some concerns a couple months ago, going back to the way the law was set up in the framework agreement which stated that, because the native casinos' profits were so much higher than Regina casino, the clause would kick in whereby the native-run casinos would have to kick in more funds and Casino Regina less. Is that how you understand the situation? Or again, does that affect the Authority in any way, shape, or form?

**Mr. Innes:** — Yes, Madam Chair. Mr. Heppner has raised this same issue, and basically it's a clause in the existing framework agreement — casino operating agreement — between the government and FSIN that does trigger a higher percentage of first nation casino profits flowing to government depending on the relative profit levels and performance of Casino Regina versus the first nation casinos. Having said that, the minister and the Authority have agreed to review that clause with FSIN with the possibility of changing it.

**Mr. Osika:** — Okay, thank you. Going on to . . . I heard something, or maybe I didn't hear horse-racing mentioned here, but that's another area that's taken some hits. And a lot of places that slot machines or VLTs are put in on the premises of racing tracks to raise some of the revenue for the track. Can you tell me if such plans are proposed here in Regina or Saskatoon? I believe there's some discussion has taken place or there have been some agreements made and I would appreciate knowing just exactly where that's at.

**Hon. Mr. Serby:** — What we did in 1995 is establish the horse-racing advisory committee, which really brought people from around the province together who are really knowledgeable in the industry. And the role of that advisory committee was to bring recommendations forward in terms of how we might be able to sustain, grow the horse-racing industry in Saskatchewan so that it would have a bit of a life to the future.

Currently what the advisory committee has suggested here is that they're proceeding to bring a consultant on staff or bring a consultant on as part of the work of their advisory committee to do an in-depth review of what the future of the horse-racing industry in Saskatchewan might be. And part of that discussion of course, will also include whether or not there'll be any additional resources from VLT revenues to assist them with that process into the future. So we're working closely with the advisory committee on that whole aspect.

**Mr. Osika:** — Can you share with us the make-up of the group?

**Hon. Mr. Serby:** — Of the advisory committee?

**Mr. Osika:** — Yes, and some of their mandates?

**Hon. Mr. Serby:** — If we were to look at page 27 of the horse-racing . . . under the horse-racing heading, Mr. Ken Forster is still the chairperson of the committee; Doug Cressman from the Regina Exhibition Association, Vice-Chair; Jean Hayden from the Canadian thoroughbred association.

Ed Sikorski has since been replaced by the current director or the current CEO (chief executive officer) from the Saskatoon Prairieland Exhibition Association, primarily because they raise Thoroughbreds there.

Larry Dagg of the Horsemen's Benevolent and Protective Association from Asquith; Dave Farrell from the rural racetrack representation from Yorkton; and Blair Anderson from Saskatchewan Speed Horse Association, Wynyard; and Gary Wilson from . . . is no longer on there. I don't know who our new representative is. Plus we're currently going to be adding two members from the first nations, aboriginal community to this committee.

And by and large the mandate is to look at the future of the industry. Sort of a thumbnail sketch of that is to see what kind of resources the industry requires in order to maintain itself into the future, examine whether or not both Thoroughbred and Standardbred racing in this province can sustain themselves as two separate entities; whether or not there needs to be a greater concentration on a breeders program in Saskatchewan as well as a variety of different options that they might entertain themselves to try to get more people involved in the horse-racing industry. How do you get people back out to the track?

As you well know, here in Regina at least, we have probably one of the finest racetrack facilities anywhere in North America, and you can go there on any given day and there aren't a whole lot of people that are there. So they're examining the length of the racing season, how they might incorporate their racing season here with that of other races that are going on at least in the two other western prairie provinces.

So that's basically sort of a thumbnail sketch of part of what their mandate is.

**Mr. Osika:** — Thank you, Mr. Minister. Is there any reason we can put a finger on for the reduction in simulcast racing in Saskatchewan? I'm given to understand that races out of Regina are not broadcast to Saskatoon; there's been a cut-back. Is that as a result of the pressure from other tracks in North America?

**Mr. Innes:** — The decision basically was due to the very high cost of broadcasting the races from one track to the other. Equipment was substandard and the cost of replacing that equipment was simply deemed to be too high compared to the revenue that it was felt that it would generate.

