



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Channel Lake Petroleum Ltd.

The Chair: — I'll call the committee to order, please. Good morning, everyone. We are going to reconvene the special hearings into the Channel Lake purchases and sale, and before I do, I would mention to committee members that I circulated an agenda yesterday, indicating that we would be calling SaskPower officials and Jack Messer.

Committee members will recall some two weeks ago we had asked Mr. Messer to come back to the committee, and he and his lawyer were unavailable last week. And we determined that he was available on April 28.

So by leave of the committee, I would suggest that instead of moving into SaskPower official questions today, we will begin first off with Mr. Messer. And I would also suggest that since we had almost completed Mr. Messer's questioning the last time we had him here, that what we will do, again by leave of the committee, is start the round of questioning with the Sask Party first, then move to the Liberals, then to the New Democrats. And I would suggest instead of sticking to our rigid 30-minute schedule that I will allow approximately 45 minutes per party caucus.

Is that satisfactory? Okay. Then I would ask . . . and if we could conduct ourselves so that we could complete the questioning with Mr. Messer around about the hour of 11:30; then we will be able to call SaskPower officials this morning as well.

And I expect since I have had a request from Mr. Hillson to recall Mr. Christensen, that the first witness we will call will be Mr. Christensen. Again, is that agreeable to the committee? Okay.

Then I will start the questioning with the Sask Party questioning Mr. Messer until approximately 10 to 10.

Mr. Gantefer: — Thank you very much, Madam Chairman. Good morning, Mr. Messer.

I would like to cover three main topic areas this morning. On — oh, all these binders — on binder no. 3 CLP document 3/7 is where I'm starting.

On March 4, 1998 you wrote a memo to the Premier where you asked for time to respond to the Deloitte & Touche report and the CIC (Crown Investments Corporation of Saskatchewan) report on Channel Lake. According to the memo that I've just referenced, the reports were sent to your office February 28 but you were not able to look at them until March 2 because you were out of the country. Were you out of the country on SaskPower business, sir?

Mr. Messer: — I was out of the country as a director of Ducks Unlimited.

Mr. Gantefer: — And where were you? Out of the country where?

Mr. Messer: — They had their North America board meeting in Palm Springs.

Mr. Gantefer: — In the memo you indicate you were asked to respond to the reports by March 3. In what respect were you asked to respond?

Mr. Messer: — I don't think that there was anything specific in respect of the request other than that. The documents were available for my response as per what had assumed to be an understanding at the outset.

Mr. Gantefer: — An understanding on the outset or . . . I don't quite follow that.

Mr. Messer: — At the outset there was an assurance conveyed by Crown Investments Corporation that the two reviews, Mr. Gerrand's and the Deloitte & Touche, would be in draft form prior to their final edition and that SaskPower would have an opportunity to comment on those documents. I have testified earlier here that that was not provided in the case of Mr. Gerrand's document, and in the case of the document that you're making reference to now, was delivered just before the closing of my office Friday to have a response by 12 noon Monday. I was not going to be back in the office and indeed was not back in the office until after 9 p.m. Monday when I met with some of my executive to talk the matter over.

Mr. Gantefer: — Were you aware that the reports were going to be very critical of your performance as president before you read them on March 2? Were you surprised by the contents of the reports?

Mr. Messer: — I was not surprised by the contents but I was becoming increasingly more concerned in respect of what the outcome might be due to a number of factors, mainly what appeared to be a predetermination of both Deloitte Touche and Gerrand that there was to be a smoking gun found in somebody's hand. And I had the uncomfortable feeling that it was going to mine.

Mr. Gantefer: — You indicated in the memo that I think you believed your job was on the line, as you've just indicated. What were you hoping that the Premier could do for you?

Mr. Messer: — I felt that perhaps a little . . . Well I had communicated with Mr. Wright at CIC, in effect saying that the agreement wasn't being lived up to in respect of Gerrand's report not being available for comment, which I think was only productive and would have I think facilitated perhaps not having to have this process, if we had had that opportunity to peruse both documents. Because in my view, and the view of a great many others who have had opportunity to have since then . . . find significant error and significant inconclusion in respect to the work, but still they undertake to conclude, in regard to their undertakings, very significant deficiencies and I think misrepresentation.

So I was concerned that the agreement was not being lived up to, i.e., Mr. Gerrand's document was not available for comment, and that if indeed we were going to have fair opportunity to comment on the Deloitte Touche, its arrival just before closure in my office Friday, when I clearly wasn't going to be back until Monday evening, the deadline being set for Monday noon, I felt that in order to facilitate the process, Mr. Wright, and I felt

perhaps the Premier, should know that time was not being made available.

Mr. Gantefer: — Were you aware in any way that the Premier was able to intervene on your behalf?

Mr. Messer: — I have no knowledge as to what action the Premier took, if any.

Mr. Gantefer: — The SaskPower board considered the issue of your future employment on March 5, and approved the recommendation to accept your resignation. Were you asked to resign?

Mr. Messer: — Are you talking, the board asked me to resign?

Mr. Gantefer: — Yes.

Mr. Messer: — No, I had submitted a resignation to the board which was taken to the board, I believe by the minister.

Clearly I had tendered a resignation to the board for their consideration. The board did not ask me to resign; I was asked by Mr. Wright, the president of CIC.

Mr. Gantefer: — So the issue then of your dismissal or resignation was raised by Mr. Wright; at what occasion did that occur?

Mr. Messer: — Let me look for the exact date here. The issue was first raised on March 3.

Mr. Gantefer: — And what were the circumstances surrounding that discussion?

Mr. Messer: — He had arranged for an extension in respect of the opportunity to speak to the Deloitte Touche report directly to the board of directors of Crown Investment Corporation later that day, Monday the 3rd; the deadline was 12, Monday the 3rd.

He indicated to me at that time that he felt whatever representation I might make would not only include Channel Lake but perhaps a broader issue of concerns that both the shareholder had and I had. And I was quite concerned that I had the opportunity to talk about a broader field of circumstances. That did not turn out to be the case. I did talk about Channel Lake. He also indicated to me that there was an expectation that at the end of that meeting I was expected to tender my resignation, which I did not do.

Mr. Gantefer: — You didn't tender your resignation at the end of the meeting with Mr. Wright but you did it subsequent to that?

Mr. Messer: — This was at the meeting with the Crown Investment Corporation about 5 or 5:30 Monday evening. He had indicated to me, in his mind there was an expectation that, even though I had a forum to talk about the Deloitte Touche report and its inadequacies and make the plea — which I believe was a request for a least a week, because this was a significant document that had, I think, significant wrongness about it — that my officials would require at least a week to properly respond to it and put it in a more adequate form, a

truthful and accurate form. That was not provided.

And it was evident, I think by his suggestion, that even though I had the forum, the fact that there was an expectation that I should be tendering my resignation concluded, in my mind, that really this was simply a process that was not going to be facilitative in changing anything.

Mr. Gantefer: — So they weren't going to give you a choice of either resigning or staying on as president; that was pretty clear in your mind.

Mr. Messer: — Well I don't know whether it was clear at that time, but it was becoming more clear that there was a desire, a growing desire, in respect of facilitating my resigning.

Mr. Gantefer: — Were you in essence given any choice? Or were you . . . Was there anything in the conversation that indicated that in essence you had no choice? You said earlier in our conversation that you had the increasing feeling that someone was going to be given a smoking gun in their hand and you had the uneasy feeling, I think it's fair to say, that that person may be you. Did this conversation indicate in any way that that was increasingly obvious to you?

Mr. Messer: — It might be facilitative, because I made some notes in regard to this matter in a chronological ordering. It may very well answer your question and future questions you might have.

If it's facilitative then, Madam Chairman.

On March 3 at 8 a.m., subject to the discussions that I had with my executive the previous evening, Mr. Bill Hyde had delivered letters to Mr. John White . . . John Wright and Dwain Lingenfelter requesting a time to respond. The memorandum to John Wright pointed out just a few of the problems in the reports.

At 10 a.m. Mr. Wright telephoned myself to advise the CIC board had met and that no final decisions had been made. Wright advised that the board would reconvene at 5:30 to 6:30 p.m. John Wright said he was trying to get myself into the board meeting, and the board was looking at having myself tender my resignation at the end of the meeting. Also, as I've already mentioned, we talked about perhaps the opportunity to talk about a broader range of issues relevant to SaskPower, not simply to Channel Lake.

At 3 p.m. the SaskPower executive meeting was to provide responses to potential questions from the CIC board. So I met with my executive and said, okay, given that we have this forum later this afternoon, potential forum later this afternoon, what can we put together in this short period of time that indicates this report is significantly flawed.

At 5:30 I met with the CIC board. The reports were referred to as condemning documents. I made it clear that I did not agree with many of the conclusions in the report and needed time to respond. I was given hours to respond to the report. There was no time in the meeting to discuss the substance of the report or the broader issues which I felt we may have the opportunity to discuss.

At the conclusion of that, I called my executive for a 6:30 executive meeting and fully debriefed my executive in respect of what had transpired.

That evening, in fact most of the night, my wife and I talked about this circumstance, because I felt that it was a growing problem. I concluded I did not like working for these people any more and I was not going to work for them any more, and therefore I would tender my resignation the next day.

I also had a telephone conversation with a cabinet minister in respect of that proposal, suggesting that if they would give me some transition time I would tender my resignation. I proposed that perhaps by September I would be gone and there would be no need for a severance package.

Ultimately on March 4 I sent the memorandum to the Premier that you have made reference to. Later, on March 4 at 11 a.m. I telephoned John Wright and advised him that I would resign without severance but wanted a period of time, some months, for succession planning. Wright said the minister would not agree, but that he would talk to Mr. Wiens, given that I'd had a conversation with him.

Obviously I indicated, he had responded, would there be something that might accommodate you in departing earlier than September. I said it was subject to negotiation, but my mind, September seemed like a reasonably good time and I could tidy up affairs in a more appropriate way in respect to my responsibilities and the responsibilities of other executive members and issues that were of significant importance with the corporation at that time.

At 11:45 I had a further discussion with the minister, and told me that there would be no time provided and that I would have to consider and/or facilitate a resignation immediately or suffer the consequences.

At 3 p.m. Mr. Wright came to my office to convey that to me, giving me a time of 6 o'clock for a termination that could be somewhat expanded if there was reasonable logic behind it. He indicated that there would be a severance package and that we should undertake to get a lawyer or a retired judge.

I at that point in time asked him if he could adjourn the discussion for a few moments because I had, previous to this, talked to the Acting Chair of the corporation, Mr. Milt Fair, who had just been recently appointed, indicating to him that I thought that this is probably what was going to happen. If it was, I wanted him to be part of the meeting that ensued in dealing with any such departure. Whereupon I called Mr. Wright... or Mr. Milt Fair in, and Mr. Milt Fair then participated in the remaining discussions in regard to my departure and/or a severance and the mechanism that might be pursued in facilitating that severance.

I then advised, at 5:30 p.m. that day, my executive that I was submitting a resignation. I felt that what was being conveyed to me was an option to resign. Otherwise, if not, there would be action taken for cause. I did not believe there was cause. It was deemed to be the Channel Lake circumstances, which I think at the end of these deliberations and even at this particular point in time, are simply a sham in regard to a political process that's

trying to make something out of very little. And I want to comment later on that during these deliberations.

But nevertheless as I'd said, my wife and I had spent the entire night talking about this circumstance. It was not only Channel Lake, and I felt that I was getting to the point where I could not, in the best interests of the corporation or its employees or for that matter the shareholders and the consumers of electricity in Saskatchewan, manage the company in its best interests.

So that I accepted the opportunity to resign, having at that time significant comfort that there would be no such process as I'm going through now. Had I known that, I would not have resigned. I would have had them effectively dismiss me and launch my own action against them.

Mr. Gantefer: — Well thank you, Mr. Messer. That, I think, has been most useful and there's some issues that I would like to touch on following or coming ... rising out of your statement. It seems clear to me in your response that indeed you felt that you were given no choice in terms of it was a resigning or else, and you were facing a predetermined agenda of dismissal and they would fight you for cause. Is that correct?

Mr. Messer: — That's correct, and I believe that that's substantiated when I look at the minutes of the Crown Investments Corporation dated March 4 — I don't know what the exact document number is here. If you'll bear with me.

Mr. Barrington-Foote: — Madam Chair, late yesterday we received copies of some documents from Mr. McKillop. One of those documents was a 1998 minute, Crown Investments Corporation's special board meeting March 4. And I assume that that was communicated as well to the committee by Mr. McKillop.

The Chair: — It was communicated, sort of, to the committee. I apologize to the committee members. I do have the additional documents. It has been my custom to table additional documents that I've received right at the start of the meetings. And we have the pages just bringing in all the documents. I have several.

And perhaps if the committee doesn't mind, we can just stop the proceedings for a couple of moments while I make sure that we have all the documents. I'll just let you know what documents will be being circulated. I was planning to do it at the break.

Mr. Gantefer: — Madam Chair, can we have a bit of a recess so we can peruse these documents quickly? It's very difficult when we have Mr. Messer here, and these are the documents I believe that he and his counsel requested, for us to proceed with any fairness unless we see some of this.

