



Standing Committee on Crown Corporations

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

The Chair: — Good morning, everyone. We will reconvene the special hearings of the Crown Corporations Committee, looking into the circumstances of Channel Lake and the payment of severance to Mr. John R. Messer.

We have before us today the Hon. Dwain Lingenfelter who will be giving testimony. And I would like to say welcome, Mr. Minister, to the committee. I assume that you have been following the proceedings and are aware of the procedures that the committee has adopted.

Before I swear you in, Mr. Minister, I will be reading you a customary opening statement that I read to all witnesses to apprise you of your rights. And the statement is as follows:

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. You are advised that you may be recalled to appear again before this committee at a later date, if the committee so decides. You are reminded to please address all comments through the Chair. Thank you.

Do you swear or affirm?

Hon. Mr. Lingenfelter: — I swear.

The Chair: — Do you swear that the evidence you shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help you God?

Hon. Mr. Lingenfelter: — I swear.

The Chair: — Thank you.

Mr. Lingenfelter, you have the right to give an opening statement to the committee, and I understand that the Clerk has circulated copies of your statement. Would you please proceed and read it into the record.

Hon. Mr. Lingenfelter: — Thank you very much, Madam Chairperson. And I appreciate the opportunity to do just that, to make an opening statement and answer questions about my knowledge of the matters being reviewed by your committee.

Madam Chair, on June 27, 1997 I was appointed Minister of

Crown Investments Corporation, minister responsible for SaskPower, and Chair of the SaskPower board. My statement deals with events from that day onward as the committee has already heard testimony from two witnesses who were ministers responsible for SaskPower during the acquisition, operation, and sale of Channel Lake Petroleum.

When I became minister for CIC (Crown Investments Corporation of Saskatchewan), SaskPower, SaskTel, SaskEnergy, SGI (Saskatchewan Government Insurance), and STC (Saskatchewan Transportation Company), I received a great deal of briefing material on key issues for each one of these Crowns.

I also had discussions with the Crown presidents about major issues and challenges facing each of these individual corporations. There was no mention of Channel Lake in the briefing book from SaskPower, and as Mr. Messer has testified before the committee, he did not brief me on this issue.

At the first SaskPower board meeting I chaired on September 10, 1997, there was a request by one of the board members that the minutes of the June 20 meeting be amended to better reflect the discussion that had taken place about the sale of Channel Lake Petroleum. This was a brief mention as part of the review of the previous meeting's minutes. As I recall, there was no further discussion about Channel Lake at this meeting and nothing to draw my attention to it.

As you have discussed in this committee, an information item on the sale of Channel Lake was apparently prepared by Mr. Kram for the November 6 SaskPower board meeting. But, as the minutes indicated, it was not distributed to board members and was not on the agenda and as I recall was not discussed. Mr. Messer testified that he made reference to the information item in his president's report. If he did so, it was not in a manner which raised concerns or resulted in any discussion that I recall.

In late November, briefing material was provided by each of the Crowns for the legislative session to be held in December. Once again there was no mention of Channel Lake in the briefing notes received from SaskPower.

An article on December 2 in the edition of the *Leader-Post* was the first thing that alerted me to SaskPower's problem with the Channel Lake issue. The article referred to the Provincial Auditor's concern about Channel Lake in his fall report including trading losses, lack of disclosure of the losses, and SaskPower's failure to monitor its gas trading activities.

There was no mention of the problem with the sale of Channel Lake but there was more than enough to indicate that this was an issue on which I required, as minister, more information. Based on that, I wrote to Mr. Wright on December 9 — and I believe that letter has been tabled for the committee — and requested that CIC conduct a thorough review of SaskPower's acquisition, management, and sale of Channel Lake Petroleum.

I received a preliminary information about Channel Lake from Mr. Wright on December 16, but going into the December session still had no report from SaskPower. Finally after several

requests, SaskPower provided some briefing material on which I based my answers in question period. This material was analysed by Deloitte & Touche as part of their review. As the notes in their report indicate, it was incomplete and somewhat inaccurate.

The draft reports on the Channel Lake review by CIC, Mr. Gerrand, and the Deloitte Touche were received in late February. At that time I asked CIC to refer the reports to the Department of Justice to get an opinion on any legal remedies which might be available and whether any other legal steps were appropriate. The response from Justice is among the documents that have been provided to the committee.

At the first opportunity in the spring session of the legislature on March 10, I tabled the CIC and Deloitte Touche reports and reported to the House what was learned in that review. I also waived the government's solicitor-client privilege and made available all material documents to assist you in conducting your review.

Your committee has done a lot of what I believe to be good work in filling in the detail of what took place. I believe that the facts about SaskPower's Channel Lake experience, as outlined in the report and March 10 statement, have been confirmed by the testimony that you have heard from officials and others involved.

In summary, my role in Channel Lake matters have been to discover that there were problems with the company's management and sale, to order a thorough review, to report the results to the legislature, and to release the reports and related documents.

Your committee is also reviewing the circumstances around the resignation and payment of severance to Mr. Messer. And I want to outline my role in those events.

After I had an opportunity to review the draft reports on Channel Lake, I directed CIC to get an opinion from the Department of Justice on whether Mr. Messer's actions, as reported in these documents, constituted just cause for dismissal. Your committee has heard testimony from Mr. Bogdasavich on the opinion we received.

The CIC board, which I chair, met on the morning of March 3 to consider the Channel Lake reports. Later that day we heard from Mr. Messer and had an opportunity to question Mr. Bogdasavich at length about his legal opinion. On March 4 we met again to consider a second opinion on just cause from Gerrand Batters, and discussed further how we would deal with the loss of confidence in Mr. Messer as president of SaskPower.

The conclusion of the discussion is reflected in the board minute of March 4 which has been provided to the committee. Mr. Wright was given direction based on an unanimous decision of the board which is recorded in the minutes. It was made very clear that the issue of determining whether severance was appropriate was to be put in the hands of Mr. Fair with legal advice of his choice. The CIC board's involvement with the question of severance for Mr. Messer ended at that point.

As you have heard in previous testimony, Mr. Fair engaged Mr.

Garden and they conducted, or concluded, that a severance package in fact was appropriate. They negotiated a severance package with Mr. Messer similar to that which Mr. Garden advised would have been arrived at through the courts. Mr. Bogdasavich also testified that the package was an appropriate amount and in the range for the circumstances.

Madam Chairperson, your committee is about to complete its hearings on Channel Lake and begin to write a report. The challenge you face is weighing the evidence that has been presented in determining what we can learn from these events.

As I said in my statement of March 10, our government is disappointed in what took place with the management and sale of SaskPower's Channel Lake subsidiary. We have taken our share of criticism for letting it happen. We are acting to ensure that something like this doesn't happen again.

Madam Chairperson, Mr. Wright and Mr. Shaw went through in some detail the measures we are taking to strengthen governance and accountability of our Crown corporations and their subsidiaries when they appeared before this committee. I will not repeat them today, but committee members will be aware from their testimony that a number of steps have already been taken and more changes are being implemented. We will consider very, very carefully any recommendations from this committee that may have further improvements, and that may make further improvements.

I want to close by commending members of the committee for the work that they have done during this inquiry. There were some in the legislature, the media, and other places who expressed doubts that a committee of MLAs (Member of the Legislative Assembly) could in fact conduct a review of this nature. For the most part what has taken place here over the last three months, I believe, has demonstrated that legislators can in fact do the job.

Your committee hearings have been of help in understanding the full story of what went on. And I look forward with a great deal of interest to the report that will in fact come from the committee. Thank you.

The Chair: — Thank you, Mr. Lingenfelter. I will now open the floor to questioning from the Saskatchewan Party.

Mr. Gantefer: — Thank you, Madam Chair, and good morning, Mr. Lingenfelter.

Hon. Mr. Lingenfelter: — Good morning, Rod.

Mr. Gantefer: — If I could, Minister, I would like to go back not to the very beginning, but certainly to ask you your understanding of the events leading into the gas arbitrage trading that was clearly identified as having occurred.

When we talked to Mr. Anguish under whose chairmanship SaskPower had purchased the Dynex properties and who had clearly outlined the mandate of Channel Lake, Mr. Anguish was very direct in saying that it was clearly in direct violation of the government's policy and interest for commercial arbitrage trading to occur.

Would you agree with that policy position?

Hon. Mr. Lingenfelter: — Well I think the Deloitte Touche report speaks directly to the issue of arbitrage and how the arrangements were made to move into this area of gas trading. And I think it's clear from the report that in fact proper approval mechanisms were not in place.

Mr. Gantefer: — And would you agree that not only were proper approval mechanisms not in place, but to move into commercial arbitrage trading was directly in opposition to stated government policy in that the government did not want to be seen to be engaged in competitive gas trading activities. That would be the wrong signal being sent to the energy and mining sector that they wanted to have their company competing, if you like, in gas trading.

Hon. Mr. Lingenfelter: — I want to make it clear that my understanding is that the undertaking to get involved in arbitrage was made without proper discussion at the board level and without proper approval.

I think for us to try to assume what would have happened at this point, if all those proper mechanisms had taken place and what decisions might have come, I think is probably not a very useful exercise. But only to say that all of the documentation we have would indicate that proper process wasn't followed in arriving at the idea that the company should be involved in arbitrage.