**Mr. Osika:** — Was there some money given to the horse-racing association from government VLT revenues?

**Mr. Innes:** — On a one-time basis in 1997, sorry . . . yes, 1997, the year just ended.

**Mr. Osika:** — And who directly would that have gone to? Who specifically would that have gone to? And do you recall the amount?

**Mr. Innes:** — That was for the . . . to the two tracks at that point.

**Mr. Osika:** — The Saskatoon and Regina . . .

**Mr. Innes:** — . . . Regina tracks were both losing money on racing to that point.

**Mr. Osika:** — Okay. Do you recall the amount that would have been given to each? Or was it a lump sum for them to decide?

**Mr. Innes:** — There was a maximum amount to each of \$300,000 from VLT revenues less their cost of operating those VLTs.

**Mr. Osika:** — Okay. So that would have been directed to the exhibition association, or the horse-racing association of Saskatoon?

**Mr. Innes:** — To the track operator, which is the exhibition association in each case.

**Mr. Osika:** — What is the 10 per cent gaming tax collected from?

**Mr. Innes:** — That's the *pari-mutuel* tax. That's a tax that's placed on the wagers. It's collected by the province but the full tax is actually reimbursed to the racing industry through a rather complex formula.

**Mr. Osika:** — Okay. Are there any controls or directions that the Authority imposes upon the use of those rebated funds?

**Mr. Innes:** — Actually in the year under review, there's a summary of how that money has been allocated and that is determined in this year by the Authority but in the current year by the minister's advisory board.

**Mr. Osika:** — All right. Our neighbours to the west, I understand at Northlands Park in Edmonton, have 150 VLTs with revenue sharing based on one-third to each — the track, the industry, and to the government.

And I understand that in Manitoba as well there are VLTs in Assiniboia Downs for similar purposes. I believe there are some other areas presently moving in that direction. And I wondered if the Authority has examined anything like that to be implemented in this province?

**Hon. Mr. Serby:** — Well we've assisted in that fashion over the last year, the year under review, and it's certainly a part of the exercise this year.

And the role of the advisory committee is to examine what the strength . . . and options they're going to be doing or undertaking to try and grow the horse-racing industry or sustain it in the province. And they've agreed. This isn't just about getting a chunk of change and saying, well now we're finished for this year and away we go. Because when you examine what's happened to horse-racing over the last several years, you'll see a significant decline.

And part of the role of the advisory committee is to try to sort of breathe some air back into this cadaver and see if they can

get it going again, because truly it's been experiencing a bit of a hiatus to say the least. And the advisory committee has put forward the idea that if they can develop some new strategies for horse-racing, part of the expectation will be that we would support them through some VLT revenues. And that option is certainly open for us, and that's the discussion that I've had with them.

**Mr. Osika:** — I recall at one time they had Thoroughbred racing that they would carry on in Saskatoon and then that meet would come back to Regina. And that's no longer in existence. Is there a reason for that? I expect it's probably economics.

**Hon. Mr. Serby:** — Well I think it's higher costs. And it also has something to do with the track, where I'm told that Thoroughbreds don't run well on Standardbred tracks and vice versa. And so in order to . . . And this was some of the thinking I had initially too — can we not have one track in Saskatchewan and run Thoroughbreds and Standardbreds on the same track? Well apparently they muck differently in different tracks. And so as a result of that it isn't an option at this point in time.

**Mr. Osika:** — Oh, I see. If you were to install VLTs at either track — or at both — to sustain them, would that be in addition to the 3,600 that you currently have in the province or would those be redistributed?

**Hon. Mr. Serby:** — Well as it is today, we don't have any additional machines out there that we can fit this group into. So what we would have to do is we'd have to take them out of the pool of the 3,600 that we currently have.

**Mr. Osika:** — Would you look at the same kind of split: 85/15? Or would there be different formulas for sharing the revenues? Or have you given that any thought yet? I mean . . .

**Hon. Mr. Serby:** — Well we'd negotiate that out with them. To some degree it would depend, I think, on how quickly they need the revenue. So in the past, we've explored different options with them. They currently get 15 per cent; we get 85. But that would be a flexible . . . I think that would be a flexible negotiation that we could have with them, depending on how quickly we wanted to get the machines in, then get the revenue and move them out.

Or we may choose to leave them in year round, based on a percentage of revenue if they expected they would generate it.