The Chair: — I think that's a very reasonable request, Mr. Gantefer. As soon as I have all the documents here, I will have them circulated to the committee members and we'll call a five-minute recess so that you can look through them. They are documents, by and large, that were requested.

Some of them that you will be receiving will be a letter from Mr. Hillson requesting that we recall Mr. Christensen; a letter

from the McDougall, Ready law firm representing SaskPower, and providing various documents as requested; a letter from Mr. McKillop with various CIC documents as requested by Mr. Messer; and also a couple of binders of documents requested by Mr. Portugal, which will be the cellular and telephone expense records as well as personal expense records for the time when he was an employee of Channel Lake.

There will also be board minutes from the SaskPower board for September 10, July 21; and the minutes of the audit committee, July 21; and the finance committee, July 21.

So if those documents are present in the room now, Ms. Woods? They're not; they're making copies of them.

Again I would . . . Oh, the other thing that I will be tabling will be the Priel opinion on what constitutes criminal and civil fraud, as requested by Mr. Gantefer. And also a letter that Mr. Priel has sent to Mr. Wilson giving the scheduling, as we anticipate, for the DEML (Direct Energy Marketing Limited) officials and for Mr. Portugal.

I apologize to committee members; these by and large aren't all documents that were requested. There are no unexpected documents, but what is unexpected is the amount of time it takes to photocopy this volume of material.

Mr. Gantefer: — Madam Chair, I, with a little bit of understanding, I'm willing to proceed. There may be some things that would be obvious if I had the minutes, for example, in my questioning. So with the understanding I may ask questions of the obvious, like who was at the meeting, I'm prepared to . . .

The Chair: — Carry on.

Mr. Gantefer: — . . . continue because I think that we have some time challenges that I want to be sensitive about, so I'm willing to proceed if that's okay.

The Chair: — Thank you very much, Mr. Gantefer. I appreciate your cooperation.

Mr. Gantefer: — Mr. Messer, there's a number of issues that I'd like to . . . come out of your comments on . . . You said that after the executive meeting I believe, and I may not have this order correct from your statement, but you said you had a conversation with a cabinet minister but I do not believe you indicate which cabinet minister. Would you mind telling us which minister you spoke to?

Mr. Messer: — Mr. Berny Wiens.

Mr. Gantefer: — And was that a normal course of events? Because was not Mr. Wiens no longer responsible for CIC?

Mr. Messer: — I don't know whether there was any particular reason that I might have talked to Mr. Wiens. Mr. Wiens was, however, a member of the board of directors of Crown Investments Corporation at that time, as he is, I believe, now.

Mr. Gantefer: — Did he phone you or did you call him?

Mr. Messer: — I don't . . . I believe that there was a discussion between Mr. Wright and I and, if my memory serves me correctly, I called him the first time. I'm not absolutely certain about that.

Mr. Gantefer: — And as again . . . Forgive me, you had a great deal of information. At that time, did you ask him as well for additional opportunity to present an adequate response?

Mr. Messer: — I believe so. I think I reiterated to him that I had a feeling that this was clearly in my mind a staged circumstance, in that I found it more than just coincidental — and I've made reference to this before but I think perhaps it should be focused on here again — that I was not notified that there was going to be a review or any undertaking in respect of Channel Lake until I was out of the country and therefore had no opportunity to talk about such a review and/or its need or to propose that perhaps first you come over and thoroughly review what SaskPower had already done in respect of Channel Lake.

If there was to be a review, I don't think that it should have been unusual or an unreasonable request to say that we should be part of how and who conducts the review, so that we could be more integral to it and, I think, get a more thorough and accurate and honest accountability. I was out of the country. I was given no opportunity to have such involvement or input.

I found it strange again then, when there was an assurance that I would have the opportunity to review both drafts, that one draft — the one which I think is most in error, the Mr. Gerrand draft — which I think is clearly, as Mr. Gordon Kuski puts it, "give me a break" in regard to a legal opinion in respect of some reviewing of some pretty important subject matter, had no opportunity to have input to it and had virtually no opportunity as far as time is concerned to do a thorough and adequate review of the Deloitte Touche.

So that I reviewed that with Mr. Wiens, but said however, if there's a growing feeling here that because of Channel Lake, which I think there is no . . . and it would be a stretch to find evidence that I was negligent or somehow irresponsible in a way that would bring about justifiable dismissal, that nevertheless because of other circumstances I would be prepared to resign. But I wanted to have some transition time to properly disassociate for myself from the company and give other circumstances and employees in the company an opportunity to facilitate whatever they may want to do during that transition period.

That was, to my recollection, the kind of discussion that we had the first time around. And I've known Mr. Wiens for quite some time. I think it was a just a fact of saying, off . . . I don't think maybe it was off the record, but to say if this is the case, I mean here's where I am. Perhaps you have a comment or a contribution that you might be able to make.

Mr. Gantefer: — In that conversation that was on the evening or later in the day on the 3rd I believe, was the subject of . . . if CIC or the government or whoever was bound and determined to have you removed, was the issue of your staying on for a transition period, I think it seems like about a six-month transition, was that discussed? And did you say to him, as I understood from your statement, that if that transition period

was allowed, that you'd be willing to waive or forego a severance package?

Mr. Messer: — I don't know specifically that might have been stated, but certainly if I resigned or anyone else in a similar position, it would be highly unusual that you would get some severance package. It wasn't in my mind that I would be entitled to a severance package.

And I'm advised in respect of the chronological ordering of notes that I have here, that my recollection is that I specifically conveyed that to Mr. Wright on March 4.

Mr. Gantefer: — The next day you conveyed that to Mr. Wright specifically?

Mr. Messer: — What I think that it was conveyed to me, that this simply wasn't in the cards at all. That I think we were talking about specifics in respect of well, if this isn't the alternative, what is the other; what is the circumstance in respect of the option that you're making available to me.

Mr. Gantefer: — But in terms of the transition period, that discussion occurred on the 3rd then with Mr. Wiens?

Mr. Messer: — Yes, and in both instances Mr. Wiens and Mr. Wright indicated that it was unlikely that there would be consideration given to that. However they did raise, would you be prepared to facilitate a shorter transition period? Which I said my preference would be September, but I guess something like this is negotiable. But I'm not starting to negotiate it until I find out whether or not there is a desire to in fact facilitate such a discussion.

Mr. Gantefer: — The next morning, the 4th I believe . . . I guess backing up a bit, did Mr. Wiens indicate that he was going to discuss with his colleagues either on CIC or broader cabinet colleagues the information you had conveyed to him that evening? Because I believe the following day again — but we'll go to that — is that you had much more of a definitive answer from the minister, and I believe you indicated that that was also the next day — Minister Wiens.

Mr. Messer: — Again I cannot recall whether he said he would specifically talk to either officials or members of the CIC or cabinet colleagues, but certainly the assumption was I think that he would not only reflect on this himself but would talk to others as to whether this appeared to be perhaps a reasonable, negotiated solution to their desire.

Mr. Gantefer: — I think from your statement — I was just taking quick notes — is that something before lunch — 11:45, I think you said — you spoke to the minister again. And it seemed in my recollection of what you said that there was a much more definitive position taken by the minister at that time in terms of what they were willing to consider for transition time, for lack of a better word.

Mr. Messer: — I believe I indicated to you that in my earlier discussion with Mr. Wright on the morning of the 4th that he would talk to Wiens to see whether Wiens had any other information and/or was prepared to talk to me. He called me at 11:45 and conveyed that a transition period was not in fact in

the cards, in his view.

Mr. Gantefer: — In his view. Did he indicate that a severance package would be offered?

Mr. Messer: — I don't recall any discussion in respect to the severance package with Mr. Wiens. The severance package was discussed first with myself and Mr. Wright briefly; and that I already indicated to you I called in then the Acting Chair and it was conveyed to him that if I undertook to resign voluntarily there would be a very lucrative severance package to the extent that it would be as good as anything that may have been available previously. And I think they used an example of Mr. Stan Sojonky, who had received a settlement some years earlier.

Mr. Gantefer: — So that the offer of a severance package was first made to you by Mr. Wright on the afternoon of the 4th? Would that be correct?

Mr. Messer: — At 3 p.m.; the 3 p.m. meeting, when he indicated that he had been instructed to facilitate in getting my resignation by 6 o'clock or that there would be action taken to dismiss me with cause.

Mr. Gantefer: — Did he indicate who had given that instruction to him?

Mr. Messer: — The minister.

Mr. Gantefer: — Minister Wiens or Minister Lingenfelter?

Mr. Messer: — No, I believe the Minister of the Crown Investment Corporation board. And I think that's not inconsistent, because the document that you will be getting here indicates that by March 4 they had sought legal opinions in respect of whether they could undertake action to terminate for cause, and there was a minute passed by the board which authorized Mr. . . . first I guess the Minister of CIC, to undertake the process and direct Mr. Wright to facilitate him in representing CIC, and so undertaking.

Mr. Gantefer: — Okay. Mr. Messer, I ask your help in that we don't have the documents yet. Would you please just read . . .

The Chair: — Mr. Gantefer . . .

Mr. Gantefer: — I'm sorry.

The Chair: — I'm sorry.

Mr. Messer: —

John Wright is to meet with Mr. John Messer and indicate to him that his resignation unconditionally was required by 6 p.m., Wednesday, March 4, 1998. Further, John Wright was not authorized to discuss any issue of severance with Mr. Messer. Mr. Wright was to indicate that Milt Fair, Vice-Chair of SaskPower board of directors, would acquire the services of an outside counsel (a legal adviser, pardon me) such as a retired judge, to work out any package that would be appropriate in terms of severance.

Further it was duly moved, seconded, resolved, and passed unanimously that it was not acceptable to Mr. Messer that he would be dismissed.

The Chair: — Mr. Gantefer, I am advised by the Clerk that we do have all the documents now requested photocopied, and I would ask both you and Mr. Messer if it does not seem logical now that we would call a five-minute break? Or did you wish to pursue this line of questioning?

Mr. Gantefer: — I'm okay with continuing.

The Chair: — You're okay with continuing?

Mr. Gantefer: — Yes.

The Chair: — All right. I think what I will do then is carry on with the proceedings, and I will ask the pages to distribute documents while you're questioning.

Mr. Gantefer: — Thank you.

The Chair: — Thank you.

Mr. Gantefer: — Mr. Messer, can you give me, first of all from the attendance list at that meeting, who were the minister ... or what minister was in attendance at that CIC board meeting that you just referred to?

Mr. Messer: — The minutes indicate that it was chaired by the minister responsible for CIC, Mr. Lingenfelter. Other members present were Ministers Wiens, MacKinnon, Lautermilch, Shillington, and Cline.

Mr. Gantefer: — Thank you very much. And you indicated to me a moment ago that Mr. Wright had indicated that he had been directed by the minister, and I take it ... what minister would have given him that direction of those ministers that you've listed in attendance?

Mr. Messer: — The Minister of Crown Investments Corporation.

Mr. Gantefer: — Mr. Lingenfelter?

Mr. Messer: — That's correct.

Mr. Gantefer: — And I think that your words were that he was directed by the minister, and you've indicated Minister Lingenfelter, to provide you with an offer of a lucrative severance package. Is that correct?

Mr. Messer: — I don't believe that he was given the authority. He was given the authority to convey to Mr. Milt Fair as the Vice-Chair that if I was to voluntarily resign they would provide a fair and lucrative severance package equivalent to, if that was the decision of the process, to something in the neighbourhood of Mr. Sojony, who I think at that time was probably one of the more lucrative severance packages. But that clearly it would be a responsibility of Mr. Fair and whatever other facility he felt might be required in order to negotiate that.

Mr. Gantefer: — But was that in your mind a pre-condition

of your resignation?

Mr. Messer: — If in my mind, if they were not going to allow me the opportunity to resign with some period of time and had been conveyed to me that either I resign within the next three hours or I'm going to be fired for cause, I had the choice for cause. And as I said earlier, if I'd known that we would be into this kind of circumstance I would have chosen the cause and taken the action myself.

But given some comfort that this was over, as the statement stated, after my resignation, we'd reached a point where the corporation — I believe the wording was 'taking a new direction' — and that we had mutually agreed to depart and that under that circumstances, because it was imposed on me, in my view it was only fair and reasonable that I should be getting severance.

Mr. Gantefer: — Mr. Messer, on March 9 when Mr. Milt Fair announced the severance, from his speaking notes it indicates a number of sort of motherhood issues that do not at all indicate the kind of dilemma that they you placed you into, saying things like time for change and need for new direction and things of that issue, new issues like wheeling and new structures of power corporations around the world.

One of the statements in here were Guyana and Channel Lake were issues involved in the decision. And to date we've been focusing on Guyana, but in our mandate to discuss the issues surrounding your dismissal and a.k.a. resignation, but it seems very clear that the intent was there and you were either being dismissed with cause or given the opportunity to resign.

We've been focusing largely on the Channel Lake deal but they clearly mentioned in their notes that Guyana was part of this whole deliberation about reasons or justifying your dismissal. Is there any reason why the board or the minister or Mr. Fair should indicate that Guyana was part of the reason for your dismissal?