Mr. Gantefer: — Would you agree that the decision to go into arbitrage was done strictly at the Channel Lake level and that the board, the chairman of the board, were totally left out of that decision process?

Hon. Mr. Lingenfelter: — When the decision was made to go into arbitrage?

Mr. Gantefer: — Yes.

Hon. Mr. Lingenfelter: — I would agree with that.

Mr. Gantefer: — When the activities accelerated, they accelerated without any authorization, and only retroactively was authorization provided at the Channel Lake level only. Do you agree with that as well?

Hon. Mr. Lingenfelter: — Well this is what the documentation would indicate.

Mr. Gantefer: — And that the minute that was referred to by Mr. Anguish which indicated that they had reviewed the presentation by SaskPower management saying that there were circumstances where simple trading of gas stocks would be appropriate.

And the example was given where there might be stocks that were sitting very adjacent to where SaskPower even could trade off some stocks that were handier from another company — a very simple, practical arrangement — and that a limit of a million dollars was set as a limit in terms of a sufficient cap to allow those activities to occur. Certainly when the arbitrage exceeded \$80 million, that there should have been no question, as this was totally unauthorized.

Hon. Mr. Lingenfelter: — Well I think the understanding was that because SaskPower generated about 3.5 per cent of their power from natural gas, the argument was that if you own the gas as opposed to going to the market on a regular or irregular basis to purchase the gas, that the belief was that by buying this gas field in Alberta and providing your own gas that this would be a better system for the Power Corporation. I think this is what the board believed that they were getting into.

Mr. Gantefer: — And that trading for a separate income source, if you like, in order to derive a margin on the commercial trading of gas properties was never envisaged by the board?

Hon. Mr. Lingenfelter: — I don't think it was thought about by the board as something that they should be getting into. And certainly in a general way I think for the public, those few who were following it, I think the general belief was that this was a gas field that was being used for the needs of SaskPower and that that was the limit and the box which Channel Lake was working in. And I think that went on for quite some period of time, even that belief and understanding even after the arbitrage dealings were taking place.

Mr. Gantefer: — Minister, you've being very crafty and vague. I want to be very specific. In your opinion, was there any possibility that Mr. Messer and the senior management of SaskPower could have possibly misunderstood the fact that the board did not want them to get into gas arbitrage trading as a separate income source for Channel Lake?

Hon. Mr. Lingenfelter: — No, it would seem to me that the board was specific in what they wanted the Channel Lake corporation to be doing, which in my mind, and I think in the report, defines arbitrage was not part of the mandate.

But if you're asking me what would the board have decided to do had they brought this to the board, I mean it's not . . . (inaudible) . . . to speculate.

Mr. Gantefer: — No, that's not what I'm asking. I'm asking: was there any possibility that Mr. Messer and the senior officials of SaskPower could have misunderstood the mandate given to them by the SaskPower board?

Hon. Mr. Lingenfelter: — No, the mandate seems clear, and I think the report speaks to the issue of mandate.

Mr. Gantefer: — In your experience as a minister and in operating with a number of deputy ministers, and in the case of Crowns, the CEOs (chief executive officer) of Crowns as the . . . that the key individual that you expect to keep you fully briefed of all significant activities other than day to day routine management, would you think that something as significant as a departure into gas arbitrage trading involving as much as \$80 million would be one of those significant events that you expect a CEO or a deputy minister to fully brief the minister on?

Hon. Mr. Lingenfelter: — You're talking about Mr. Messer reporting to his minister at that time?

Mr. Gantefer: — To the minister. Yes.

Hon. Mr. Lingenfelter: — I just want to quote here from the testimony of June 10 from Mr. Wright on page 21 of 31 where he says . . . he talks about the unique nature and style of management that Mr. Messer had. And I just believe that when he says so on the one side, yes, and that's why we're making these changes, and he refers to the uniqueness of SaskPower's management style.

The Deloitte Touche report speaks at length to the issue of lack of timely information coming to the board and to the minister. I think there can be little question that one would have assumed that the sharing of the information became an issue between board members and between the minister's office from time to time.

Mr. Gantefer: — I appreciate the way you minimize the significance of this lack of candour on behalf of SaskPower management with the minister. What we're talking about is unauthorized trading that went up to \$80 million in volume — that's a significant departure from a \$1 million cap for routine logical trades of gas as it was required. This was done without any briefing by that chief executive officer to the minister responsible, as we heard two ministers testify yesterday.

Is that not a critical lack of confidence and lack of critical information that the minister was entitled to and, indeed not only entitled, was responsible to see to it that they would receive?

Hon. Mr. Lingenfelter: — Well I just want to . . . Again, I mean I don't know what more we can say about this. But in the Deloitte Touche report in page 9, and I just want to quote to make it clear that what they found about arbitrage. They say that:

The Channel Lake Board was clear that while Channel Lake management was authorized to enter into buy/sell transactions, they were not to extend to transactions that included options, derivatives, and similar instruments. Arbitrage involves the simultaneous . . . (buying and selling) transactions of a commodity . . . in different markets. Options, derivatives, and their like are financial instruments that are future oriented and are generally used as price hedges — and are complex and inherently risky.

And so when you say is this something that we believe they didn't have authority to do, I agreed with that. I mean, I guess the reason that I'm not finding this to be new is because we've talked about it so much. But the fact of the matter is that the arbitrage that was taking place, as the reports all indicate, was not authorized by the board of SaskPower and we believe should have been.

Mr. Gantefer: — Given that it was unauthorized, was it the responsibility of the CEO to inform the minister that this trading . . . that their decision was made at the Channel Lake level that this trading would occur . . .

Hon. Mr. Lingenfelter: — In a more timely manner.

Mr. Gantefer: — When it was happening. I mean if that's the more timely manner . . . I mean almost instantly when it was occurring, and particularly given the fact that this had carried on

for a significant length of time and amounted to a serious breach in terms of the limits set to it by the authorization of the board, would this not be something that you as the minister would expect your CEO to tell you about?

Hon. Mr. Lingenfelter: — I think the documents couldn't be more clear that there would have been an expectation that this is . . . the issue of arbitrage should have been reported in the normal manner to the board. And obviously the minister being a member of the board, my understanding would be that when you say the board you're including the minister.

Mr. Gantefer: — Speaking to that issue to some extent. The relationship of the chief executive officer and the minister as chairman of the board; can you describe your expectation of that relationship first of all in a philosophical sense, I guess. How do you expect, even currently, the relationship between yourself and the minister in charge and the CEOs of the Crowns?

Hon. Mr. Lingenfelter: — Well I think there's a . . . in our system there's a great reliance on the officials in Crowns or departments to report very directly, and in detail, to the ministers.

And I think part of the problem in trying to formulate policy . . . And some would argue that the policies that we have in place aren't detailed enough. But the fact of the matter is if you don't have the kind of relation between minister and officials, or minister and CEOs, or minister and deputies, in some ways you can write whatever regulations you want. But the necessity of having a very good relationship where detailed issues are raised with the ministers is crucially important.

Mr. Gantefer: — So when Mr. Messer withheld information from the minister of the day about the fact that SaskPower through Channel Lake had engaged and was engaging in some \$80 million of trading business, and then with the two bankruptcies that occurred that there was an undetermined potential loss, potentially being in the magnitude of in excess of \$10 million, that that was critical information that the minister should have available to him at that time?

Hon. Mr. Lingenfelter: — Well I think again, the issue of reporting and reporting mechanisms in a timely manner are I think hugely important. And I think again the report deals with it very clearly — that in the case of Channel Lake the reporting mechanism that should have been in more detail and a more timely manner, wasn't there.

Mr. Gantefer: — And I appreciate your reliance on the reports. And I guess, Minister, what I'm asking you is that, in your experience and your knowledge of this issue, was this critical information that the minister should have had? And through the minister the entire board, in making decisions that were being asked of the board and the minister to make? Particularly in moving into the sale of Channel Lake.

Hon. Mr. Lingenfelter: — Well I just want to . . . The reason I'm relying on the report for that period of time is because I wasn't the minister, so you can understand my need to rely on the research that was done by Deloitte Touche as it would relate. As I mentioned in my comments, I'll try to deal very

specifically with the issues as it relates to my term as minister.

But also the fact that Mr. Lautermilch, who was here yesterday, obviously was asked these questions and reported on his lack of information on which he was able to base his decisions which made his decision making more difficult than it should have been — based on a report saying that he didn't have all the information as other board members didn't.

The reason I'm relying on this document is because — I assume you asked him the questions — but I need to refer to this because I think the issue of timely reporting and full disclosure and full detail, if that isn't there, then the system, regardless of what's written on a piece of paper as what should be happening, can't work.

And I think the message has to be to, within government, that these systems need to be in place and we need to write positive reports about how we can improve them. But at the end of the day it's very much to do with people — do they communicate well, is a reporting mechanism in place. And in this case I rely on the document, the Deloitte Touche document, to say that in this case the reporting mechanism wasn't as good as it should have been.

Mr. Gantefer: — So you would agree with the . . . from your review of the documents that you have, is that critical information was withheld from the minister when very important decisions were being made about the sale of Channel Lake property.

Hon. Mr. Lingenfelter: — Well I think the words of the report uses is incomplete, and in a less than timely manner. And I would agree with that.