**Mr. Osika:** — In terms of VLT distribution throughout the province, has there been a change in the formula?

**Hon. Mr. Serby:** — Not in the formula. You're saying how many a site?

**Mr. Osika:** — Your distribution policy, yes.

**Hon. Mr. Serby:** — In terms of the revenue? Are you talking about the revenue?

**Mr. Osika:** — No, distribution formula of VLTs.

**Hon. Mr. Serby:** — The number of machines per site?

**Mr. Osika:** — Yes.

**Hon. Mr. Serby:** — No change in this year. In the year under review there wasn't any change. Currently the policy is . . . the past policy was that all new sites would be eligible for two machines. We undertook a redistribution in '96-97 and currently a new site would be eligible for three with a maximum still being no more than twelve. So that hasn't changed — three to twelve.

**Mr. Osika:** — But those with only two machines, were there any administrative costs that the government would share or pay?

**Mr. Innes:** — The sites with three machines or two receive a \$20-a-week administrative fee because the machines are small in number.

**Mr. Osika:** — I see. Okay. Well do you have a figure? What would that cost?

**Mr. Innes:** — It's around \$400,000, the total cost of that administrative fee.

**Mr. Osika:** — Per year?

**Mr. Innes:** — Annually, correct. That's on revenues of about 170 million gross.

**Mr. Osika:** — If a new establishment opens and requests VLTs, what is their expected waiting time if they're put on a list, or new ownership changes?

**Hon. Mr. Serby:** — Is this your hotel in Melville, Ron?

**Mr. Osika:** — Well I'm considering. No, no.

**Mr. Innes:** — It would depend on precisely when the application's received. The applicant is required to go through the normal police and criminal background record checks and conform with financial statement reviews — those kind of disclosures, those kind of things.

At the present time we are in a position to be able to reduce our waiting-lists significantly because we have some machines available through a redistribution program. Normally those aren't available. So the waiting-list could be as long as 7, 8, 9 months, typically. Right now it is shorter.

**Mr. Osika:** — In terms of priority then, would an existing establishment have priority over a newcomer? The existing establishment wanting to increase its VLTs, would they have the priority over the individual who's just opening up?

**Hon. Mr. Serby:** — We do the increases on an annual basis for the existing network. So everybody who's on stream, on an annual basis we would review them, check to see whether or not their revenues have in fact gone up or down and then make allocations based on what their revenue generation is doing.

Okay. New sites go on a first come, first serve priority.

**Mr. Osika:** — Okay. Do you take into consideration the number of VLTs in a community, already in a community? If a new facility comes along, is that taken into account with respect to whether or not there's approval?

**Hon. Mr. Serby:** — Yes, I'd say it's more the liquor permit that's more important in determining the requirement. But the issue you raise is one that's also been raised with us recently by the hotels association, who are suggesting that if you have in a community a certain number of VLTs — and this is a discussion that we're currently undertaking with them — that maybe we should be setting some parameters as to whether or not a new site that's making application should in fact be included for additional machines.

Currently we don't have that policy in place, but that discussion is very current with the hotels association because that's one of the issues they're raising with us.

**Mr. Osika:** — Mr. Minister, you've also had some pressures, you had some requests, from legions, army, navy, air force, requesting VLTs in their establishments. Is that under consideration? Are there some discussions under way with those organizations?

**Hon. Mr. Serby:** — Yes, part of the sort of internal gaming review that we talked about earlier, one of the options or one of the discussions of that was whether or not we should be including new groups or new organizations that haven't been on in the past. And certainly the army and navy and the legions have been a part of that discussion. I have to say to you that that decision has yet not been made. But there certainly . . . certainly requests have come from all legions and Anavets across the province and from individual members of the legislature as well, to us asking that we give consideration to that.

**Mr. Osika:** — Can I just ask you . . . I just have a couple more questions. The review that's under way, I believe I heard you say earlier that would not be for public consumption. Wouldn't there be no distribution of your findings anywhere other than within your department?

**Hon. Mr. Serby:** — Well I think that part of what we would like, I think, to share as time goes on is some of the aspects of what our undertakings have led us to conclude. Whether we'll prepare that in a document as you see here today in the annual report, I expect we won't. But from a generic point of view, I think that there are obviously some things that would be important to put forward. We don't have that in detailed fashion at this point but hadn't intended for this to be a public document, but certainly for it to be more of a internal sort of policy direction document that government would use in helping it set its own framework for what we can do with gaming into the future, both from a regulatory perspective and from a management point of view.