Mr. Messer: — Firstly in my view there was no cause within Channel Lake, any other subsidiary, or the corporation itself that would justify a dismissal of myself for cause. And I'm quite emphatic about that. If a review wanted to be undertaken it can be undertaken, but the corporation overall is in a remarkable state of affairs compared to other electric utilities.

In respect of the reference to Guyana, I think it's fair to say that there were significant frustrations for SaskPower Commercial in regard to Guyana, and in fact all of its offshore business, which was also a frustration for the parent in undertaking to facilitate its mandate. It clearly was the intent of the board of the directors of SaskPower and I believe the shareholder to facilitate Commercial as being a wholly owned subsidiary of SaskPower, to undertake to do business in a way that SaskPower might not be able to do as a Crown corporation — like a lot of other subsidiaries of Crown corporations.

If I can mention some of the electric utilities, would be like BC Hydro, Manitoba Hydro, Ontario Hydro, Quebec hydro, who have subsidiaries of their parents who are successfully doing business offshore. It would have been I think much more difficult to do it as a parent. So there was a significant

undertaking, in structuring SaskPower Commercial, to give it that kind of additional arm's-length separation from the parent, and therefore from the shareholder, to facilitate more like a private sector company in undertaking international business.

And I might say that the records will show that if anybody was conservative in respect of forming that company, it was myself. In fact I was reluctant as the executive officer of SaskPower to get into a subsidiary such as SaskPower Commercial, knowing the kind of problems that we would have with politicians, with the perception of the general public of Saskatchewan, in doing business outside of the province.

Nevertheless, with the structuring of Channel Lake and the way it . . . or pardon me, Commercial as it was structured, I felt it was worth the undertaking and we hired first-class management who performed remarkably well in finding opportunities for us, but we were never able to bring them to fruition.

Mr. Gantefer: — In adding Guyana to the reasons given for your resignation or dismissal, it seems to indicate that the government was trying to put a further smoking gun into your other hand and finding further justification for your dismissal. Was there any concern raised by Mr. Lingenfelter at any time about the — or Mr. Lautermilch before that — about the way you were handling and monitoring the Guyana deal?

Mr. Messer: — No, I do not . . . Obviously there was significant concern about the Guyanese deal. I think the press records will speak for themselves — that once we were into the Guyanese deal there was public opinion indicating that perhaps this was not something that SaskPower or the Government of Saskatchewan and/or SaskPower Commercial should be in — an equity investment outside of the country.

I think there was, at least on behalf of Commercial and SaskPower, an undertaking to explain the reasoning and the benefit of such an equity investment, and that equity investment through SaskPower Commercial to such a project wasn't going to in any way diminish the number of potholes that might be repaired in Saskatchewan. In fact it was an opportunity to bring something close to 30 per cent return on your investment.

It gave significant opportunities for further development. It would have given us a management contract that would have generated \$40 million a year . . . or \$40 million during the lifetime of the management contract, plus very significant spin-off benefit in human resources and other potential services to Guyana.

But it was concluded that an equity investment at that time was not facilitative because the shareholder felt it was not appropriate and perhaps a little ahead of its time. And I believe that their reasoning at that time was correct, and that I think there was significant public opinion which was indicating this was a . . . not a good investment, perhaps premature.

So an exit strategy was developed with another Crown corporation out of the British Empire called Commonwealth Development Corporation, who were contenders for the Guyanese acquisition. And we would facilitate them in acquisition, manage the company for them, thereby recovering our initial costs and still maintaining the management contract.

So we would have made money on the deal and we would have ended up with the management of the company. That, because of inability to get approval from the shareholder fell through, and subsequently lost the deal totally.

Mr. Gantefer: — How early . . . At what point in the whole discussion was the exit strategy decision made?

Mr. Messer: — We don't have the documents. We don't have them with us; I don't think we have the documents, so I'd have to go by memory. But I believe it would have been early in 1998, perhaps even late in '97, when the decision was clearly made that an equity investment was not going to be approved; therefore what could be done to facilitate an exit strategy that would give us the best position that we might be able to negotiate.

Mr. Gantefer: — Those documents would be available in SaskPower's records.

Mr. Messer: — They would be available in certainly SaskPower Commercial's and perhaps SaskPower.

Mr. Gantefer: — Thank you. The government released two sets of numbers or an increasing set of numbers that indicated how much the Guyana deal cost. Initially they said it cost something in the magnitude, if I remember, of \$800,000. And then about at the same time that they announced the Channel Lake issue, that number had been revised to be \$1.4 million. Do you have any knowledge that would indicate what the total price of this project may be?

Mr. Messer: — I do not. But I think there is a matter of record in that, and I do not know the specific date, but there was a detailed accounting provided at the request of Crown Investments Corporation in respect of the Guyanese investment, which broke down, to the extent we could, all of our expenditures. And if my memory serves me right, it was something in the neighbourhood of 1.3 or \$1.4 million at that time.

Mr. Gantefer: — The number that was tabled was the \$1.4 million, so if that's your recollection I'll accept that that's the number that was, in your mind, the accurate number of total expenditures.

Mr. Messer: — I'm going clearly by memory here. I'm advised that there was some evidence that we had looked at earlier that there was an accurate accounting of actual costs, both in manpower and out-of-pocket expenses provided, but there were some additional costs in kind that might have been provided by SaskPower that weren't included in that first estimate, for that first accounting. So that it could have been somewhat higher.

And I think subsequently there was a more accurate accounting done of it. But at some point in time, around January or February, there was a communiqué that was made available in respect of the direct cost. And I don't have it here but I have reference to it. I think it's a matter of record that may very well be made available to the committee if it's deemed to be facilitative.

Mr. Gantefer: — Thank you. I think that would be useful. Is

there in your recollection, outside of those direct expenses, either of time, in kind, and things of that nature that were outlined, was there any kind of a commitment that would penalize SaskPower or the government in any way if the deal didn't go through?

Mr. Messer: — SaskPower Commercial and SaskPower felt that there could be action taken against us in respect to the Guyanese deal.

Mr. Gantefer: — So that you believed that commitments that had been undertaken to date, if you forfeited, would leave you at risk of litigation?

Mr. Messer: — That's correct — was our opinion and also outside counsel's opinion.

Mr. Gantefer: — And you received those opinions in writing, I assume.

Mr. Messer: — Yes.

Mr. Gantefer: — Is there . . . was there any payments made or deposits made or things of that nature by SaskPower Commercial, SaskPower, or the government, that potentially would have been forfeited?

Mr. Messer: — I don't believe so. I mean I was not instrumental in negotiating this deal. I do not believe so. I think the most significant circumstance was . . . It's not directly relevant so I guess it's not worth raising at this point in time.

The Chair: — Again, Mr. Gantefer, I'm sorry. I don't want to cut off your questioning or anything, but your time is drawing to a close and I would ask that you focus your questions either on the Channel Lake matter or the specific payment of severance to Mr. Messer, since those are our terms of reference.

Mr. Gantefer: — I think, Madam Chairman, that clearly from the notes and from the issues surrounding the termination of Mr. Messer, the Guyanese deal was clearly indicated to be a part of that, not exclusively the Channel Lake deal, so . . .

The Chair: — Yes. And I'm not trying to cut you off from questioning about the Guyanese matter.

Mr. Gantefer: — Thank you. And what I would like to do, and that will indeed move these questions forward very quickly on this issue, I accept Mr. Messer said that there are legal opinions and documents at SaskPower and SaskPower Commercial received, indicating that they felt that there was potential litigation available in the default of this agreement, which indeed happened. And I'm concerned that that indeed may be information that's relevant.

And at the end of today's question, I'll be moving a motion that requests that SaskPower and SaskPower subsidiaries table documents regarding SaskPower's attempt to purchase 50 per cent of the Guyanese electrical corporation so that this committee may have that documentation that's been referred to by Mr. Messer available to it.

And I will quickly move on. You indicated to me, Madam

Chair, that I would have until 10 o'clock, which is about five short minutes.

Mr. Messer, in the short time I have remaining to me, I'd like to focus on the sale of Channel Lake. Mr. Christensen and Mr. Kram have testified that Lawrence Portigal never told them about changes in the sale price of Channel Lake Petroleum as the result of the negotiations with DEML that took place between March 26 and April 1.

Were you aware that there were changes potentially between the second draft and the copy that Messrs. Christensen and Kram signed that would indicate that DEML was not willing to pay the 2.8 million net price that had been approved by the SaskPower board of directors?

Mr. Messer: — That's what we discovered in May and June, which facilitated the new recommendation to the board on June 20.

Mr. Gantefer: — So you were not aware, prior to that, that DEML was wanting to have the . . . or that the deal that was going to be signed was going to be net \$5 million less?

Mr. Messer: — I mean the only information flow that I had was from my officials to me. So when they found out in respect of a deal being potentially different than what it was assumed to be, they conveyed that information to myself.

Mr. Gantefer: — Thank you. During previous testimony in this committee I asked you whether you thought Portigal was negligent in his handling of the Channel Lake sale. Your response was that you thought he was guilty of something much more than negligence. What did you mean by that?

Mr. Messer: — I mean I guess, the process is still ongoing in respect of what his actions might have been or the lack thereof. One I think significant deficiency that exists at this point in time is that we've had two quite significant reviews that people have based a lot of opinions and unfortunately conclusion on. None of those had any opportunity to talk to Mr. Portigal, but certainly at that time I felt that he was guilty of not carrying out the instructions that were given to him by myself and other officials of the corporation to the extent that I felt he should be dismissed.

Mr. Gantefer: — It's come to light in our hearing that the final agreement that showed up in the closing book was different in at least three articles from the copy that Mr. Kram and Mr. Christensen signed. Were you aware that there was any reason that was brought to your attention why these pages or these clauses or articles would legitimately have been changed?

Mr. Messer: — By and large this was evidence that was brought to the attention of the committee last week. I believe there was one change that was made available to us in the Milner Fenerty draft opinions in respect of whether there were . . . action could be taken, but this was evidence that was brought a week ago. I was not part of it.

Mr. Gantefer: — I believe that the evidence was that it was discovered that these changes occurred. My question was, was there any information that you had where these changes would

have been contemplated and legitimately made?

Mr. Messer: — It's our understanding that what was changed and discussed at these hearings last week were changes that emanated from the April 1 to 4 changes that Mr. Portigal was talking about; that's our understanding. And I have not had the opportunity to look at the documents and/or their restructuring or changes.

Mr. Gantefer: — At any time from the period of between December, when the decision was made to sell Channel Lake, and June 1, that the sale was — or just before if you like . . . it became aware to you that Mr. Portigal maybe was in a conflict of interest. Did he indicate to you at any time that he . . . it was his intention to be seeking employment with the new owners?

Mr. Messer: — Absolutely not. I knew nothing about it.

Mr. Gantefer: — Do you think that the grounds for you dismissing Mr. Portigal were solely the fact that he didn't carry out the instructions given to him? Or were they also that you felt he was perhaps in a conflict of interest by being involved with both companies?

Mr. Messer: — There was the potential of that as well but I did not have the evidence that is available today at that particular point in time. But certainly I looked closely at to the extent he carried out his instructions and to what extent he had empowerment in order to facilitate this deal.

I felt on those circumstances alone there was reason, given the substantive difference in what we thought the deal was going to be and what it concluded to be, to dismiss him. But certainly in my mind I also was concerned about the fact that he might have been representing both companies at the same time.

Having said that, I did undertake to communicate that, to the extent possible, DEML employ all of the people that were employed in Channel Lake if that made business sense to them. I don't think I would have been terribly upset if that included Mr. Portigal if it had happened in a different way, under different circumstances.

Mr. Gantefer: — And just one final, if I may. You indicated that at the time you suspected that there might be a clear conflict of interest. In reviewing the information that's now available, would your opinion be that he was clearly in a conflict of interest?

Mr. Messer: — No. I don't think that we have concluded this investigation. And as I said earlier, I think a key to this is to have Mr. Portigal answer some of the concerns that have been raised in the past several months in respect of this deal.

Mr. Gantefer: — Thank you very much, Madam Chairman. Thank you, Mr. Messer.

The Chair: — Thank you, Mr. Gantefer. I appreciate your cooperation in that. I will now move to Mr. Hillson to begin questioning. Mr. Hillson, could you question the witness till approximately 10:30, at which point we will have a 5-minute recess, and then we will resume with you again questioning.

Mr. Hillson: — Thank you. Mr. Messer, I have some questions that follow on what the committee has done to date, and then after the break I wish to talk to you generally about what you see is the future of our Crown corporations.

However my first question, and I know this has been gone over but I want to go back to it again, the material you filed at the June 20 meeting of the board was to the effect that you found no negligence on the part of Mr. Portigal or other SaskPower officials. You now tell us that the reason you say you found no negligence was because, in the case of Mr. Portigal, you found something more ; you found deliberateness.

My question is, did you tell the board that that's what you meant by no negligence; that you thought there was more than negligence here?

Mr. Messer: — I believe I did. I, unfortunately if I had it to do over again, would have chosen a different phraseology in the written communiqué. But my memory clearly recalls that there was information given to them in respect of Mr. Portigal's having been dismissed for cause.

Mr. Hillson: — And do you have your report to the meeting, your president's report to the meeting of June 20?

Mr. Messer: — I do.