Mr. Gantefer: — Incomplete and less than timely. Incomplete being that the fact that arbitrage trading to the magnitude of \$80 million was going on was not reported. Incomplete seems to be a pretty understatement for that lack of information. And untimely is that it never came out until after the fact.

Hon. Mr. Lingenfelter: — Well and in this I'm depending on a professional individual who reviews these kind of situations. And quoting from them as opposed to — and I'm sure the member will understand — as opposed to putting my personal view on a circumstance that I wasn't there for. I really do need to rely on the, I think, excellent work that was done in this report.

Mr. Gantefer: — Minister, I can appreciate your willing to . . . or desire to rely on the reports. However, what I'm looking for, I guess, is the benefit of your considerable experience operating within the realm of government and governance, and to have an understanding for the committee to understand how significant this potential breach of candour on behalf of senior officials in a Crown corporation potentially could be, and how damaging it potentially is. Because I think that this sort of strikes to the very heart of a relationship between a senior government official, be it a line department, deputy minister, or a CEO of a Crown, and the Executive Council member who's responsible.

Because it seems to me that unless that candour is absolute and

forthright, it's impossible for a minister to make appropriate decisions. And as such, it speaks to not just what the report says but speaks to the whole issue of the relationship between a minister and their most senior officials who have to have the absolute confidence of the minister, I should think.

Hon. Mr. Lingenfelter: — Well I couldn't agree more. I think it's a very serious issue when a breakdown like this occurs, and you can see the domino effect that in this case that it in fact has had. The fact of the matter that is that it's created a situation where we have spent a great deal of time and energy — my staff in SaskPower, our staff in CIC, this committee's work, the report that was done by Deloitte Touche. Obviously we take this extremely seriously and are setting in place mechanisms, as I said in my opening statement, to try to ensure that this system breakdown which occurred — and I agree with you on that — doesn't happen in the future.

But having said that, I think that this is not a perfect science either — running a government and running \$8 billion worth of assets — so you're going to have circumstances and issues where mistakes are made. I think what the silver lining out of this cloud is the fact, I believe, that we have in here a process that has been established whereby we can have a process that's open, where people can come and testify.

We can get expert witnesses about the 10-year contract. I think there were many people who were concerned about the 10-year contract, whether it was appropriate or not, and we come to the conclusion at the end of the day, that the 10-year contract is okay. I think that's where — I don't want to assume — where you'll end up from reports that have been given that on information flow, that it wasn't up to speed and we've got to improve that. Part of it maybe is the manuals and documents, maybe part of it is personality.

But the fact of the matter is I think we're taking this issue extremely seriously. And I say "we," I say that as a legislature.

Mr. Gantefer: — Minister, I want to move to another area of the process of what I believe — at least philosophically — were intended to be the checks and balances in the system, and that's the audit and finance committee in the SaskPower board. Is there a similar committee in all your Crown boards?

Hon. Mr. Lingenfelter: — Yes, they would all have audit and finance committee. And the reason I ask here, is I'm not sure the name would be exactly the same for each of them but their purpose would be similar.

Mr. Gantefer: — And they would — recognizing the fact that board members are people that have other lives than their responsibility on an individual Crown board — the audit and finance committee would be mandated with a special responsibility to safeguard and check and review the financial activities of the Crown.

Hon. Mr. Lingenfelter: — In a much more detailed way than general board members might have time to do. They would meet in advance to the regular board meetings and spend more time.

And here again you will know that other boards and committees

are watching very carefully, this process, to make sure that all of their systems are in place to ensure that this kind of a mistake isn't made, because obviously no one would ever want this kind of a situation to exist. And so our other boards and other committees, you can be guaranteed are reading and watching with great interest to make sure that their systems are in proper place.

Mr. Gantefer: — And the responsibility of the audit and finance committee would extend right down through any subsidiaries that would be created by the parent Crown corporation?

Hon. Mr. Lingenfelter: — They would have responsibility and ability and the wherewithal to do that kind of research.

Mr. Gantefer: — In the Deloitte Touche and CIC reports it indicates that the SaskPower board relied heavily, I think was the words, on the audit and finance committee to monitor the events surrounding particularly the sale of Channel Lake.

In your opinion do you think they lived up to their mandate?

Hon. Mr. Lingenfelter: — Well I think here again, it's difficult to know all of the nuances that were taking place between the Channel Lake board and the committee and the reporting mechanism to the board.

But what I can say is the information flow, particularly as it would relate from Channel Lake officials and the Channel Lake board to the committees of the SaskPower board, I think I would assume that there again there was incomplete information being delivered, which made their life difficult.

But it speaks to the issue of having an open flow and even more information than might be necessary to make proper decisions. Let the board members or the committee members make the decision of how much extra information they can consume. But I think at all times we should always err on the side of giving extra information as opposed to being secretive in our relationships as it would relate to the operation of our boards and committees.

Mr. Gantefer: — In testimony we heard from a number of sources related to the sale of Channel Lake. The March 31 date came up and was referred to in a number of ways from being referred to as an aggressive timeline to very short and very difficult date to meet and to a flip and just a number on the calendar.

Would it be fair to say that the SaskPower management aggressively wanted to have that date as the date for closing of this target in order to be able to put all of the activities into one financial line item on the consolidated financial statement?

Hon. Mr. Lingenfelter: — Well I think again, if the committee doesn't mind, I'll refer to the Deloitte Touche report on page 14 where they deal under heading, March 31 deadline, just to quote for the record.

In the first sentence it says:

SaskPower was focused on concluding the sale of Channel

Lake by March 31, 1997, and DEML also refers to March 31 . . . objective.

It goes on to say that:

a number of officials have indicated the March timing for closure was not in fact that important and that there was no "urgency" to conclude the deal.

It goes on to say:

however, it is clear that significant attention was focused by SaskPower officials on how the 1996 Channel Lake financial results would be detailed and made public . . .

So I think it's very clear that whether in fact it was an important date technically or not, the Deloitte Touche report finds that in fact the officials in SaskPower believed it to be important.

Mr. Gantefer: — From your experience of course, Minister, you would understand why that date is important in terms of the fact in the SaskPower report the Channel Lake activity, the trading losses, and/or the potential gain or loss on the sale of assets when it got consolidated in the SaskPower statement would appear as just one simple line item. You would understand that process . . . of the way the current reporting system would you not, Minister?

Hon. Mr. Lingenfelter: — Well I think the report speaks to the issue of at least the members of the SaskPower or the Channel Lake officials and their concerns about the March 31 deadline . . .

Mr. Gantefer: — So they understood that system as well.

Hon. Mr. Lingenfelter: — But the report is clear on that.

Mr. Gantefer: — And it was also the testimony of the ministers that when the discussion or the recommendation to sell Channel Lake came from SaskPower management no reference to the trading losses were made, and that indeed it was just a philosophical indication that SaskPower no longer needed Channel Lake.

Hon. Mr. Lingenfelter: — Yes, here again I think there was a lack of information flow . . . as to the reasons why the recommendation coming to sell Channel Lake.

Mr. Gantefer: — In your opinion and your expectation of the role and responsibility of an audit and finance committee, would you expect them to make routine questions of senior officials and to say something like what's happening with Channel Lake? How are things going? We authorized you to get into this corporation to guarantee supply at a reasonable price. You came back to us and asked for a million dollar authorization in order to facilitate some routine changes, how's it going?

Would you expect the audit and finance committee to make those type of rudimentary inquiries of the SaskPower officials about what was happening in this newly created subsidiary?

Hon. Mr. Lingenfelter: — Well I would expect that they

would and I would expect that they did. The question is . . . what was the quality of the information that they received when those questions were asked.?

Mr. Gantefer: — Obviously there was nothing reported, and would that indicate that they were assured that everything was normal and functioning within the terms of reference and the mandate of the SaskPower board?

Hon. Mr. Lingenfelter: — I would expect that these questions were asked. But I say again the tradition during this whole period around Channel Lake — as has been indicated in the Gerrard report as well as Deloitte Touche's — that less than full disclosure was taking place on the issue surrounding the arbitrage and the trading of gas.

Mr. Gantefer: — So then potentially, even though the questions were asked, SaskPower officials mislead the audit and finance committee as to what was really happening. Is that what you're indicating?

Hon. Mr. Lingenfelter: — Again, if you look at page 21 of the Deloitte Touche report under the heading of "SaskPower Board Relied Heavily on the Audit and Finance Committee of the Board to Provide Oversight on Channel Lake, but the Record does not indicate the Level of Effort the Committee Expended in Performing this Role," I think that's a grey area that you will have . . . the members will have read. And it's very, very difficult for me to speculate on exactly how much information was flowing, and exactly what took place.

But what I do know is that a member of the audit committee was here before your group and questions were asked about his role. But in the report that was given it is not conclusive as to how detailed or if there in fact was lack of detail in the information provided.

Mr. Gantefer: — When Mr. Mintz was questioned about his responsibility to make inquiries in this regard of Channel Lake I think it's fair to say he indicated he didn't feel it was his responsibility to inquire into Channel Lake at all . . . that he viewed that as outside of his responsibility.

Hon. Mr. Lingenfelter: — Right. Just to quote from the report because I think it's important to indicate that while it appears that SaskPower management shared a fair amount of information with board members in the forum of the audit and finance committee, much of the relevant reporting was done verbally. Key points in the verbal exchanges should have been recorded in the minutes of the committee meetings.