**Mr. Osika:** — I believe I've already asked for some figures on VLT revenues from the various cities. Very much appreciate receiving that. That brings to an end the questions that I have.

I want to thank you, Mr. Minister, and I want to thank your officials for being patient and sitting through some of the questions and helping us clear up some misunderstandings perhaps that we may have had. And would appreciate sharing any of your findings that you feel you'd be comfortable with in letting us know where we stand on a lot of these issues that our constituents as well as yours, I'm sure from time to time, raise questions about and want to know what direction the government is taking with respect to some of these moral issues and some of the implications of the whole gambling process and programs. Thank you very much again.

**The Chair:** — Thank you, Mr. Osika, and thank you once again for the quality of your questions and their probing nature. I appreciate that. Mr. Heppner, do you have any further questions?

**Mr. Heppner:** — No, I'd just like to thank you as well for this opportunity and would really appreciate some of that information on the results of some of the gambling implications that you do have. I think it's important for us to know that. Thank you.

**The Chair:** — Thank you. Do any members on the government side have any further questions? Again I would comment and compliment all members of the committee for their questioning. I think that certainly while gaming has been and probably always will remain a difficult issue, I think that the nature and the quality of the questions today does move us a bit further along in terms of recognizing this reality that we do have now in the province. Ms. Hamilton?

**Ms. Hamilton:** — I would move:

That the Standing Committee on Crown Corporations conclude its review of the annual report and financial statements of the Saskatchewan Liquor and Gaming Authority for the year ended March 31, 1996, including supplementary financial information.

So moved.

**The Chair:** — Is that agreed to? Any opposed? That motion is then carried.

Mr. Minister, I thank you for your patience. I thank your officials. In particular though, I do thank you. You've done yeoman's duty today in helping us to clean up a very large amount of our agenda, having sat here from 9 o'clock this morning on. I do appreciate that.

For the committee members' information, I had asked a couple of meetings ago if you had any additional items, any additional Crown reports that you wanted to consider, and I was told no. So what I have done, I will remind you of the meeting that we have on Wednesday, June 25 from 11 till 2, dealing with SaskEnergy.

And I have arranged a meeting — and hopefully nothing will fall apart on this one — but I have arranged to have SaskPower called to complete the review of the 1996 annual report from

10:30 to 12:30 and from 1:30 to 5 on Monday, July 21.

Then on Tuesday, July 22, from 9 until 12, we'll deal with CIC. The minister will not be able to be present in the morning but we will have the officials and also advice and guidance from the auditors. And we will deal with the issue of significant transactions. And I expect at that point you will already have in your hands a report on the Wascana Energy transaction, which I consider to be a significant transaction. So we'll deal with that from 9 until 12; and then from 1 till 5 we'll have the minister present and we will deal with the 1996 annual report for CIC, and that should conclude our work for the year.

I would ask at this time if the auditor's department could circulate once again the letter that you did send to all committee members some time ago talking about various criteria that you would like to see with respect to significant transactions. I will be working with the CIC officials, and hopefully we can bring a definition to the committee that will satisfy all the various criteria and that will allow us to have something workable to get on with.

Is that satisfactory for committee members' point of view? Okay. I apologize for asking . . . Yes?

**Mr. Trew:** — Yes, that is agreeable. I missed the times for SaskPower on the 21st. If you could repeat that, I'd appreciate it.

**The Chair:** — Sure. In order to accommodate travel time and because this is the summertime and I did make a commitment not to have any meetings in August, but since I am able to get SaskPower and CIC in July — and we can't have it earlier in July because of the Commonwealth Parliamentary Association meeting — what I am suggesting is we will meet for SaskPower Monday, July 21, 10:30 a.m. to 12:30. We'll have an hour break for lunch and then we'll continue meeting from 1:30 until 5:00. So that should allow people to be able to travel in that morning.

So are those arrangements satisfactory for all committee members? Okay. In the meantime if any of you do have any questions or concerns or suggestions with respect to significant transactions, would you call me either at my Saskatoon office or my residence and we can discuss these matters.

And I will now accept a motion of adjournment. From Ms. Bradley. Thank you very much. And thank you all for your patience and your cooperation and contribution, and we'll see you next Wednesday.

The committee adjourned at 3:40 p.m.