Mr. Hillson: — Can you make that available to the committee?

Mr. Messer: — Talking about the June 20 meeting, I don't know whether the written report makes reference to Portigal, but clearly we discussed the probability of action taken against him.

Mr. Hillson: — Right. But I am asking that the written report to the board for the June 20 meeting be presented. I think that's in order, Madam Chair.

Mr. Messer: — I believe you have that; that's the topic summary. It's a matter of record.

Mr. Hillson: — What number is that?

The Chair: — I'm just going to check but I believe it is already part of the documents, Mr. Hillson.

Mr. Hillson: — And there's nothing further? I'm trying to check though. There's nothing further though besides what we've gotten in terms . . . because I don't see any reference there to something more than negligence. And I just . . . I wanted to check that there is nothing more in the written record of what you presented to the committee on June 20.

Mr. Messer: — No, there is not. And I would suggest that if you want clarification on that other than from myself, that you review with some of the board members, the hour and 15- or 20-minute discussion in respect of the decision-making process at that board meeting.

Mr. Hillson: — Okay, and what about the Milner Fenerty opinion to the effect that if Direct Energy did not immediately agree to renegotiate, that the sale agreement should be cancelled

and legal action commenced. Was that legal opinion made available to the board?

Mr. Messer: — No, it was not, but there was reference made to it. And the Milner Fenerty opinion, as you put it, were not opinions, they were drafts. There was never a final form. And they conveyed, before it was put into a final form, that in their view, if action was taken there would be less than a 50 per cent chance of succeeding. And I think that that's almost consistent with everybody that's looked at this in regard to whether litigation could be undertaken.

I think what is important here as well, is that we had to understand fully the consequences if we undertook an action, because Milner Fenerty, or pardon me DEML had made it perfectly clear that they would undertake an action against us. I mean in the sense of ownership, they had ownership of the property. And we had to deal with what was left of a business deal that was still by any kind of fair measurement a good return on our investment.

Mr. Hillson: — Was there any concern that by instituting legal action the whole affair would thereby become public?

Mr. Messer: — Certainly. It was a matter that was I think, in the minds of myself and management and the board, but it was not the driving factor. The driving factor was, we have a problem with a deal and the alternatives are to conclude it. And if it is, is it defensible, and is it the right deal, or are there other options available to us. And at that time the advice was that the options were not attractive or beneficial to SaskPower. And I believe that under further scrutiny by others who have looked at those circumstances, also conclude that that was the right decision to make.

Mr. Hillson: — Was there any concern that by these circumstances becoming public and becoming public knowledge, that things had gone so horribly wrong by getting involved in Alberta Natural Gas, that this would have a detrimental effect on public opinion in terms of investments in Guyana and other places?

Mr. Messer: — Well I think that yes, given what's happened in the last six weeks here in respect of something that does not deserve this kind of attention and is facilitating in an unfair way the image and the successes of SaskPower, I guess the answer is yes.

Mr. Hillson: — And was that also behind the March 31 deadline in the sale? Is that the significance of why March 31 was so important in concluding the sale?

Mr. Messer: — No, not at all. I have testified here earlier that with any deal, I think you have to set some parameters and some closing date in order to drive the business to be conducted in a businesslike and orderly fashion. But had there been circumstances that would have either improved the deal or which would have put the deal in jeopardy, then the deadline would obviously be extended.

Mr. Hillson: — But in terms of the June 20 meeting and the possibility of pursuing legal remedies, one of the concerns was that legal remedies would lead to publicity which would

endanger investments in places like Guyana.

Mr. Messer: — I mean I do not recall any focused discussion or concerted discussion at the board meeting in respect of that. I must admit that as a chief executive officer of a company, one always keeps mindful, whether private or public sector, the public opinion of the company. You want the company's reputation to not be tarnished in any way.

And so . . . But it was not major. I mean obviously it's one of a whole series of factors that one would keep cognizant of in going about making decisions in respect of the business of the company.

Mr. Hillson: — So it was one of the factors which weighed on your mind?

Mr. Messer: — Absolutely.

Mr. Hillson: — Thank you. Now the memoranda from Mr. Portugal dated April 1, 3, and 4 that we referred to before, and that's binder 15, document 826. I think you're familiar with what I'm talking about, Mr. Messer. Did you refer those memoranda to anyone else?

Mr. Messer: — I'll put them in front of me again.

Mr. Hillson: — Yes.

Mr. Messer: — These are the documents starting April 1 identified as documents — I don't see the April 1 one here — but 868, 61, 862, and 863 I believe. And the answer is yes. If my memory serves me correct, I was out of the office when some of these memos came, but I did put marginal notes in them and I did have some discussion with Mr. Ken Christensen in respect to them.

Mr. Hillson: — You talked to Mr. Christensen about them?

Mr. Messer: — Yes.

Mr. Hillson: — And please don't get me wrong, Mr. Messer. This is not being in the slightest critical because I can't make any sense of them, but could you make any sense out of those memoranda?

Mr. Messer: — Obviously I had some questions that I raised with Mr. Christensen, but the documents in my mind concluded what we had been assuming all along in respect of what the deal was at that particular point in time even though there were some other suggested changes.

Mr. Hillson: — Okay. So through the verbiage, you did not see these memoranda as flagging that there had been significant changes?

Mr. Messer: — I did not. And I've had discussions with my officials after the fact in respect of whether any alarm bells went off in their minds in regard to their review of those documents, and they concluded the same as I — that there is nothing here to indicate even in hindsight that there was significant change having taken . . . been taken place with the deal at that time.

Mr. Hillson: — So what you're saying is, yes you read the memoranda, you discussed them with at least one other senior officer of the company. You did not understand or interpret these memoranda to flag significant changes to the deal?

Mr. Messer: — I did not.

Mr. Hillson: — Thank you. Sir, I note in our materials there is reference to approval for Channel Lake to make a \$12 million purchase of something called Morgan Hydrocarbons Inc. Now can you tell me, did that deal in fact go through or not?

Mr. Messer: — It did not go through with us. And my current understanding is that it's in litigation between the current owner and Morgan at this point in time.

A Member: — Stampeder.

Mr. Messer: — Stampeder, pardon me.

Mr. Hillson: — This litigation has no bearing or impact on us, are you saying?

Mr. Messer: — To my knowledge it has no bearing or impact on us.

Mr. Hillson: — Can you tell us, sir, if in the course of seeking opportunities offshore, was there any partnering with B.C. Hydro?

Mr. Messer: — Certainly not to my knowledge.

Mr. Hillson: — You were asked earlier this morning about the post-signing changes to the agreement. I think this is clear, but I want to ask you, did you authorize any subsequent changes to the agreement?

Mr. Messer: — To the Channel Lake agreement?

Mr. Hillson: — Yes. The sale agreement, sir.

Mr. Messer: — You're talking about now the April 1 to 4 period of time?

Mr. Hillson: — Well at any time. We've been told . . . April 1 to 4, I guess first of all, but we've also been told of course about the change in the three pages. Did you at any time authorize any such changes?

Mr. Messer: — Well I want to be careful in respect of my answer here. I mean at that point of time, Portigal clearly had authority in regard to negotiating the deal. And to that extent, I guess, if he had that empowerment I was authorizing him to undertake it. But there was a limit. There was certainly no authorization to substantively change the deal by \$5.2 million.

Mr. Hillson: — No. Okay, but I'm also talking about the three changes subsequent that we only just found out about. And I'm just asking you, did you authorize any changes after SaskPower had executed the agreement?

Mr. Messer: — No.

Mr. Hillson: — Thank you. The documents you requested earlier, Mr. Messer, and that have now been filed with us, indicate that at the CIC board meetings, Brian Topp was present. Would that be, would that be standard, sir?

Mr. Messer: — Well not having attended many Crown Investments Corporation board meetings, I can't really facilitate you with an answer.

Mr. Hillson: — You're not able to comment?

Mr. Messer: — No.

Mr. Hillson: — Do you know if — and I may have to ask this of someone else — your senior officials with SaskPower, their contracts of employment, is it common for them to include a clause that they will not work for another related company if they cease employment with SaskPower? Are you able to answer that?

Mr. Messer: — I'm not able to answer that. I can take note and we can certainly get back to you.

Mr. Hillson: — And you've said that you yourself had no contract?

Mr. Messer: — Not in the form of a written contract.

Mr. Hillson: — So at least if you yourself went to work for another power company, there's nothing preventing you from doing so.

Mr. Messer: — No encumbrment of any kind in respect of myself.

Mr. Hillson: — Okay.

Madam Chair, as I've indicated, I have a completely different line of questions so now would be an appropriate break, in my mind.

The Chair: — Thank you for your cooperation, Mr. Hillson.

We will now take a break until approximately 10:30. I would ask for people's cooperation. Would you please try to be back in your places by 10:30 and ready to go back to work. This committee is now recessed until 10:30.

The committee recessed for a period of time.

The Chair: — I would ask everyone to please resume your places. We will start the proceedings again. Mr. Hillson, would you please put questions to Mr. Messer till approximately 11 o'clock. And I apologize to the government side — that leaves you about a half-hour to question Mr. Messer if we are to stick to our schedule and have Mr. Christensen called again as per Mr. Hillson's request.

Is it agreeable to the committee members that we'll have Mr. Hillson question till around 11 and then government side from 11 to 11:30? Thank you.

Mr. Hillson: — Mr. Messer, a couple of just wrap-up questions

if I may. These early April memoranda from Mr. Portugal, was there any covering letter or correspondence from Direct Energy Marketing or their solicitors?

Mr. Messer: — During the April 1 to 4 period of time? I would have to check the file. None comes to mind. Certainly none comes to mind directly to myself.

Mr. Hillson: — Did you see a letter in that approximate time frame from a Mr. DeLuca outlining the changes to the agreement or the contemplation of further changes?

Mr. Messer: — I can undertake to do a check but I do not recall such a communiqué from Mr. DeLuca. There's none in the documents at this point in time I'm told, and I do not recall any such correspondence to myself.

Mr. Hillson: — Okay. I appreciate that, and I would ask then that as you say, that you do check to see if there would have been any communication from Direct Energy, its directors or solicitors in that time period.

Mr. Messer: — Undertake to so do.

Mr. Hillson: — Thank you. Did you at any time discuss your severance with the Premier, sir?

Mr. Messer: — Did I at any time discuss my severance with the Premier?

Mr. Hillson: — Yes.

Mr. Messer: — No, I did not.

Mr. Hillson: — Now did the department of finance or anyone else at any time respond to you that the memoranda from Mr. Portugal in the first week of April was serious and significant.

Mr. Messer: — The department of finance within SaskPower?

Mr. Hillson: — Yes.

Mr. Messer: — No.

Mr. Hillson: — Mr. Messer, you talked generally on some of your earlier attendances before us as to what you see as the role of our Crown corporations in the future, and please understand I'm not trying to put words in your mouth, but as I understand what you have told us, it is your view that with deregulation our Crown corporations will now have to behave and act as any private corporation would. I'd like you to comment.

Mr. Messer: — I think with deregulation and competition, Crowns will have to change dramatically in the way they operate. That's not to say that they will simply be stereotypes of private sector companies as they exist today. If that was the case then I think the bottom line is there is no facility for Crowns. So there has to be an additional cause, purpose, or benefit.

But if they are going to survive they will have to very dramatically change the way they do their operations.

Mr. Hillson: — You are aware that the Crowns of course were initially established to pursue social policy objectives.

Mr. Messer: — Certainly.

Mr. Hillson: — Will that still be possible in an atmosphere of deregulation and competition?

Mr. Messer: — I think that that's an issue that will have to be addressed. I believe that there are potential opportunities for Crowns that go beyond the private sector, especially in a jurisdiction such as Saskatchewan. I think it may not be as applicable in other jurisdictions.

Mr. Hillson: — So what is your personal view? Can the Crowns still be used to pursue social policy purposes or not?

Mr. Messer: — Depends on the extent and what the parameter is of social policy benefits and how they may be facilitated by the Crowns.

Mr. Hillson: — So are you saying that the scope, the scope for doing social things will be much more limited in the future?

Mr. Messer: — I think that that's correct. I guess what one would have to do — and it's not for me to tell the shareholder how they should go about running their Crowns, especially on the social policy side — as an executive officer one would have to be conscious that there is a need to have some social policy.

I believe what is required is longer-term planning like the Crown is responsible for in regard to carrying out its commercial business. If there is some social facility that the Crowns can provide then it should also be a long-term plan that is clearly understood and communicated and one that is in harmony with the commercial requirements of the Crown.

Mr. Hillson: — And would you say then now in hindsight, sir, that that's ultimately why Guyana failed, is that this communication with the shareholders to obtain their approval for these new undertakings simply wasn't there. So the shareholders, as you're referring to the people of Saskatchewan as you've already told us, were ultimately found simply not to be onside.

Mr. Messer: — I think that what you say is true. I believe the general public of Saskatchewan have not fully understood what subsidiaries like SaskPower Commercial were trying to do, not only for SaskPower but ultimately for them as the true shareholders of the company.

I believe there are also some bureaucrats of government who do not understand the need for commercial change of the Crowns, and are unfortunately undue influentially on the politicians in respect of how they should be running those Crowns.