As it stands, the paper trail provides little evidence of meaningful attention to Channel Lake on the part of the audit and finance committee outside of ensuring the regular receipt of financial reports.

And so here again what we will learn from this experience as it would relate to reporting mechanisms from management to the finance and audit committees, that as much as possible in terms of description of circumstance should be in written reports as opposed to verbal reports, and that that should be translated into the minutes.

So when we get into a circumstance where you may want to go back and check the file, you are able to do it in a proper and professional manner. What Deloitte Touche found is that in fact that wasn't the case in the reporting mechanism.

So if I were to capsulize what was the circumstance, it was we're not sure how much reporting took place because the mechanism of giving written reports to the committee and documenting them in minutes simply wasn't in place.

Mr. Gantefer: — Moving, Minister, to the time when you as Chair of the CIC board reviewed Mr. Messer's mandate, and I think your words were that you had lost confidence in Mr. Messer or the committee lost confidence in Mr. Messer as president of SaskPower. Can you relate the issues that made you feel, and the CIC board, lose confidence in Mr. Messer?

Hon. Mr. Lingenfelter: — Well I think the description that other members have used . . . and I refer again to Mr. Wright who said that Mr. Messer had a unique management style. I think this is words that Mr. Anguish probably used, although I wasn't available to watch his testimony yesterday.

But Jack Messer who worked with us as a member of our cabinet and for us as a CEO — and I might add, at many levels a successful CEO of our corporation for six years — had a management style that was I think difficult for the board of a public utility to deal with.

It was fast off the mark, it was quick to make decisions, it was impatient with processes that were needed for many of the processes that a public utility needs to do, which I think in part led to the incomplete documentation and the rapid-fire approach that he took to doing business.

I would assume that in some private sector corporations, Mr. Messer's style would be looked at as usually valuable. But within the realm of the world that we live in where you . . . democracy which we attach our Crown corporations to, is oftentimes a very plodding process by nature and by demand.

And I say this in all sincerity, that Mr. Messer at many levels was an extremely good employee and made very profound and fundamental changes to the positive side of our corporation.

But when it came to the fact of detail process that I believe we needed and the board of CIC believed we needed, it simply was a belief that at the final date of March 4 when we made the decision, that the lack of confidence based on those parameters — the need for reporting mechanisms, for solid record keeping, for delivery of information in a timely fashion — it was on that basis, my recollection of the board minutes and meetings in a general way and reflected in the minutes would say that the board had lost confidence.

Mr. Gantefer: — Was part of the discussion other than the philosophical management style that you allude to. Also that by that time, or by the time you made the decision, it became very obvious to yourself, to Mr. Lautermilch, who was on the CIC board and had been the minister responsible for SaskPower during this time, that Mr. Messer had deliberately withheld information from the minister and consequently from Executive Council, cabinet, that that serious breach of the process was an

important consideration in Mr. Messer's dismissal.

Hon. Mr. Lingenfelter: — I think your earlier description of loss of confidence as — and I would add the addendum to your words, loss of confidence on the issues as it would relate to the providing of timely information — and then to define that, to use Channel Lake as an example, would indicate clearly the approach in the decision that was taken by the board of CIC.

I say again that — and I say this very sincerely in many ways — Mr. Messer was an excellent employee, had many excellent gut instincts about what was good for the corporation, and moved the corporation in the right direction. But at the end of the day the decision was made to part ways because of a lack of confidence in the ability to communicate, to report in a timely manner, and to follow all the provisions that a Crown corporation needs to follow.

Mr. Gantefer: — In your statement, when you explained it, you said that in addition to the Channel Lake issue and the events that were surrounding it that there was issues within concern of Guyana as well that led to Mr. Messer's dismissal. Were you concerned that Mr. Messer had also withheld timely information in regard to the Guyanese issue.

Hon. Mr. Lingenfelter: — No. Madam Chairperson, the issue of Guyana I've dealt with many times in another forum, and I'm not going to get into a big debate about that today. But I will say that the decision made by the board of CIC came about as a result of the issue that I referred to then and now; that is, a lack of confidence, and at the end of the day a mutual agreement that we would part ways.

Mr. Gantefer: — The mutual agreement being you either resign by 6 o'clock or you're going to be fired with cause. Is that your definition of a mutual agreement?

Hon. Mr. Lingenfelter: — Well, no. I think really if you read the report carefully, you will know that we had actually three meetings of the board of CIC as we were going through this process with the resignation of Mr. Messer. A two-part meeting on March 3 where we were dealing with the whole issue and the report that we had just received.

And you can imagine the unfolding of the Deloitte Touche report and the Gerrand report, if you were sitting in our seats saying, well, there's a lot of things here that we didn't know about, and this is serious, it's a very serious issue, and trying to weigh the performance of Mr. Messer, which in many levels was excellent, and then weighing that with the fact that we now have a report that lays out in great detail problems with reporting mechanisms between the committees and the board members and the minister and my notes for question period which Deloitte Touche says were less than full and in some parts incomplete.

And so at the initial board meeting we discussed the reports. Then in fairness, we asked Mr. Messer to come to the board meeting and explain his circumstance. And at that time we were still discussing.

But if you read from the *Hansard* of Mr. Messer on the evening of March 3 — this is before we made a decision on the morning

of March 4 of what to do — he said:

Because I felt it was a growing problem, I concluded I did not like to work for these people any more, and I was not going to work for them any more. And therefore I would tender my resignation in the morning.

He made that decision on the night of March 3. So when you say that it wasn't mutual it may not be accurate — let me put it that way.

Because the fact of the matter is after the discussion that went on with Mr. Messer at the board meeting . . . And you have to believe it was a tough meeting because these are people who worked together for a long period of time. And there's a good deal of respect that exists between the board members of CIC and Mr. Messer and much of that respect hasn't been tarnished by the goings on here, although it was a difficult process.

But that night I'm sure all of us didn't sleep very much — the night of March 3 — not because we were greatly worried about the politics at that point in time and all of the things that flowed from it, but you can imagine that people that work together that long and are having this kind of difficulty, it's a trying time. And Mr. Messer says that evening, in fact most of the night, my wife and I talked about the circumstance, and because I felt it was a growing problem, he concluded he wasn't going to work for us any more.

Then the morning comes and the CIC board meets again and we decide then that we are going to part company. Now interesting how this occurs, but in a difficult circumstance board members of the CIC, rolling this around in their mind, came to the conclusion of parting company at the same hours of the night Mr. Messer was coming to the same conclusion that he wasn't going to work for us any more. I would argue that there are very few circumstances where this kind of disclosure about the circumstances that CEOs and board make a decision of how they're going to part company, you will never see a more open or disclosatory way of people talking about how a CEO and board of directors part company.

If anyone can tell me how when another private company goes through this kind of detail about process and how it works, I've never heard of it before. But the fact of the matter is that this was a process that was arrived at at the end of the day by some system of mutual agreement.

Mr. Gantefer: — Mr. Wright's testimony was, is that he was directed by the CIC board to go to attendance of Mr. Messer's office in the afternoon and to deliver to him the decision of the board that either he resign by 6 o'clock or you'd be fired with cause. And that's what happened.

Hon. Mr. Lingenfelter: — And you know now that Mr. Messer already in his mind at that hour of the day on the 4th, had already made up his mind on the night of the 3rd, as he indicated in his testimony, that he wasn't going to work for us any more.

Mr. Gantefer: — That you'd already had a significant scrap about the issue before that, but that was the ultimatum delivered to Mr. Messer by Mr. Wright from the CIC board.

Hon. Mr. Lingenfelter: — That was a unanimous decision that we would part company.

Mr. Gantefer: — Part company but not necessarily by mutual consent at that point, because you said you either leave or you'd be fired.

Hon. Mr. Lingenfelter: — Yes, but at the end of the day after the discussion that took place, they came to an agreement that that's — the parting of company would take place.

The Chair: — Excuse me, Mr. Gantefer, I would like to test. Do you have many more questions? Would you like to complete your line of questioning?

Mr. Gantefer: — One final thing and I think that can wrap it up for you if I may have that indulgence, Madam Chair.

The Chair: — Certainly. If the committee agrees? Thank you.

Mr. Gantefer: — In your statement, Minister, you indicate that when you first received knowledge that something was amiss in this whole Channel Lake transaction on December 2, you realized that there was good reason from your perspective to find out what had happened and what was going on. And on December 9 that you requested Mr. Wright to launch an investigation.

And while you had some initial information by December 16, you were very concerned because going into the December session, special session that we had, you really had not had any final report from SaskPower.

And I found it interesting the wording you used . . . you said, after several requests. Do I read into that that SaskPower was reluctant to give you the full information that you were asking for as well that the reluctance of candour on Mr. Messer and the senior officials part of informing their minister was being extended to you as well?

Hon. Mr. Lingenfelter: — Well what I can say is that in receiving my briefing initially from SaskPower, the fact that Channel Lake wasn't mentioned in my briefing book or in my verbal briefing with Mr. Messer, I think speaks to the issue of incomplete briefing.

And as well, in preparing the briefing book for the session, looking back on it I would have expected, knowing what they know or knew at the time, that that would have been documented and highlighted in my briefing book for question period. And I would also say that Deloitte Touche speaks to the issue of after that then the briefing notes that were prepared, were incomplete, and in some cases inaccurate.

Mr. Gantefer: — So Mr. Messer betrayed the relationship between senior officials of SaskPower and yourself as well as the other ministers?

Hon. Mr. Lingenfelter: — No. I'm not coming to that conclusion because I don't know what role Mr. Messer played in preparing that particular set of briefing. Because my understanding is that the requests were made from my staff in my office here in the legislature to staff at SaskPower. And

whether it was because other issues were preoccupying the staff at that time or what the circumstances were, I don't know.

But the fact of the matter is that I know that the briefing notes that I got were slow in coming to me, let's say in an untimely manner. And when they were received they were inaccurate, and in some cases inaccurate as the report says, and at best incomplete.

Mr. Gantefer: — So that when I've used the phraseology of Mr. Messer and senior SaskPower officials, that that lack of willingness to provide knowledge potentially was much beyond Mr. Messer solely. And certainly senior SaskPower officials had to know of all the circumstances that were going on in regard to Channel Lake — its arbitrage and the reasons for its hasty sale.

Hon. Mr. Lingenfelter: — The issue of timeliness as it would relate to Channel Lake in general I think are spoken to as well as it would relate to Mr. Messer being responsible as the CEO for the corporation. Whether or not others would be included or not, I mean the report does speak in part to that.

But as minister, again you will understand because of your involvement in the House. When you get to your feet to answer questions on technical issues, you are totally at the hands of your staff. And what they give to you, you have to feel comfortable that when you quote it in the House, you're giving truthfully what the members on the opposite side need and ask for.

And if that process breaks down, then obviously our system breaks down. And in this case, because of the lack of information and the untimely manner, this then led to some very serious consequences.

Mr. Gantefer: — Thank you very much, Mr. Minister. Thank you, Madam Chair.

The Chair: — Thank you, Mr. Gantefer. It would seem to me that it would be appropriate at this time, rather than interrupt the questioning from the Liberal Party representatives, that we would take a short break and then have the questioning in its entirety by the other two parties. So I will call a recess now till approximately 10:20.

The committee recessed for a period of time.

The Chair: — If everyone would please take their places. I apologize for letting the break get on a little longer than I had anticipated. Mr. Lingenfelter, we will now resume with questioning by the Liberal Party.

Mr. Hillson: — I'll be beginning and Mr. Osika I believe also has some questions, Madam Chair.

Good morning, Mr. Minister.

Hon. Mr. Lingenfelter: — Good morning.

Mr. Hillson: — I want to start with what I think is the underlying problem that all of the committee are struggling with. Seems to me there are two contradictory and conflicting

principles at work here.

On the one hand I think we all recognize it is unfair to blame a minister when he's passing on incomplete or wrong information to the House, when the minister himself has received wrong or incomplete information.

On the other hand, we also realize that the whole idea of ministerial responsibility and public accountability means nothing unless there is a full flow of all pertinent information to the minister and therefore to the House and the general public.

And I would like to know how you feel those two concepts can be squared. How do you balance the need for ministerial responsibility in our system against what has happened here where the minister simply hasn't received the full information and there hasn't apparently been any mechanism to ensure that it does happen?

Hon. Mr. Lingenfelter: — Well I think your comment about ministerial responsibility is an important one because the issue here is accountability to the public through the legislature.

So of course having material delivered to you from your department, or from your Crown, in a detailed and timely matter is usually important. And much of the discussion that we're having here in the last three months really deals with that very narrow issue, and then you hang on it all of the various machinations that we've gone through as it relates to Channel Lake . . . and you get to the point where we are today.

That is, knowing what we know about Channel Lake, and knowing the problems that ministers have had in this area, what can we do as a committee and a legislature to improve that situation knowing that this governance issue anywhere in the world is an imperfect science, and that ours is pretty darn good when compared and stacked up against other jurisdictions around the world. All the time knowing the obvious need to try to improve.

And so I think our challenge here now is, what is it that we can do, first you as a committee, then we as a legislature, to improve the situation?

Mr. Hillson: — And what suggestions do you have in that regard?

Hon. Mr. Lingenfelter: — Well I've got a lot of suggestions. I'm not going to make them today because I don't want to, I don't want to in any way personally influence the conclusion of the committee.

I say only one thing, that it's my personal belief that the more information that can be shared in a timely way at every level without jeopardizing the competitive nature of the corporations and all those things that you will understand, the better off we are.

And so when it comes to annual shareholder meetings of our Crowns, which we referred to in the CIC review of our Crowns, we're going to start doing that. When it comes to semi-annual reports from our Crowns, more timely working of this committee — I mean it's not that many years ago when we

were two or three years behind in reviewing our annual reports. There are many things that we can do to make the system work better.

And I think what's most important to realize that this is not a task that your report, when it's concluded, we can then all sigh a sigh of relief and say it's done. This is like a living organism, I believe, that has to be continually renewed and revamped to make sure it meets the current thinking. And obviously in the year 2005 the thinking will be different than it is in 1998.

So I think the committee, one thing it should do is look at a continuum process to update and to review the standards and processes that go on.

Mr. Hillson: — You mention that one of the problems that we have traditionally had with our legislative committees is that by the time they get around to reviewing these matters they tend to be ancient history — several years out of date. And yet, of course, in February of this year the NDP (New Democratic Party) members of the Public Accounts Committee voted against adding Channel Lake to our agenda.

Would those members have known at that time that there was indeed something that did require an intensive review and inquiry?

Hon. Mr. Lingenfelter: — You're asking that as a question?

Mr. Hillson: — Yes.

Hon. Mr. Lingenfelter: — Well as you know, the report that I gave to the legislature on March 10 — the Deloitte Touche and then later the Gerrand report — the details of that were only received by our members of CIC early in March. So that it would be improbable, if not impossible, for the members of the committee to have known about the detail that we knew when we decided to go through this process.

Mr. Hillson: — Now you've said this morning, Mr. Minister, that you would prefer to err on the side of giving extra information rather than the other way. But the reality is that in other states and provinces in North America, utility companies routinely file business plans and projections with rate review commissions; and so that actually private utility companies routinely disclose information which in Saskatchewan is labelled commercially sensitive and not disclosed.

So . . . (inaudible interjection) . . . Yes, the member opposite mentions Bell Canada, which of course regularly has to file business plans, projections, what profits they intend to make, all sorts of information which is not disclosed in Saskatchewan.

And I'm wondering if you want to move us closer to what other jurisdictions in North America do in terms of disclosure of projections and business plans.

Hon. Mr. Lingenfelter: — Well as I indicated, we have looked seriously and are in the process of establishing a process for annual shareholders' meetings for our Crowns which I think will provide an opportunity in a very public way for a concept of town hall meetings where we will attempt to move the whole issue of board meetings and annual meetings around the

province.

But what I might indicate at this point, Madam Chairperson, is I think we're almost getting into what we might put in a report. And I'm not unwilling to get into this discussion, but I don't think it's quite the role that I should be playing here at this point today unless we've concluded the questioning on the specifics of Channel Lake.

However as minister responsible for the Crowns, I can speak on at great length on things that I believe and would like to see included in the workings of Crowns, but I'm not sure that's the point that we're at right now.

Mr. Hillson: — Well I think having your input on these issues as someone who has worked closely with our Crown corporations would be of value, and I can give you just another example.

As you know, Mr. Minister, we've had a lot of discussion about March 31 deadline. And rightly or wrongly, it appears that some people in Saskatchewan Power thought that by having everything wrapped up by March 31 that would aid in not having to make public the trading losses.

The other thing is that apparently as part of a sale agreement early on, it was decided that part of the sale agreement would be a confidentiality clause. And there seems to be some inference that a confidentiality clause in a sale agreement would also assist in not having to make some information public.

What comments do you have on that being part of the operation strategy of a Crown corporation?

Hon. Mr. Lingenfelter: — Well I think the whole issue that we're dealing with here, and that is the role of reporting from a subsidiary Crown to a Crown corporation board and how that should be set in place, and the rules and regulations applying to the subsidiary Crown as it relates to the main board of the Crown, and even to the point of legislation that would affect subsidiary Crowns in bringing them, as I think you, Mr. Member, may have indicated, bringing them in a more legitimate way into the fold.

I'm not adverse if this is one of the recommendations of the committee that we seriously look at that; that obviously each and every one of your recommendations will be looked at very seriously.

But what I can say is that in the 20 years I've spent in government and in this very room — one of the first committees I sat on was Crown Corporations Committee — I can see great strides that have been made in making the Crowns more accountable in that 20-year period.

All I'm saying is that we should realize that I think these reviews and updating of what we do with our Crowns, the most profound thing that I would say is it should be done on a much more regular basis. That we shouldn't do one every 10 years or even one every 5 years or when we get into a difficult jackpot, like we are on Channel Lake, and then we say now is the time. I would like to see the review of how we report Crowns, and changes made to the reporting, and the work done by this

committee.

I think it should become a standard item on the agenda of your committee as to ways to improve the overall reporting and mechanisms of the Crowns. And I think if you were to accomplish that, that would be one small step but a very important one.

Mr. Hillson: — So you then are in agreement that it's contradictory to set up disclosure rules for the Crown corporations and then turn around and say that this same Crown corporation can establish a subsidiary that will not be bound by the same rules of disclosure.