I think that it's clearly unfortunate that we have circumstances that was in the media yesterday and today in regard to Millar Western, where it's accepted that the company doesn't release information like Crowns where there's going to be significant cash injections of money; and it's in the paper today and out tomorrow, where officials have significantly greater latitude or paid significantly greater rewards for the business that they

conduct yet the government is fully and totally responsible for their decisions.

But when it comes to a Crown, we'll have a circumstance like this which is — and I don't want to make light of it — a very small part of the total business operations of SaskPower — I've said it before, less than 1 per cent — where in the true term of loss, there is no loss of \$5.2 million, even though the media and some others say there is a loss. All of the evidence that's available today from everybody, the one thing that they're consistent in is that there is no loss in respect to the sale of the Channel Lake properties. Yet we have this; this would not happen with Millar Western or Crown Life or Saskferco — and this is simply a political circumstance that exists for Crowns — doesn't exist.

The short answer to your question is unless the Crowns get that kind of facility and arm's-length ability to run their business, they will be run into the ground.

Mr. Hillson: — So you are saying that the Crowns have to run more like private corporations and less like branches of the government.

Mr. Messer: — They very much have to run more like commercial entities and be held accountable like commercial entities. That does not mean that they should simply be a private sector company.

The Chair: — Mr. Hillson, I appreciate the questions and answers that are being put. I would also appreciate a clearer indication that they're related to the committee's terms of reference.

Mr. Hillson: — You have — I think these are all following up on what Mr. Messer has already testified to — you have also said on a number of occasions that political involvement with the Crowns has to be lessened or removed. Is that a fair statement, sir?

Mr. Messer: — That's a fair statement.

Mr. Hillson: — What I am putting to you though is that as long as the government owns the Crown corporations, how do you remove government and politics from the operation of the Crowns?

Mr. Messer: — I guess one . . .

Mr. Hillson: — It seems to be a contradiction in terms, does it not? And I'm not going to argue with you.

Mr. Messer: — It could be. It could be.

Mr. Tchorzewski: — Madam Chair, I don't want to get in the way of legitimate questions, because I think things have gone very well. But we're now, I think, into the area of much broader than the Channel Lake inquiry. It's a discussion of policy surrounding Crowns as a whole, and I'm not . . . I mean I will bow to your judgement but I would like some consideration of whether this is within the terms of reference or whether it is not.

The Chair: — Mr. Hillson, I did already ask you to phrase your

questions focusing specifically on the terms of reference. Were you attempting to do that?

Mr. Hillson: — Yes, and specifically, Madam Chair, this is a direct follow-up on the testimony of Mr. Messer of April 15. And I don't propose to take a long time but I'll tell you where I'm going. It seems to me that Mr. Messer is saying, well government and politics cannot be involved in the Crowns, but on the other hand that raises a real question as to, if they have to behave like private corporations, why would we have public ownership? And this is a direct response to page 722 of the *Hansard* of our committee and where he testified that the shareholders deliberately put in place a process that was going to separate more significantly the operations of the Crowns from the government that exist today.

I don't think it's going to take me more than 10 minutes, but I think these are very basic questions that we have been told. What have we learned from Channel Lake? Why did we get into Channel Lake? Why did we get out of Channel Lake? What does it say about the future of public ownership in this province? I don't think it's unconnected. I think it's connected to the ultimate questions that this committee — the Crown Corporations Committee — will have to address.

The Chair: — I appreciate that, Mr. Hillson, and I appreciate you giving us advance notice where you plan to end up. Now that we know where you want to get to, could you please quickly phrase your questions so that you can get to where you wanted to. And we need to be very much aware that our terms of reference are Channel Lake and Mr. Messer's severance, not a philosophical consideration at this point of the fate of the Crowns. Carry on, Mr. Hillson.

Mr. Hillson: — Mr. Messer, in terms of political involvement in the Crowns, I think you would have to agree, would you not, that politics has a little something to do with your having become the chief executive officer in the first place.

Mr. Messer: — To the extent that I was given an opportunity — I don't know whether there was political involvement — to be part of the search for a chief executive officer. I mean I went through a process. I was told that the third party who facilitated that process chose myself as the president and chief executive officer of the corporation.

Mr. Hillson: — Yes. And you would agree that the fact you were the campaign manager for Mr. Romanow back in 1970 when he ran for the NDP (New Democratic Party) leadership might just have had something to do with your name coming up?

Mr. Messer: — It may very well; although I advanced my name myself, after the election, as president and CEO (chief executive officer) of SaskPower and therefore became part of the search process.

Mr. Hillson: — Now I seem to hear you saying that if we don't take the politics out of the Crowns and they don't behave more like private corporations, that they will ultimately fail; that they will not be viable; that they will not be economic in a climate of deregulation and competition. Is that your testimony?

Mr. Messer: — I think my testimony is that there needs to be an understanding and an arm's-length arrangement with the operations and managements of Crowns from government in order to survive. That's not to say that as Crowns there shouldn't be a high-level policy understanding between the boards and the management of those Crowns and the political shareholder — the government shareholder — and the people of Saskatchewan.

Mr. Hillson: — And you see problems with Crowns contracting with one another on anything more than an arm's-length business footing?

Mr. Messer: — I believe I stated previously that in a deregulated and competitive environment, your Crowns will have to act like other private corporations in regard to their relationships; otherwise it may be detrimental to one or both if there is preconceived or undue influence as to the level of association or business that they should be doing together.

Mr. Hillson: — But does it raise any questions in your mind, Mr. Messer, that in the case of the Crown corporations, your shareholders and your customers are one and the same people?

Mr. Messer: — I don't see any problem with that.

Mr. Hillson: — Well I mean specifically, you talk about the improvement in profits but, I mean obviously the profits to the shareholders have come out of those self-same shareholders as customers, have they not?

Mr. Messer: — That's correct. And I think what is required here in my view is an understanding in respect of what profits are and how they were generated. In the case of SaskPower we have generated higher profits than the corporation has ever enjoyed. I hear people saying that that's a hidden tax.

But the real circumstance is that in the last three years those profits have been generated not because of rate increases but because of internal efficiencies within the corporation, which is a reward to those consumers that they had not otherwise been getting up to that point in time.

I think what's required is somewhat of a history lesson. When SaskPower was formed to electrify Saskatchewan it had very little political interference. Clearly it was given a mandate and it carried it out, and the politicians of the day . . . if one goes back and simply looks at the record and the historical accountability, they were given significant authority to do what they had to do and they did it. Otherwise it likely would have not been successful if there would have been the micro-management by politicians that exist in some instances now.

Mr. Hillson: — But you told us that the reason that the people of Saskatchewan — shareholders — were so nervous about investments in Guyana and elsewhere is that they didn't understand. Do you acknowledge that it may be just possible that they understood all too well that their money was being put at risk in some of these other ventures?

Mr. Messer: — No, I do not because unfortunately — and I think it's a matter of record — I criticized government and opposition politicians as well as the media for never truly

explaining the story in respect of Guyana. I hear again and again money being put at risk when we repeated again and again and again that SaskPower Commercial and at SaskPower that there was political risk insurance, and that if things went wrong totally, the very worst off you would be is to get your money back.

That was never, in my view, fairly conveyed to the public of Saskatchewan, and unfortunately in their ignorance they had good reason to say this may not be a good investment.

Mr. Hillson: — My last question. Are we on the horns of a dilemma in that the Crowns have to be non-political and operate as private corporations or they will die, but if the Crowns are to act like private corporations rather than pursue public policy objectives then the whole philosophy of public ownership has been eroded and has no purpose.

Is that the dilemma we are facing as we move into the next century?

Mr. Messer: — It may be a dilemma for Saskatchewan but it can be addressed in my view with an honest accountability and an honest interpretation of what Crowns are about and what they may be able to do.

As we speak, there are five entities competing for the acquisition of Guyanese electrical company; three of them are Crown corporations. Quebec, after we backed out of Guyana, put \$75 million U.S. (United States) — Quebec hydro, a Crown corporation — into Guyana.

I'm simply saying that in other jurisdictions they have moved ahead of the parochial thinking that exists in respect of how Crowns should operate. In Saskatchewan, Crowns have always, and to this day are still, criticized, as I said earlier, by some bureaucrats as being out of control and that they should be run like departments of government. And I think it is unfair and unfortunate that that imposition is put on all political parties, to some extent lessen the powers that should be given to Crown corporations.

Mr. Hillson: — So I guess you are saying that those persons who are nervous at some of these new foreign investments by our Crown corporations are parochial?

Mr. Messer: — To some extent. Some of them are just immature in respect of what they think they know about business; as a bureaucrat of government they probably know very little about business.

The Chair: — Okay. We've gone from parochial to immature. I will now . . . Mr. Hillson, your colleague, Mr. Osika, has indicated that he would like to put a few questions; so until the hour of 11 o'clock, Mr. Osika.

Mr. Osika: — Thank you, Madam Chair, thank you.

Mr. Messer, I just wanted to go back to the March 4, 1998 board meeting. And you would have been aware of all the participants in that particular board meeting. Is that correct?

Mr. Messer: — Are you talking about a SaskPower board

meeting, a Channel Lake board meeting?

Mr. Osika: — A Crown Investments Corporation of Saskatchewan special board meeting of directors meeting, Wednesday, March 4.

Mr. Messer: — Okay. The question was . . .

Mr. Osika: — You would have known the people that were at that meeting?

Mr. Messer: — I would have known who might be at the meeting. Obviously when I got there, as the minute records, those were the directors of CIC who were present.

Mr. Osika: — Plus there were some other people, others; Chris Dotson, Greg Marchildon, and Brian Topp, the latter two from Executive Council.

Mr. Messer: — I don't recall whether they were present during all of them, at least during the portion of the meeting that I attended.

Mr. Osika: — Okay, I just was looking at . . .

Mr. Messer: — Excuse me, because I'm in error here. I did not attend the March 4 meeting. I mean I attended a subsequent meeting which I made reference to here. It was not the March 4 meeting.

Mr. Osika: — But you were aware, you are acquainted with or familiar with the people that were at that March 4 meeting and who they represent.

Mr. Messer: — Yes I am.

Mr. Osika: — Okay. I guess my question again — my colleague had asked it earlier — from the minutes of that particular meeting it appears very apparent that on that day the board had made some recommendations to resolve your participation with SaskPower either through termination or resignation. Is that correct?

Mr. Messer: — That's what the minute indicates.

Mr. Osika: — I guess I go back to the question that my colleague asked, just to clarify one more time, if you had ever at any time discussed your severance package or the assurances that had been given in any of the proposals given to you with the Premier?

Mr. Messer: — I did not.

Mr. Osika: — Okay, thank you, sir.

The Chair: — Any further questions, Mr. Osika? Thank you. We will then move to the government to pursue a line of questioning.

Hon. Mr. Shillington: — Thank you very much.

The Chair: — Until approximately 11:30, Mr. Shillington.

Hon. Mr. Shillington: — I think that's manageable. One of the advantages or disadvantages in going last is some of the areas which I was going to cover have already been covered by other members and so I think I can be a little briefer.

Mr. Messer, I believe Mr. Hillson raised with you the changes that were made to the final sale agreement, the changes between what I think is referred to as a third draft and a first draft. You're familiar with those changes?

Mr. Messer: — Are you talking about the documents that were tabled last week or . . .

Hon. Mr. Shillington: — Yes, the changes between the document which your vice-president signed and the final sale agreement which appears in the closing book.

Mr. Messer: — I have not reviewed the final sale agreement which was made reference to here last week.

Hon. Mr. Shillington: — Okay, so you are saying, you're telling the committee you're not familiar with the changes that were made to the . . .

Mr. Messer: — I'm only familiar in respect of what I have been made knowledgeable of through the media.

Hon. Mr. Shillington: — Okay, are you . . . Mr. Kram, you're aware that Mr. Kram made a statement to the committee, are you? Are you familiar with the statement?

Mr. Messer: — I know that Mr. Kram made a statement to the committee. I do not know precisely the embodiment of that. I imagine it's a matter of record. I could look at it.

Hon. Mr. Shillington: — Well let me ask you in a general way then, are you able to say whether or not those changes which were made are material, significant?

Mr. Messer: — It's my understanding that there are some material changes but they are the genesis of the April 1 to 4 communiqués that Portugal made available.

Hon. Mr. Shillington: — All right. So in your view at least some of these changes are material?

Mr. Messer: — I think that the most substantive one was the decision to share losses and to cap the potential losses that were emanating from the trading.

Hon. Mr. Shillington: — That would be clause 7.1c, which is an indemnification by SaskPower in favour of Direct Energy. Is that to which you refer?

Mr. Messer: — I think that's part of it, if I could look at the document here. This was referred to in, I don't know which one of the memorandums, between April 1 and 4; so it was part of what had been reported earlier.

Hon. Mr. Shillington: — Okay. All right, I am going to go on, since you're not as familiar with that as I had anticipated.

I'm going to go on actually to a different line of inquiry.

SaskPower conducted an independent evaluation into Channel Lake assets in January of '97, I believe.

Mr. Messer: — January.

Hon. Mr. Shillington: — Of '97, I understood. By Gilbert Lausten?

Mr. Messer: — Yes, I'm assuming that that was the correct date, but . . .

Hon. Mr. Shillington: — All right. They placed, as I understand the report, they placed an asset value on Channel Lake gas reserves at 21.1 million, later reduced them due to some water problems, and the final figure was at a value of 20.3 million. Is that correct?

Mr. Messer: — Yes, I believe that to be correct.

Hon. Mr. Shillington: — Was that report or was the information made available to DEML when they were in the process of considering their offer to purchase?

Mr. Messer: — I do not know that. As I have said at this committee on a number of occasions, I was not integral to the day-to-day negotiations. I appointed a committee of people who I felt were more than competent in carrying out that responsibility.

Hon. Mr. Shillington: — DEML was buying the company as distinct from the assets of the company. Isn't that correct?

Mr. Messer: — It was a share transaction.

Hon. Mr. Shillington: — Which meant that DEML was purchasing not just the assets but would also be assuming the liabilities of Channel Lake by buying the shares?

Mr. Messer: — That's correct.

Hon. Mr. Shillington: — And is it, is it not also a fact that there's no attempt to conceal from DEML, the trading losses? That information was freely made available to DEML when they asked?

Mr. Messer: — I certainly have no evidence that there was any undertaking to conceal trading losses.

Hon. Mr. Shillington: — DEML are relatively sophisticated business people, are they not, in your opinion?

Mr. Messer: — I have no reason to believe that they aren't.

Hon. Mr. Shillington: — So they knew they were buying the company. They knew that included the assets and responsibility for the liabilities. When were the trading losses quantified? We've had a figure of \$5.2 million. When was that figure quantified? When did the trading losses become something that you could state with some assurance at 5.2 million?

Mr. Messer: — I believe that there was a quantification made some time in February. But as far as a full itemization or particulars, it wasn't until sometime in April. And that was one

of the reasons that DEML said that they would reconsider their position in respect of the purchase unless there was some amendment made to give them some comfort as to the trading losses and the potential amount.

Hon. Mr. Shillington: — But when they offered a gross figure of 20.8 million, which I think was what you understood their position to be, you understood — sorry — you and your vice-presidents understood their position to be, they were offering a figure, a gross figure of — sorry — a net figure of 20.8 million; offering 27 million minus the trading losses for a net figure at 20.8 million. That's what you understood their offer to be.

Mr. Messer: — Yes, and I think there is significant documentation around where the officials made reference to the board decision and the Sunday meeting, which has been discussed here on several occasions previously, that we're talking about 20.8 million net.

Now I can't answer whether DEML . . . The evidence shows after the fact that DEML had no intention of ever paying 20.8 million net.

Hon. Mr. Shillington: — I was about to get to that. Why would DEML, sophisticated business people, offer the gross value of the assets when they knew they were going to have to pick up the liabilities and they knew that would include significant trading losses. Why would they offer a figure which seemed to be in excess of the value of the company?

Mr. Messer: — I guess that . . . I would suggest that you ask that question to Mr. Drummond, who I assume will be here Tuesday or Wednesday of next week. I cannot, as a previous witness said, be in his mind to understand what they might have been thinking.

Hon. Mr. Shillington: — He will. But I'm interested in your views as to why you think a company would offer a figure which is grossly in excess of the value of the company. He was offering the gross value of the assets rather than the net value.

Mr. Messer: — Well obviously it was one of the reasons that we undertook this to be the most attractive offer. And I mean, I don't think it is my responsibility or the responsibilities of the negotiators to say, gee whiz, you're way over our highest evaluation of the property here, maybe you've made a mistake, you shouldn't be offering this. I mean I think we went through a businesslike process based on what we had conveyed to us by Mr. Portugal in respect of what the company was worth. And in all of those discussions up until the change was noted, was 20.8 million net.

Hon. Mr. Shillington: — With the benefit of hindsight, doesn't it seem highly likely that this offer was a bit of a set-up? They never did intend to offer you a figure of 20.8, they never did intend to pay 20.8 million.

The Chair: — I think, Mr. Shillington, you're asking the witness to speculate. And I know that witnesses have a compulsion to answer all the questions; but I think you need to focus your questions on factual matters rather than asking for speculation at this point.

Hon. Mr. Shillington: — Okay, I'll move on. You have stated, I think, that Lawrie Portugal was a contract employee of SaskPower and not of Channel Lake. Is that correct?

Mr. Messer: — That's correct.

Hon. Mr. Shillington: — He didn't . . . he did however, act in all respects as manager of, perhaps I can use the term virtual manager, of Channel Lake, didn't he?

Mr. Messer: — That's correct.

Hon. Mr. Shillington: — Did he receive any specific instructions or authority with respect to handling the sale of Channel Lake? The handling the sale of Channel Lake to DEML? Did he receive any specific instructions or authority?

Mr. Messer: — I think there is likely a number of documents which indicate that Mr. Portugal was given powers and responsibility representing SaskPower. I mean you recall that I appointed a number . . . a team of people to facilitate the deal. But I do believe, for example, there was a letter from myself to DEML, or perhaps from Mr. Kram, indicating that the point person would be Mr. Portugal.

Hon. Mr. Shillington: — Well let me try rephrasing the question. Did he . . . Were there any restrictions on his authority to negotiate the agreement then?

Mr. Messer: — I don't know whether there were written restrictions, but obviously there were empowerments given to him. If he went beyond those then those were actions that he had no authority to undertake.

Hon. Mr. Shillington: — I'm not sure I understood your answer. Were there restrictions on his authority?

Mr. Messer: — If there were arrangements or understanding reached between himself and DEML, there should have been a reporting mechanism, before they were finally approved, to Kram and/or through the counsel that was facilitating the deal, Milner Fenerty, to Mr. Kram.

Hon. Mr. Shillington: — Okay. And did he have signing authority on behalf of either Channel Lake or SaskPower?

Mr. Messer: — In respect of the sales transaction, or signing authority in respect of conducting the business of Channel Lake?

Hon. Mr. Shillington: — Well let's just start with your latter question, the business of Channel Lake. Did he have signing authority of . . .

Mr. Messer: — . . . Of the deal?

Hon. Mr. Shillington: — No, let us begin first of all with the latter. Your latter, your latter part of your comment referred to whether or not he had a signing authority for Channel Lake with respect to cheques and documents of that sort. Did he have that signing authority?

Mr. Messer: — The signing authority was with the officers, not

directly with Portugal.

Hon. Mr. Shillington: — Okay. So he didn't have signing authority for Channel Lake with operations, yes.

Mr. Messer: — I don't have the documents in front of me, but the signing authority by and large was with the officers of the corporation. I think it would be fair to assume that on a day-to-day business he had some authority to sign at a lesser level.

Hon. Mr. Shillington: — Okay. He clearly wouldn't have had any authority then to sign the sale documents, the sale of the Channel Lake assets. Of the escrow . . . I'm referring to the escrow agreement and the sale agreements.

Mr. Messer: — That's correct.

Hon. Mr. Shillington: — May I refer you to the document I think you're probably familiar with. It's the acknowledgement agreement dated April 3, 1997, about which there's been so much controversy. It is, Madam Chair, document 874 tab 2. I've actually got — CLP 1515, actually.

He clearly then did not have authority to sign that document. Is that correct?

The Chair: — We'll just take a moment while the witness finds the document in question.

There seem to be two or three side meetings going on in the room. And I would ask people if we could try to keep the noise level down to give the witness an opportunity to consult with his legal counsel — all parties.

Mr. Messer: — I think that this is a question of law and is yet to be resolved. He may have implied authority because of his responsibility as the chief negotiator, but whether or not he had express authority is not clear.

Hon. Mr. Shillington: — Did he have, in your view, authority to negotiate a change in the purchase price?

Mr. Messer: — I think the answer to that, generally speaking, is yes. But there would have to have been a reporting mechanism back. I don't think that there was any exclusivity in regard to what he was not entitled to do. If in the negotiations a change in price came up, he would have to deal with that. But he had no authority to accept a change in the sale price without the proper reporting mechanism.

Hon. Mr. Shillington: — Right. He would have had to have got confirmation of any change in the purchase price from the officers of SaskPower. Is that what you're saying?

Mr. Messer: — I'm saying that any material change should have been reported by himself and Milner Fenerty to Mr. Kram, and then some due process would have been undertaken in respect of whether or not that was acceptable or not, or whether it should be amended. In other words the team would then deal with it, and subject to the magnitude of the change, they may come to me; they may go to the board — the Channel Lake board and/or the SaskPower board.

Obviously they had to keep mindful that the board of directors of SaskPower had passed a resolution of \$20.8 million net and nobody had an authority to agree to anything other without going back to the board of directors.

Hon. Mr. Shillington: — You have in fact referred to the board of directors. For the record, let me just . . . I'm referring to the moment for SaskPower board minutes. On January 13, I think it's common ground, January 13, 1997, SaskPower board approved the sale of Channel Lake assets by way of a royalty trust. The reference number is CLP 6 of 22.

Do you know if Mr. Portugal was aware of this SaskPower board resolution?

Mr. Messer: — I believe he was part of and/or it was his recommendation that we seek out a royalty trust, so I'd have no reason to believe that he wasn't aware of the decision of the board.

Hon. Mr. Shillington: — Was he present at the meeting of the SaskPower . . . was he present at the meeting of the SaskPower board?

Mr. Messer: — The minutes do not indicate that he was at the meeting.

Hon. Mr. Shillington: — March 13, then '97, and more to the point, SaskPower board altered the method of sale of SaskPower lake. They changed it from a royalty trust to a share purchase or an asset purchase. Was Mr. Portugal aware of this SaskPower board resolution and minute, do you know?

Mr. Messer: — I would very much assume that he was, because he then undertook a share sale because the royalty trust did not prove to be facilitative to us.

Hon. Mr. Shillington: — So your evidence is that no SaskPower . . . and I gather there were no further SaskPower board resolutions which authorized any further changes in the sale price.

Mr. Messer: — There were but . . .

Hon. Mr. Shillington: — But not before the agreements of April 1, 2, and 3. Not before the concluding, not before the signing of the documents on April 1, 2, and 3.

Mr. Messer: — On March 23, at the request of Mr. Portugal because we had the DEML offer, I concluded at the at least executive level, it was the best offer. The recommendation went to the board to move from a royalty trust to a share sale.

There was a board meeting on March 27 where again Channel Lake was discussed with some greater preciseness and where the board concluded that we were talking \$20.8 million net.

Hon. Mr. Shillington: — And was Mr. Portugal . . . do you know whether or not Mr. Portugal was aware of this resolution?

Mr. Messer: — I see at the bottom of the minute that I'm making reference to that Mr. Portugal left the meeting after this was discussed so I would assume that they were there to

facilitate the decision-making process.

Hon. Mr. Shillington: — And there were then, I gather, after March 27 there were no further SaskPower board resolutions authorizing any change in the . . . any reduction in the purchase price.

Mr. Messer: — That's correct. There were no . . .

Hon. Mr. Shillington: — Okay, and Mr. Portugal would have been aware of this so far as you're concerned. He would have been aware of the resolutions of the SaskPower board. Is that correct?

Mr. Messer: — Yes.

Hon. Mr. Shillington: — I want to deal with one final matter; in the time remaining I think we can cover it. I want to go on to the engagement letter, Milner Fenerty — SaskPower's engagement letter with Milner Fenerty. I'm referring to document 854 and it is CLP 14 of 29. Clause 2 states that Mr. Portugal is authorized to instruct outside counsel subject to clause 3. And clause 3 requires copies of all legal documents including letters, memos, and draft agreements are to be provided to Mr. Kram. This is a qualification put on Milner Fenerty in their dealing with Mr. Portugal.

Were there any other qualifications placed with any other . . . were there any other qualifications placed on their dealings with Mr. Portugal that you're aware of? Is this the sole letter of engagement with Milner Fenerty? Is there anything else which defines their relationship?

Mr. Messer: — I do not recall any other communiqué. I don't see any other documentation that has been made available to this committee that conveys that, but perhaps that may be a question more appropriately addressed to Mr. Kram who was the liaison by and large between Milner Fenerty and SaskPower.

Hon. Mr. Shillington: — Did Milner Fenerty comply with this request to Mr. Kram?

Mr. Messer: — The most obvious deficiency that has been brought to light is that Milner Fenerty did not provide to Mr. Kram or to SaskPower the third draft document prior to the signing.

Hon. Mr. Shillington: — Was legal action considered or is it being considered — no reason you would know that — was legal action considered against Milner Fenerty?

Mr. Messer: — There was no outside counsel undertaken to provide an opinion in respect of Milner Fenerty.

Hon. Mr. Shillington: — I'm sorry, could you restate that. Could you say that again?

Mr. Messer: — There was a . . . The corporation did not seek independent counsel as to whether an action could be taken against Milner Fenerty.

Hon. Mr. Shillington: — So there was no consideration given

to whether or not. Is that what you're saying?

Mr. Messer: — There was internal discussion but there was . . . it was not taken to a point where it was seriously considered and other counsel sought.

Hon. Mr. Shillington: — Why not?

The Chair: — Mr. Messer, the question Mr. Shillington put to you, you may not have heard, was why not?