Hon. Mr. Lingenfelter: — Well my understanding, and I don't have Mr. Wright's . . . all of his testimony here, but I think it has been reported that we are moving quickly to make the proper changes that will in a general way, at least at this point, make the same rules apply to our subsidiaries that apply to the parent.

I think members of the committee in an indirect and quite direct way have talked about the issue of legislative changes that would print this into the legislation. I certainly think that if the committee were to recommend those kind of changes, that that's something that obviously the government would look at, and legislature would look at very, very seriously.

Then it becomes an issue of are there some where that would be impossible because of existing standings of those institutions, would it apply to new ones being formed, or how far it would go. These are all interesting questions that could flow from this committee, but certainly those are options to look at.

Mr. Hillson: — Do you believe that removing ministers from the boards of our Crown corporations will make the boards more or less accountable?

Hon. Mr. Lingenfelter: — Well I believe that the boards already are functioning better as a result of having the ministers off of the boards. And I know this is a controversial issue. It's a controversial issue not in a big way in the public, because it isn't — I mean if you polled on it, most people would not even have an opinion on it.

But if those thinking about Crowns and the governance of Crowns, some university academics and other people who are have been involved in the Crowns, I get a mixed review as to whether we should be taking ministers off of Crown boards or not. And certainly within our political party it has and continues to be a debate.

But I have firsthand knowledge and experience, since I have not been going to board meetings for now about six months, as Chair. I have turned over the actual chairing for the last four or five meetings of all the Crowns to the Vice-Chair.

And all of the feedback I get is that board members take their responsibility much more seriously without a minister chairing the meeting, and feeling that they should somehow wonder and worry about what the minister thinks they should be making, and how they should make their decision. And this has been a pretty common feedback that I've got from board members, as I

have reviewed the circumstance.

The other thing that has happened, though, is with the training that is being offered for board members by the university, I think this too has greatly enhanced the role of board members.

So you're beginning to see some of the results from the review that was done in 1996 that I think is already starting to strengthen in a significant way, the boards of our Crowns.

Mr. Hillson: — Now I believe you were the first minister responsible for SaskPower when this administration took office.

Hon. Mr. Lingenfelter: — I had responsibility for a number of Crowns when we came to office.

Mr. Hillson: — And it was then, while you were minister in charge, that Mr. Messer was appointed president of SaskPower?

Hon. Mr. Lingenfelter: — Mr. Messer was first appointed as an individual working with the president when we first came to government . . . or with the CEO. Mr. George Hill was the then president and Mr. Messer went to work for us in the capacity as a special assistant who reported directly to the minister. He was then appointed after the issue of Mr. Hill's severance and the \$1.1 million came to light.

I don't have to get into that, but except to say that Mr. Hill left his position, Mr. Messer then took over as acting CEO. There was a competition held that was . . . I don't have the record here, Madam Chair, but this is the names of people who applied for the job. There was a committee of the board established that reviewed the applicants and a rating system set up to rate the individuals who applied. And Mr. Messer, of the people who applied for the position, rated the top individual and was hired on a permanent basis.

Mr. Hillson: — Now I believe when Mr. Messer testified before us he characterized his appointment as CEO as the fruits and results of a nationwide search for the best qualified candidate. Do you subscribe to that?

Hon. Mr. Lingenfelter: — When he took on the position in a permanent way, that's true. When he came to the position initially it was as a special adviser, I forget the exact title, but he went into SaskPower as a special adviser to the minister.

Mr. Hillson: — And then in 1991 when you were first minister in charge of SaskPower there was a complete change in the membership of the board, was there not?

Hon. Mr. Lingenfelter: — As minister responsible for chairing the transition committee of government, we took the position in the early days, that we would replace all of the boards with ministers for a short period of time in a transitional way as we went through the process of filling them with individuals from around the province who might have expertise. And there was a short window when only ministers were on the boards, and then following that, lay people or non-ministers were called on to replace the ministers.

Mr. Hillson: — So when Mr. Messer was hired, was that the short board of just the cabinet ministers?

Hon. Mr. Lingenfelter: — When he was hired in a permanent way I remember it because I was involved as chairperson, obviously, with the committee that was doing the process. This was in a period after lay people had been appointed to the board.

Mr. Hillson: — Okay. But after the transition from the old board?

Hon. Mr. Lingenfelter: — Yes.

Mr. Hillson: — Now what is your understanding of the disagreement between SaskEnergy and Jack Messer regarding storage and transmission of natural gas?

Hon. Mr. Lingenfelter: — I don't know the issue you're referring to.

Mr. Hillson: — Well there has been some discussion in the committee that there was difficulties getting a working agreement between SaskPower and SaskEnergy regarding natural gas.

Hon. Mr. Lingenfelter: — Which period would you be referring to?

Mr. Hillson: — Well in 1992 when Mr. Olenick was the president of SaskEnergy.

Hon. Mr. Lingenfelter: — I simply am not aware of the issue.

Mr. Hillson: — And it is referred to in the CIC report that you filed with the House.

Hon. Mr. Lingenfelter: — What page are you looking at?

Mr. Hillson: — Page 4:

2.3 Summary of Key Events:

In the summer of 1992, SaskPower and SaskEnergy became involved in a dispute over gas supply issues, with the end result that the FSTF (was fuel supply trading . . . a taskforce) was created to determine if there was a more economical way to secure its necessary fuel supplies . . . At this time, Lawrence Portigal was appointed to the . . . (fuel supply task force) on a consulting basis.

And then it goes on in the next paragraph to say that SaskPower didn't want to pay the charges that SaskEnergy wanted to charge.

Hon. Mr. Lingenfelter: — Yes. When you refer to it as a dispute between SaskEnergy and SaskPower, I thought you were referring to some personal dispute that was taking place.

This is an issue of supplying gas for the Power Corporation that, because of the irregular supply of gas that was needed, SaskPower found it as I understand — although I wasn't closely involved in the debate — very difficult to negotiate gas supply, not only with SaskEnergy but their gas supply in general, which led to the 1993 report from the fuel supply task force of SaskPower that in order to avoid the conflict between . . .

And my understanding here, Mr. Member, is that it was a problem that existed not only with SaskEnergy and SaskPower, but SaskPower and gas companies, because of the way they purchase gas. They came to the conclusion, based on the fuel supply task force report, that a better option than trying to deal with SaskEnergy or other gas companies would be to acquire gas in the ground so that they could in fact call on that gas to generate power as it was needed.

Mr. Hillson: — And yet by disposing of Channel Lake we then . . . we left that concept of owning our own gas supply.

Hon. Mr. Lingenfelter: — That's right.

Mr. Hillson: — And we're back to paying someone else to supply the gas for SaskPower.

Hon. Mr. Lingenfelter: — Yes. I think you can really, if you were to go back, it would be an interesting exercise — although something that probably this committee may not concern itself with today — to review the fuel task force report to see on what basis they recommend it and whether or not the conclusions that they came to were in fact accurate or not.

But having said that, at the time the board based on this recommendation of the task force . . . decided that this was a better option. And again I want to make it clear, not only the issue of SaskEnergy but other energy companies. Because if it were just a dispute between SaskEnergy and SaskPower, and other companies were better suited, they just would have went and got the gas from another company.

But it was a broader issue than that. And therefore, because they didn't like to have to go out and negotiate these deals, they believed that they could do it better by owning gas in the ground in this small gas field near Medicine Hat.

Mr. Hillson: — In retrospect, would we have been better served by dealing with SaskEnergy instead of making our own purchase and subsequently reselling it?

Hon. Mr. Lingenfelter: — Well I don't know. I can't speculate on what might have been. But the fact of the matter is we do know that there were many problems that became associated with this decision to get into owning a gas field. I guess the other that might have been is, what position would we be in today if we hadn't moved to arbitrage?

I mean there's many, many scenarios that we could discuss and debate what might be if we had done things differently, and your question being one of them.

Mr. Hillson: — Now when you became minister again in 1997, you have told us — and this of course has been confirmed by others — that the briefing books you were provided made no reference whatsoever to Channel Lake. How serious an omission do you consider that to be, sir?

Hon. Mr. Lingenfelter: — Well the issue of Channel Lake, I would have expected, would have been, in retrospect — again, in retrospect — I would have suspected would have been in the briefing book.

Mr. Hillson: — And what about verbally. Did Mr. Lautermilch or Mr. Messer make any reference to Channel Lake in discussions with you when you assumed responsibility?

Hon. Mr. Lingenfelter: — No. And I think Mr. Messer, in his testimony is quite clear. And in fact Mr. Gantefer is saying . . . and asked the question: are you saying you didn't give him a briefing on responsibility as a new minister? And Messer replied, no I did not.

And one might assume that in fact your CEO or your new deputy would give you a briefing on any and all controversial issues.

Mr. Hillson: — And what about the retiring minister. Would that also be a normal part of the process?

Hon. Mr. Lingenfelter: — No. Here again this is an issue that the committee may want to look at. But in the 20 years that I have been in and out of government, in the institution as we know it, ministers . . . while we have discussions around the cabinet table, there isn't a formulated or formal process whereby ministers are briefed by the outgoing minister.

And here again when we talk about improving relations, it may seem obvious in retrospect. But the fact of the matter is that when I became Minister of Social Service in 1980 in the Blakeney government, the outgoing minister, Mr. Murray Koskie, and I had no conversation. That was left up to the deputy, Harold Jones at the time, to come in with his staff and piles of books and give me my briefing.

And that tradition, I think, carried on in the Devine administration whereby the chief official in your department or Crown are given the responsibility of briefing ministers in a very specific and pointed fashion.

Now in retrospect, again, maybe there is need for ministers to take on the formal role in addition to . . . I wouldn't want to see it replace the CEO or the deputy minister because I think they are the people who have the detailed information. But possibly there is need for a recommendation that ministers do full briefings of incoming ministers.

Mr. Hillson: — One of the loose ends that hadn't been tied up when you assumed responsibility again — as July 1 . . .

Hon. Mr. Lingenfelter: — June 27.

Mr. Hillson: — June 27. Was that of course the press release had gone out in April and the statements made in April to the effect that we had made a \$5 million profit on the sale of Channel Lake.

Did anyone say anything to you about the fact that this wrong information had gone out and there might be a need at some point to correct it?

Hon. Mr. Lingenfelter: — That wasn't an issue that was dealt with. In terms of that particular press release, it wasn't discussed or in fact dealt with.

Mr. Hillson: — So when did it first come to your attention that

the news release, the member's statement, the other statements made in the House had left wrong information out there that had never been corrected. When did that first come to your attention, sir?

Hon. Mr. Lingenfelter: — Well the issue of Channel Lake of course, the word wasn't unknown to me because Channel Lake was discussed as a way of obtaining gas. We needed to run our gas generators — and I'm describing this in a very general way — so I knew that that was happening as did members of CIC and cabinet. We knew that the process of sale was taking place.

But the issue of when a red flag was raised that I believe there was a problem that needed more research as opposed to what I assumed was a press release that misquoted the circumstance, was when the auditor in his fall report spoke to the issue, and it was reported in the *Leader-Post* on December 2. And I followed that up with a letter to Mr. Wright, asking him for a full review.

Mr. Hillson: — Do you consider this to be a serious breakdown that nobody approached you until you finally found out months later from a *Leader-Post* article that nobody within the system, within the corporation, approached you to say well, you know, we put out this information; it's not correct; it's not true. Is that a serious breakdown in your mind?

Hon. Mr. Lingenfelter: — The flow of information?

Mr. Hillson: — Well the fact that nobody approached you to say, we put out a news release; it's not correct; we haven't taken those steps to correct that information. Do you not feel that you should have found that out through some other source than the *Leader-Post*?

Hon. Mr. Lingenfelter: — I think the information that I received on this file, there was a lot of it that should have been relayed to me well in advance to the date I received it which was on the first few days of March of 1998, not from my staff at SaskPower but as a result of a review done by an independent outside agency. So yes, this is one of a many items that I think should have had more information given to the minister and the board of CIC and the board of SaskPower.

Mr. Hillson: — And now, Minister, you will of course recall that on December 17 you advised the House that after conclusion of the sale of Channel Lake, Mr. Portigal acquired a job with the new owners and that was all there was to that. And I certainly accept that you would have had no other information on that point.

After you made the statement, did anyone contact you to say that well there might be something more than that?

Hon. Mr. Lingenfelter: — Interestingly enough, no.

Mr. Hillson: — No. Do you consider that to be a serious breakdown?

Hon. Mr. Lingenfelter: — The word serious breakdown, I mean those are your words. My words are, after the professional review, I prefer to use incomplete and what might appear to be inaccurate information that was delivered to the

minister.

Mr. Hillson: — And quite apart from any legal opinions we may have received in this matter, does it concern you as the minister in charge on the issue of severance that you were placed in the . . . you and other ministers were placed in the very awkward position of passing on inaccurate information to the House on the basis of the information you in turn had received from the Crown corporation head?

Hon. Mr. Lingenfelter: — The need for timely information and accurate information, I couldn't agree more that your whole system depends on that. And when it's not there, problems are bound to arise.

Mr. Hillson: — Would you also agree, sir, that in terms of a public servant to leave a minister in the position of wrongly advising the House is about as serious a breach of performance that one can get.

Hon. Mr. Lingenfelter: — Well I'm not going to rate it. All I can say is that we took the issue seriously and it was part of the decision for sure that came to the conclusion on March 4 that unanimously the board decided that they had lost confidence in maintaining Mr. Messer as CEO.

Mr. Hillson: — And do you think that is something that should have been taken into account in assessing whether or not severance was owed?

Hon. Mr. Lingenfelter: — Well again with severance, I can't be more clear that the discussion that went on came to the unanimous conclusion that we should turn it over to an independent individual with a great deal of experience having been the CEO of the Saskatchewan Wheat Pool, a very large organization, to deal with that issue with legal advice and that it should not be decided by the board of Crown Investments Corporation.

Mr. Hillson: — However, in that regard, after turning it over to Mr. Fair, Mr. Fair told us that he was not given access to the Gerrand Batters opinion until several days later after he had already retained the services of Mr. Garden. And this seems rather odd that Mr. Fair having been asked to assume responsibility was not told: by the way we already have a legal opinion that severance is not owed in this case. Did that concern you?

Hon. Mr. Lingenfelter: — No, the fact of the matter is we had two opinions as you know. We had the opinion of our legal counsel here, Mr. Bogdasavich, who in a detailed interview with the board, couldn't have been more adamant that he believed severance, based on what he knew of the circumstances, and his experience which was extensive, that severance was in order. And when the board turned it over to Milt Fair, it was decided that he should go out and independently — I use the word independently — without the influence from the board or opinions that we had received, in fact we discussed that very point, that he should make it in an independent way.

Now you may argue that that was not the best way to do it but I would strongly recommend that in fact, although many people

have argued with me that it wasn't a very smart political decision to make, probably it wasn't because paying severance to anyone is not politically popular, but the fact of the matter, the laws of the land, often dictate that you don't make just popular political decisions, you make right decisions. And in this case and retrospect and even more so as time passes, I believe the decision was right and accurate, both of us to give it to Milt Fair and probably their decision to pay severance.

Mr. Hillson: — Okay. Now I'm not going to quarrel with your assessment that Mr. Fair was to be independent in his judgement here, but I'm sure you wouldn't be saying that the opinion of the Gerrand law firm was not an independent opinion. And of course it was an opinion given by the law firm that presumably more than almost anyone else, was familiar with the Channel Lake episode.

And you do agree with that. I mean you're not saying the Gerrand law opinion wasn't an independent opinion.

Hon. Mr. Lingenfelter: — No. I'm saying we had two opinions. And I would weight not one higher than the other. But let's for sake of an argument, put them on the level balance — Bogdasavich who has much experience, and the Gerrand law firm that has much experience, coming to very different conclusions.

Having said that, we made the decision that we would turn it over to a third party in the name of the former CEO of Sask Wheat Pool, with his legal counsel. And in the motion I believe we said the potential of a retired judge to look at whether or not — I say whether or not — severance is applicable.

Mr. Hillson: — I'm not quarrelling with that, but what I don't understand, and it surprises me that you're not puzzled, that why wouldn't we have given Mr. Fair the benefit of the legal opinions that have already been secured? Why do we hide those from Mr. Fair when he's asked to deal with the situation independently?

Hon. Mr. Lingenfelter: — Well I don't know . . .

Mr. Hillson: — These are independent opinions.

Hon. Mr. Lingenfelter: — Yes, I understand the issue that you're raising. And obviously this is a legitimate point of view. However I say to the member opposite, the board of CIC, after a great deal of discussion — I mean this wasn't something that we came to on the spur of a moment; we spent a lot of time discussing it — believed that our best way to handle it was in an uncluttered and unclouded way. Give the file to Mr. Milt Fair, who would then review it and come to his conclusion without any interference from any member of the board or anyone from CIC.

Mr. Hillson: — I'll conclude with this. You thought Mr. Fair could do a better job, as you put it, uncluttered and unfettered with a professional opinion supplied by the law firm that had just completed a study of the Channel Lake affair.

Hon. Mr. Lingenfelter: — Pardon? I'm not sure what your question is.

Mr. Hillson: — Do I have you right, that you're saying that Mr. Fair would do a better job if he was, in your words, uncluttered and unfettered by the opinion of the law firm that had just completed a study of the Channel Lake affair?

Hon. Mr. Lingenfelter: — What we decided to do is in an independent way, based on an individual who had great experience in dealing with these kind of issues, having been CEO of a large corporation, of the Wheat Pool in the province of Saskatchewan, that this was the kind of file we believed should be turned over to him to review, and with legal counsel, decide whether or not severance was applicable.

Mr. Hillson: — Thank you. And, Madam Chair, I realize that my time is exhausted. I know Mr. Osika, my colleague, also has a line of questions. However I think we'll have to defer now to the government.

The Chair: — No, I think, Mr. Osika, if you wish to put your questions. I assume they'll be 10 to 15 minutes, will they?

Mr. Osika: — Yes, I think so.

The Chair: — I think that the committee will agree.

Mr. Osika: — Thank you, Madam Chairman. Mr. Minister, when you became minister, were you made aware of the history of the board discussions in which termination of Mr. Messer was discussed? Were you brought up to speed on that?

Hon. Mr. Lingenfelter: — You're referring to the period when Mr. Anguish was the minister?

Mr. Osika: — No. Prior to that. You became minister June 27, 1997.

Hon. Mr. Lingenfelter: — Yes.