Mr. Messer: — Okay. Why not? Because as I have stated and other witnesses have stated that all of the counsel that we sought concluded that there was no logic to taking action because you could not prove loss against either DEML or Milner Fenerty. And so I think throughout this, one of the driving factors in the respect of the decision that the executive and the board made is that all evidence at the time, and all evidence that we have now shows you could not prove loss, so therefore it was not productive in any way to undertake litigation.

Hon. Mr. Shillington: — And one final question and it may be relatively brief, because you may or may not be aware of . . . you may not be familiar with the document. I'm referring to document 1127 CLP 17/28 — you may want to ask your counsel to find it. It is a memo from Portigal to you dated May 29. And it has . . .

The Chair: — The year, Mr. Shillington?

Hon. Mr. Shillington: — 1997. And it has attached to it a statement of adjustments.

The Chair: — It's document 1128.

Ms. Hamilton: — Document 1127.

Hon. Mr. Shillington: — CP . . . where did I find it again?

Ms. Hamilton: — CLP 17/28.

Mr. Messer: — Your question is that I'm aware of the document?

Hon. Mr. Shillington: — Yes.

Mr. Messer: — Yes, I am.

Hon. Mr. Shillington: — Is this the . . . and there's a statement of adjustments showing a net sale price of \$15.09 million.

Mr. Messer: — That's correct.

Hon. Mr. Shillington: — My question is, is this the first statement of adjustments that SaskPower received? Do you know whether or not this is the first statement of adjustments you received? I asked the question because it was apparently received almost two months after the sale, on April 1, 2 and 3. It seems an unusually long time to wait before getting the statement of adjustments.

Mr. Messer: — I think that if you look at the document itself it

shows that the trading losses were to go up to May 31, so it would require that that would first have to take place before, then we would get the information that is included here, dated May 29.

Hon. Mr. Shillington: — And so it was the first statement of adjustments and you did not expect to receive a statement of adjustments before that. Is that true evidence?

Mr. Messer: — It's not something that I would be aware of. I mean if there was information made available in advance of that, I don't believe I was knowledgeable of it.

Hon. Mr. Shillington: — All right. Okay, those are my questions. Those are my questions, Madam Chair.

The Chair: — Thank you very much. We will now then, since all three parties have had an opportunity to question Mr. Messer, we will now move to recall Mr. Christensen, as per the request from Mr. Hillson.

We have approximately one-half hour of time left, and I would hope that what we can do is conclude our questioning with Mr. Christensen today so that we can call Mr. Kram at 9 a.m. on Thursday when we reconvene. So Mr. Hillson did ask to have him recalled.

I would propose that what we will do is, Mr. Hillson will put some questions of fact to Mr. Christensen for about 10 minutes, then I'll move to the NDP and have them question for about 10 minutes, and then finally to the Sask Party, and we can leave procedural matters until Thursday. Is that agreed to? Okay.

We do have some procedural questions that we'll have to deal with so we will need to leave about five minutes of time. As I understand it, the procedural matter that we will be dealing with is a motion by Mr. Gantefer, and he's already given committee members notice of that so you can bear that in mind as we're working our way down to the hour of 12 noon.

Mr. Christensen, are you ready now to answer questions?

Mr. Christensen: — As ready as I'll ever be.

The Chair: — All right. Mr. Hillson, you have the floor.

Mr. Hillson: — Thank you. Thank you for returning, Mr. Christensen. I refer you to the first binder, the legal opinion of Mr. Gerrand, page 27. There is reference there to a hand-written note from yourself dated January 28, 1997 and I would ask you to just read into the record the four goals for the sale of Channel Lake as recorded there.

Mr. Christensen: — I'm going to read it from the original document if that's okay with you.

Mr. Hillson: — Actually that was my question — if the original is available. Yes. Can you read into the record the original document?

Mr. Christensen: — Certainly. It's binder 13, document 16. It's the last page. It reads, Channel Lake Devestiture Goals. And the first goal is, get the best price possible after fees; (2)

sell before March 31, 1997; (3) earn enough gain to cover trading losses in 1997; and (4) earn enough to have overall positive return from Channel Lake.

Mr. Hillson: — Now no. 1 is obvious — get the best price. No. 2, what is the reason that it was so keyed to the sale to have it concluded by March 31?

Mr. Christensen: — Well, you're right. Goal no. 1 is obvious and it was the overriding goal for the sale of Channel Lake. We wanted to get the best price possible.

March 31, as Mr. Messer had stated earlier, was a target date. I commonly call it a bogey. I'm probably the only one that uses that term at SaskPower. It's a date whereby you want to get something done. And we typically would do that at SaskPower, set a date to complete things so that there was a target to get it done.

A more important reason than having a bogey though was at this particular time in the market-place, royalty trusts were trading at a fair premium above asset value. Interest rates had been low and gas prices had been high. And in fact it was high gas prices that likely caused the bankruptcies in the industry.

We felt, from the information we had, that now was the right time to sell and that we should move fairly quickly to get the best possible price. And I think if you look at some of the documents that were tabled, you will see that concern generally in the industry literature.

And our feeling was confirmed after January 28 in our meeting with Nesbitt Burns, that in fact the market was hot. If we wait, we may suffer from, I think their term was market fluctuations.

Mr. Hillson: — So the March 31 deadline had nothing to do with not having to report Channel Lake's trading losses in the annual reports?

Mr. Christensen: — No, sir. The trading losses, particularly 1996, because those are the financial statements that had been prepared, would have to be included, their effect would have to be included in the annual reports.

Mr. Hillson: — Now Mr. Spelliscy had earlier written a memo to you saying that it would be improper to close off Channel Lake as of December 31.

Mr. Christensen: — No, that's not what he said, sir. Close, but not quite.

Mr. Hillson: — Okay, what did he say?

Mr. Christensen: — Our original . . .

Mr. Hillson: — I should go back to that document. That would not be according to sound accounting principles.

Yes, I'm sorry. It's binder 17, document 1142. And it says there, I quote: "I do not think that we can remove Channel Lake from the books as of December 31, 1996." I think that's exactly what I put to you when you said I was wrong. Correct?

Mr. Christensen: — It says: "I do not think that we can remove Channel Lake from the books as of December 31, 1996."

Mr. Hillson: — Right. And that's what I put to you a minute ago.

Mr. Christensen: — Can you repeat your question? I've forgotten what the question is.

Mr. Hillson: — Well if you got a memo from Mr. Spelliscy saying that . . . just that, you can't remove — it wouldn't be proper to remove Channel Lake from the books as of December 31. And you said, no, you've got it wrong. Now would you just read that sentence again into the record so that we're clear as to who's right and who's wrong.

Mr. Christensen: — "I do not think that we can remove Channel Lake from the books as of December 31, 1996."

Mr. Hillson: — Okay. Now this is a memo to you?

Mr. Christensen: — Right.

Mr. Hillson: — From someone in accounting?

Mr. Christensen: — Correct.

Mr. Hillson: — Why? What's the origin of this? How did the issue ever arise that removing Channel Lake from the books as of December 31 was important? Where does the memo come from?

Mr. Christensen: — You may recall, sir, the original DEML letter of offer. Their offer of February 28 stated an effective date of September 1. And my question was, if we go through with that original offer, do we, as SaskPower, have to remove Channel Lake from our books as of December 31, 1996?

This memo was written March 10, 1997. A significant concern was that we had already finalized our books for SaskPower. They were essentially awaiting approval by the board of directors. And my concern was, if we went through an agreement that said we had sold September 1, 1997, did I now have to halt the board of — sorry, 1996 — did I now have to go to the board and say, wait, I've got to change the whole books of SaskPower, get them reaudited and signed off by Ernst & Young.

Mr. Spelliscy came back and said, no, you don't have to do that. And in fact the accounting treatment that he talks about here is actually different than the one that we wound up using. We wound up using, in 1997, discontinued operations treatment, which is the appropriate treatment.

Mr. Hillson: — Now last question. The memoranda of Mr. Portugal to Mr. Messer dated April 1, April 3, and April 4, I understand you discussed those with Mr. Messer and you reviewed them?

Mr. Christensen: — I can recall discussing them in June. I have no recollection of any discussions prior to that with Mr. Messer.

Mr. Hillson: — When did you first read them yourself, sir?

Mr. Christensen: — I would have probably looked at them sometime in April.

Mr. Hillson: — And did you refer them to anyone for expert opinion or advice?

Mr. Christensen: — I did not.

Mr. Hillson: — Were they referred to finance at all to see if they had any interpretation on those memos?

Mr. Christensen: — When you say finance, you mean to . . . you're talking SaskPower finance?

Mr. Hillson: — Yes, your department.

Mr. Christensen: — I did not refer them to anyone. No, sir.

Mr. Hillson: — Did you ask Mr. Portugal what those memoranda meant?

Mr. Christensen: — No, sir.

Mr. Hillson: — So what advice did you give Mr. Messer as to what those memoranda meant?

Mr. Christensen: — In what time frame are you asking, sir?

Mr. Hillson: — Any time frame you choose, Mr. Christensen. You name it.

Mr. Christensen: — In June my advice to Mr. Messer, as best as I can recall our discussions, is in nowhere is it clear that there's been a \$5.2 million drop in price.

Mr. Hillson: — And what about in April, did you give Mr. Messer any advice as to how you interpreted those memoranda?

Mr. Christensen: — I don't believe so. I can't recall any . . .

Mr. Hillson: — So June would have been the first time you talked to him.

Mr. Christensen: — That's correct.

Mr. Hillson: — And you told him at that time that you did not read the memos to indicate there had been a drop in the purchase price.

Mr. Christensen: — That's right.

Mr. Hillson: — Thank you.

The Chair: — Thank you, Mr. Hillson. I will now turn to the government side. Who is going to be questioning Mr. Christensen?

Ms. Hamilton: — Some of these I just quickly want to clarify the information, I believe, from the other day. Mr. Christensen, just to clarify: to your knowledge what existed then and now is the drafts 1 and 2. Draft 3, which was signed as the original

said documents by SPMC (Saskatchewan Property Management Corporation) on April 1, then the new draft that was blacklined, the draft . . .

Mr. Christensen: — Can you . . .

Ms. Hamilton: — No. 4.

Mr. Christensen: — It would be easier to . . . If you went through these sort of one at a time and I'll tell you if I was aware of them or not.

Ms. Hamilton: — All right. What would be draft 1?

Mr. Christensen: — That was I believe March 18; I was aware of that one.

Ms. Hamilton: — The second draft.

Mr. Christensen: — Of March 26, yes, I was aware of that one.

Ms. Hamilton: — The third draft that was signed on April 1.

Mr. Christensen: — The third draft came out on March 31 and we were not given that prior to June. I think Mr. Kram received that in June from Mr. Hurst of Milner Fenerty.

Ms. Hamilton: — Then the draft that you signed on April 1 you're saying was draft 2?

Mr. Christensen: — The document we signed on April 1 we thought was the same as draft no. 2.

Ms. Hamilton: — So the third draft you're talking about is this new one that was presented the other day that had blacklining in it.

Mr. Christensen: — No, there was a draft no. 3 which was never conveyed to anyone in SaskPower before the signing, and we only got it in June.

Ms. Hamilton: — And you're saying then, that's the "Closing Book" document that you received in June.

Mr. Christensen: — No.

Ms. Hamilton: — No, okay. So . . .

Mr. Christensen: — Ms. Kleisinger and Mr. Milani are just running through a chronology so that there's no confusion between the drafts, the signing copy, and what wound up in the "Closing Book." I'm not trying to be difficult; I'm trying to be helpful.

Madam Chair, I'm ready to roll. Draft no. 1 was dated March 18 and both Mr. Kram and I had reviewed that one.

Draft no. 2 was dated March 26. Mr. Kram and I received that and reviewed it.

Draft no. 3 was dated March 31 and Mr. Kram received that from Mr. Hurst in June.

We did not see it before the signing on April 1. There's what I'll call the execution copy of April 1. We thought it was the same as draft no. 2, but it was different from both draft no. 2 and draft no. 3.

There's the April 3 blacklined changes which were handed out to you last week, which we had only seen last week ourselves. Then there's the "Closing Book" version which we received in June and that's different from the execution copy, and it's also different from the April 3 blacklines.

Ms. Hamilton: — It's been referred to . . . And thank you for that — until that clarification it was getting a little murky. April 1 memorandum that you were questioned about, you didn't receive before the execution copy.

Mr. Christensen: — I don't believe we did. If we did I wouldn't have read it. It would have come in the mail.

Ms. Hamilton: — Okay. So it didn't come in e-mail, it just came in your regular mail.

Mr. Christensen: — It just came in our regular mail.

Ms. Hamilton: — Okay. The next one then is the memorandum of April 4, and that's between Mr. Portugal and Mr. Messer. And I believe it's document 1121 in CLP 17/22. It's copied to yourself, Mr. Patrick, and Mr. Kram, and also, Mr. Stevenson.

When you received a copy of that memo — you received a copy of that memo?

Mr. Christensen: — I believe I did, yes. It was . . . (inaudible) . . . yes.

Ms. Hamilton: — The second paragraph says that "...the agreements entered into are essentially the same as were discussed earlier with the modifications outlined in my memorandum of April 3, 1997."

Mr. Christensen: — Sorry, can you . . .

Ms. Hamilton: — Well I'm just wondering, this one would then indicate to you a change in the agreement, or Mr. Portugal's indicating to you a change in the agreement?

Mr. Christensen: — Not the written sale agreement necessarily. It says the agreements entered into and there were several.

Ms. Hamilton: — What would this indicate to you then when you've read it when he says with modifications outlined in the memorandum of April 3?

Mr. Christensen: — Yes, looking back at the April 3, 1997 memo there's a number of items he talks about . . . providing a comfort letter which my understanding is that's not a legal binding document. And he talks about a recommendation at the bottom of that.

Ms. Hamilton: — So in your mind he's not pointing to modifications in the document that you signed, the execution agreement.

Mr. Christensen: — Correct.

Ms. Hamilton: — Okay. In your mind then he had authorization to make these changes. You weren't aware of the others. Do you feel Mr. Portugal had the authorization to make the other changes?

Mr. Christensen: — Yes, there weren't any changes to the documentation that I was advised of.

Ms. Hamilton: — So the changes that you later became aware of, that would have happened over that April 1, 2, 3 time frame — April 4 — do you feel if changes were negotiated that Mr. Portugal had the authorization to do so?

Mr. Christensen: — Yes, he had the authority to enter into negotiations but any changes to the written documents should have come back to the signing officers.

The Chair: — Ms. Hamilton, can you start to wind up your questioning.

Ms. Hamilton: — I guess I'd move then to the document 1119, the share purchase agreement. And just like to ask about . . .

Mr. Christensen: — What binder is that?

Ms. Hamilton: — CLP 1720.

Mr. Christensen: — I have it.

Ms. Hamilton: — Okay. If you refer to S.42(1) on page 12, it states the closing date defined is June 1, 1997 and on page 2 the corporation, Channel Lake, would not have any employees. Channel Lake had a number of employees, I think, that were outlined in another document which is 1115. It had in place structure and to terminate the employees according to that would be quite costly, I guess, if you were going to look at termination of employees. So I'm just wondering with . . .

Mr. Christensen: — Can you give me the reference for the page and section again?

Ms. Hamilton: — All right. S.42(1) on page 12.

Mr. Christensen: — There's no S on page 12.

Ms. Hamilton: — Well section 4. There'd be section 42(1) on page 12 and it states the closing date is defined as June 1, '97. That was one page 2, that Channel Lake wouldn't have any employees.

Mr. Christensen: — Oh, that's an L, not a 1? Sorry. On the closing date the corporation will not have any employees nor have an effect, etc?

Ms. Hamilton: — Yes. Okay, and in the documents I looked at sort of a flow chart. There were a number of employees. So would that mean that you would have to terminate the employees and it would be quite costly to the organization?

Mr. Christensen: — As best as I can recall there were some contract employees and I don't know what the terms of their

contract were, but I think it was sort of one month's notice. There were a couple of seconded employees from SaskPower who went back to SaskPower. So I don't believe, I don't believe that there were huge severance payments or anything like that to be made. I think it was quite minimal.

The Chair: — Ms. Hamilton, the hour is now 5 to 12.

Ms. Hamilton: — Okay, I'll wrap that up and one quick question at the end then. I was just wondering that because in the memo on April 4 it said that DEML would have an interest in continuing the employees. But you're just saying that that wouldn't be a significant change either.

Mr. Christensen: —Correct.

Ms. Hamilton: — The final question I have is wrapping up what I heard today from Mr. Messer and some of the discussion. When you identify all of the losses, could you verify Mr. Messer's statement that when all was said and done, through the Channel Lake, there was a profit of \$2 million made?

Mr. Christensen: —That's our estimate.

The Chair: — Thank you, Ms. Hamilton.

Mr. Gantefer: — Thank you. I'll try to be very brief. A follow-up on Channel Lake. The question is, was there any additional letter either from DEML or from their lawyers that accompanied either the April 1 memo, document 858, or the draft signed on April 1 that you are aware of?

Mr. Christensen: — I'm aware of no memos from DEML or — I think their lawyers were Burnet Duckworth — that went, that went . . . there were none that went to me and I'm aware of no others.

Mr. Gantefer: — So the memo that went from Mr. Portugal to Messer, document 858, or the draft signed agreement, there were no further bits of letters or communications that you're aware of.

Mr. Christensen: — Not that I'm aware of.

Mr. Gantefer: — Thank you. The other quick direction I'd like to turn to is this morning Mr. Messer testified that there was a potential litigation, or potential liability, resulting out of the Guyana deal. Have you ordered SaskPower or SaskPower Commercial to do an analysis of what that potential liability would be?

Mr. Christensen: — I haven't ordered any analysis of what that potential liability might be.

Mr. Gantefer: — So you're not aware of any analysis of that potential liability.

Mr. Christensen: — I'm aware of some analysis, sir.

Mr. Gantefer: — That was not ordered by you but that is in the hands of SaskPower or SaskPower Commercial.

Mr. Christensen: — That's correct.

Mr. Gantefer: — Can you tell us what that potential liability is?

The Chair: — Perhaps, Mr. Gantefer, we will have Mr. Kram on the witness stand on Thursday.

Mr. Gantefer: — Except Mr. Christensen is the numbers counting person, I think it's appropriate . . . (inaudible interjection) . . . Question of relevance is very clear because the severance to Mr. Messer was indicated to be Channel Lake and Guyana, and I'm trying to determine if there is relevance in terms of the potential exposure to justify that comment being made in relationship to Mr. Messer's severance.

The Chair: — Excuse me, Mr. Thomson. Mr. Gantefer, I will take it as read that you are directing your comments through the Chair.

Mr. Gantefer: — Yes.

The Chair: — Thank you. And, Mr. Thomson, you have not yet been recognized. Mr. Gantefer, do you have any further questions for Mr. Christensen?

Mr. Gantefer: — I haven't heard the answer to the question, and that would be my last question.

Mr. Christensen: — I don't know all the details surrounding the dollars.

The Chair: — Thank you.

Mr. Gantefer: — Thank you, then I request we deal with the motion.

The Chair: — We then have a motion that Mr. Gantefer has indicated that he wishes to put. I've circulated copies of it to all members of the committee. I would ask Mr. Gantefer to speak to his motion now. And could you for the record read it into the record once again please.

Mr. Gantefer: — Thank you, Madam Chair. I'll quickly read it into the record. I move:

That the following documents be tabled with the Standing Committee:

All memoranda, briefing information, correspondence and any other documentation from or to any department of government, government agency, Crown corporation, and/or Executive Council regarding the attempt by SaskPower and/or any SaskPower subsidiary to purchase 50 per cent of the Guyana Electric Company; and

all legal opinions and reports prepared by Saskatchewan Justice, SaskPower and/or any outside law firm contracted by any department, agency, Crown corporation and/or Crown-owned subsidiary with respect to the impact of a decision by the Government of Saskatchewan and/or any department, agency, Crown corporation and/or Crown-owned subsidiary to break off negotiations on the

purchase of the Guyana Electrical Company.

The Chair: — Thank you. Would you speak to your motion please.

Mr. Gantefer: — I think, Madam Chair, that clearly in Mr. Messer's testimony today and clearly from the indication of the reasons for Mr. Messer's termination, it is clear that in addition to the Channel Lake issue that it was clearly quoted and referred that the Guyana transaction, or potential transaction, was clearly given as part of the reason for Mr. Messer's severance.

I think that these documents are required in order to establish what the impact of the Guyanese issue was on Mr. Messer's severance, which is clearly within our mandate. And I think it's fair to request these essential documents.

The Chair: — Thank you. I'll take speakers now.

Mr. Tchorzewski: — Thank you, Madam Chair. I think it's pretty obvious that when you look at the motion that is being presented by Mr. Gantefer that it goes well beyond what we are considering here and that is Channel Lake. And it's . . . I've seen this in this process before. It's an attempt to go on a fishing expedition and yet open up, using this inquiry, an inquiry into yet another part of SaskPower's operation, and that is the Guyana thing which will come before the Crown Corporations Committee in the normal course of events.

It is also clear that the minister has said on a number of occasions that there were policy differences. And that's fair. And I think it's incumbent on the committee to hear from the minister and ask the minister to explain those comments. And I think during that process we can . . . we know what Mr. Messer has had to say and which out of fairness we ought to hear what the minister has to say on that same subject.

So I think the committee, rather than continually dealing with these kinds of attempts to broaden the mandate of this committee and the terms of reference, get on with the task which it is undertaking I think quite adequately so. And I think the committee should not support this motion because it goes far beyond what we are supposed to be doing here.

The Chair: — Thank you, Mr. Tchorzewski. Mr. Heppner and then Mr. Hillson.

Mr. Heppner: — The reason we're here at these various committee meetings is to look into . . . one of the things is to look into Mr. Messer's severance and the relieving of his duties was related very specifically to relate to Guyana and to Channel Lake — both of those, not just one but both of them.

We have dealt to this point in time with Channel Lake. We have asked for documents on Channel Lake, we have received those documents, and we have a large number of documents on Channel Lake as we should have had. Just because we haven't dealt to Guyana at this point is no reason to go ahead and decide that we aren't going to deal with them. They are very specifically part of that severance package. It's part of the concern that was raised why Mr. Messer is no longer in the employ of SaskPower, and that information is needed.

We had two witnesses this morning who both addressed the Guyana situation and failed to be able to answer some of the questions on it — questions such as: what is a liability that SaskPower may have on that Guyana deal, if those liabilities are substantial. They relate very specifically to Mr. Messer's severance.

And for those particular reasons we have to know what those are because part of his severance package relates to Guyana, and we have to know what those were to see if that severance package was indeed valid if any was supposed to be there.

The Chair: — Thank you, Mr. Heppner.

Mr. Hillson: — Madam Chair, I'm somewhat torn with this motion. It certainly was very obvious to me when this committee was first convened that the people of Saskatchewan have at least as many questions on the aborted Guyana deal as they do on Channel Lake. None the less we were in fact convened as the Channel Lake inquiry, and the House gave us a mandate to look into Channel Lake, a mandate which we endorsed and accepted, knowing full good and well to say that Guyana is also a big question. But I think it remains very much to be asked whether Guyana is part of the mandate of this inquiry or whether it will have to be dealt with in due course in another forum.

The only thing I have heard that would link Guyana to our discussions in this inquiry is that, as I understand it, Mr. Messer said today that the decision not to litigate Channel Lake was motivated at least in part by the fact that that would make the circumstances public and that just might test public confidence at a time when SaskPower was seeking to invest in Guyana. So it is relevant to that extent that Guyana was in the background when SaskPower decided that they didn't want Channel Lake becoming public because of what it might do to public confidence and public opinion.

However it seems to me that if we adopt this motion the inquiry would in fact have to start all over again. The witnesses we have dismissed would have to begin all over again because we have a substantially almost totally different mandate than the one we earlier accepted, and we haven't questioned any of the witnesses about the aborted Guyana deal to any extent, so we would simply start all over again. And it seems to me that this is properly a motion for the legislature if we wish this or some other forum to take up the issue of the Guyana deal.

But I have to say that while I'm as anxious as anyone to get to the bottom of a whole range of issues as to how and why our Crown corporations are now working around the globe, I'm not sure that we can do that in this inquiry without totally losing sight of the fact this is the Channel Lake inquiry, and it will not be the Channel Lake inquiry if this motion is adopted.

The Chair: — Mr. Hillson, the hour is now well past 12 o'clock, so what I will do is ask Mr. Gantefer if he wishes to make a closing argument and then I will put the question.

Mr. Gantefer: — I think other than what is said, clearly the mandate of this committee was not restricted to the Channel Lake. The issue was twofold, Channel Lake being mentioned as one specific case, the other issue being clearly the

circumstances leading up to the termination and dismissal of Mr. Jack Messer and the subsequent severance package that was allowed.

Mr. Messer indicated in his testimony today clearly, and in the speaking notes by Milt Fair, that there were two issues specifically referred to by way of background to his dismissal over and above the philosophical wallpaper that was talked about. It was clearly Channel Lake and clearly Guyana, and clearly that is a part of our mandate.

I take exception to the fact that it isn't part of it. Mr. Messer felt that he was being dealt a wild card and that there was a real attempt by people to put a smoking gun into his hand, and I think that it's incumbent on the mandate of this committee to discuss Guyana as well, as I have said in the past. And I am disappointed that the government and the Liberal third party are taking exception to that.

The Chair: — Thank you, Mr. Gantefer.

I will now put the question. I realize that there was some prejudging of how people will vote, but let's not get into unnecessary overinterpretation of committee members' statements. All three parties have had an opportunity to put their position with respect to this motion.

I hear the call for the question. I will now ask those in favour of Mr. Gantefer's motion, please indicate. Okay. I have Mr. Heppner, Mr. Gantefer, and Mr. Hillson.

Those opposed, please indicate. Mr. Kowalsky, Mr. Thomson, Mr. Tchorzewski, Ms. Hamilton, Mr. Shillington, and Mr. Trew.

That motion is negatived.

This committee . . . Excuse me! I would ask members of the committee to please continue conducting yourselves with decorum. This committee now stands adjourned until the hour of 9 o'clock on Thursday, April 30.

The committee adjourned at 12:09 p.m.