Mr. Osika: — And there had been some previous discussions. And yes, I'm sorry, it would have also involved Mr. Anguish as well during his term. Were you made aware? Were you brought up to speed on these discussions that the board was having with respect to their losing confidence, as the term has been used here, in Mr. Messer's management?

Hon. Mr. Lingenfelter: — No. There was no report given to me by way of briefing or any discussion that took place at that time.

Mr. Osika: — Was it then, when you were appointed, was it then a distinct possibility or even a foregone conclusion at that time that at some point it was evident by this time, under the circumstances, that the Premier would not or could no longer intercede on Mr. Messer's behalf and that he would in fact have to be terminated?

Hon. Mr. Lingenfelter: — No, not in the least. When I became minister on June 27, 1997, there was no indication of that in the least.

Mr. Osika: — We've heard a lot about reporting procedures and breakdowns and inadequate information being supplied. I want to go back to the dismissal process here. Unless something

has changed, it has always been my understanding at least, that there was a very strong support for insubordination — insubordination, as being cause for just dismissal, or just cause for dismissal. Would you concur with that?

Hon. Mr. Lingenfelter: — I am not in any way an expert on dismissal and particularly as it would relate to cause and as it would relate to payment of amounts based on a complicated formula, as I understand it under Canadian law, of age, experience, size of staff, and all of these things.

I really am not an expert. And so when you say, are these circumstances whereby a certain severance would or would not kick in, I really am not capable of answering that.

Mr. Osika: — Would you recommend someone's dismissal because of direct insubordination to yourself?

Hon. Mr. Lingenfelter: — Well the issue we're dealing with is, I say again, is not black and white. Mr. Messer was an individual who I think made good decisions in the direction that he took the Power Corporation for six years. But again I think he had a style of management that was very difficult for a public ... for a Crown corporation and the reporting mechanisms that we have here as it would relate to many different layers and responsibility on the reporting side, and providing of information.

And I don't say this without some pretty good documentation and background. Obviously the Deloitte Touche, Gerrand reports all came to that same conclusion. But no one can take away the economic and financial record of the Power Corporation in the period that Mr. Messer managed the corporation. It's a good, solid performance.

Now the only circumstance that I'm dealing with is not a hypothetical one. It's a real one where you had an individual who had pretty good performance records, based on the reports that were given by the board — I mean the most recent ones. I mean they've been tabled; we can read them. But the issue of lack of responsibility as you would look to reporting things to the board and to the minister, this is not a black and white issue in my mind.

And then once we decided to part company, the issue of severance obviously we believed we needed people with some professional experience and background, i.e., Milt Fair who had been a CEO for many years in a large corporation, in conjunction with legal counsel in making that decision.

Mr. Osika: — Mr. Minister, I just ... we're dealing with civil servants. Would you have someone dismissed for insubordination? I guess that's my question.

Hon. Mr. Lingenfelter: — I mean, this is all hypothetical. But I guess anyone who is in a position of authority, working in the best interest of the public and trying to deal with things in a timely way, if the circumstances led you to believe that a dismissal was in order, you have to have the ability to be able to dismiss.

Mr. Osika: — Okay. Thank you. And I guess when I go back to your appointment on June 27, 1997, and then you go on in

your statement — no mention of Channel Lake in any briefing books to you from SaskPower. And Mr. Messer has testified before this committee he did not brief yourself on the issue. Were you not upset when this came to light?

An article in December 2 edition of the *Leader-Post*, the first thing that alerted you to SaskPower's problems in Channel Lake. Were you not upset? You're the minister in charge. You are the person that took the oath on behalf of the people of Saskatchewan to take care of their best interests.

Was this not upsetting to you? Here is a civil servant appointed — hired, as you say — to look after a very important aspect of the management of this province's power supplies and sources. You go on to say here, "The article referred to the Provincial Auditor's concerns about Channel Lake."

Were you not upset? And when you heard about that, did you speak to anyone? Or who did you talk to? Who did you express some concerns to immediately? Did you call anybody? Did you call Mr. Messer and say, hey, wait a minute, what is going on here, who is working for who?

Hon. Mr. Lingenfelter: — The way I dealt with it was mainly through Crown Investments Corporation. And I say again that there were many more people than myself who were involved in lack of proper reporting. As it turns out, the board of directors of SaskPower I think felt at the end of the day they weren't given proper reporting. And I had discussions with Mr. Wright who in his report says, and I quote from page 6 of his statement here to this committee:

The first time that Channel Lake came to our attention in the form of a flag being raised about it was December 9 ... when I received a letter from the minister instructing CIC to carry out a thorough review ...

Now you can imagine once those flags went up in CIC, they then became concerned about what they had had reported to them.

But on the other hand in business as well as in government, I mean I think the idea that you get upset and fly off the handle and fire a bunch of people on the spot isn't the proper management style or isn't a management style that I condone as well.

What I did is ask for the review to be done in a letter to Mr. Wright on December 9, followed it up with further correspondence. When the report was received, asked for Justice to take a look at it, took it to my board, CIC board. Three meetings were held where we looked at it, and then a conclusion was drawn. Because I think my responsibility as minister is to act on behalf of the public in a timely manner, but in a logical, well-thought-out, planned way.

Mr. Osika: — Wouldn't it not be usual for someone in your position when all this ... this has been going on from June already when you're appointed. There were problems. There was a blatant disregard for government policy. And you don't learn about it until some six months later and you don't phone the CEO and say, hey Jack, what's going on here? You didn't do that?

I guess what I'm having a difficulty with is the fact that you continue to refer to Mr. Messer as all the right things — he's the right person for the job and he's done great things. And nobody's arguing with that. But it seems to me that you're also saying that he totally ignored the processes.

Hon. Mr. Lingenfelter: — I think the question you have to ask yourself though is on what date did all this become known to me. It became known to me in the first days of March 1998, when I got the report and the reviews.

So you really have to, I think, understand is that the red flag went up after I read the report on December 2. I was not available to write the letter immediately, but on December 9 when I returned to the province I wrote the letter to Mr. Wright saying I've got an uneasy feeling about this arrangement.

I didn't know everything you know now. This is the difficult thing about this file, is we all sit around knowing the great reports and hundreds of pages and say, well, knowing all this why didn't you . . . You have to realize where I was at.

All I had was this one newspaper article on December 9 that raised the issue. I then asked for the report. It wasn't until the first days of March that I received what you have now had for three months to review the Deloitte Touche and Gerrand report.

And following that, within days, we acted not on what Jack said or someone else said, but on a lengthy report on which I could say this is the foundation on which we can make some pretty profound decisions, because I think this is the way it has to work.

Mr. Osika: — Okay, so you're saying that . . . it seems to me then that there's a missing link or there's a missing person somewhere in between that should have been made aware, and should have known what was going on, and that the potential disaster that might have existed with the arbitrage, with the total disregard for government policy. Nobody knew about it, in authority? Somebody must have.

If you did not, what about your predecessor? And if he did or didn't, somebody had to be answerable. I guess that's the difficulty that I've been having here and I think some of the committee members have been having here, that there seems to be a protective shield being built around people who in fact just wantonly and blatantly went about and made their own decisions, had exclusive rights for making their own decisions without being answerable to anybody.

And that's the scary part of this whole exercise. And yet at the end of the day, with what I see as blatant insubordination, the end of the day this person is rewarded. And you base your decision to allow that reward to proceed on obtaining two separate legal opinions.

Let me go back to the fact that you, sir, as a minister, and ministers of the Crown, take the oath to act in the best interests of the public. Now this just seems to be saying, well we really don't want to grab this. We're going to give it to the lawyers to get their legal opinions, when in fact it should be your responsibility as the responsibilities you take and you took in 1991.

The chairman of a board that reviewed all Crown corporations and wantonly just replaced all boards of directors, senior civil servants, just at a whim without cause. So . . .

The Chair: — Mr. Osika, I'm sure there's a question imbedded in your speech.

Mr. Osika: — Yes there is.

The Chair: — Thank you.

Mr. Thomson: — No, he's just a rhetorical head.

Mr. Osika: — Thanks, Mr. Thomson. I really appreciate your comments.

Mr. Thomson: — You're welcome.

The Chair: — Mr. Thomson, you're not recognized. Please, Mr. Osika has the floor.

Mr. Osika: — I guess I go back to. Do you, sir, do you support the payment of that severance given, the evidence that you're now being fully aware of as the minister in charge, do you support that decision?

Hon. Mr. Lingenfelter: — Let me go back a couple of steps because I think what you have to do is while this can be an emotional issue, at another level — this in terms of the management of it — you can't deal with it in an emotional way, the way you would if you just acted out on what spontaneously you felt like at that moment.

The obvious circumstance when I became minister in 1997, responsible for SaskPower, is that Channel Lake was not on my radar screen or the radar screen of CIC board, or in fact of Mr. John Wright, the CEO of CIC, until December 9 when he received a letter from me based on one small story in the *Leader-Post* that made me feel uncomfortable, but we needed to do a review.

Then following that the review was conducted, a very detailed review and I think a professional one, by Deloitte Touche and Gerrand that came to the conclusion — that didn't use your words, sir, and I don't mean this in any disrespectful way, but they didn't talk about unfettered, irresponsible. They didn't use those words. That's not the words that the professional people . . . conclusions they came to. Those are your words, and I appreciate that you may feel that way, but those are not the words of the experts.

Their words are that it lacked providing proper information and incomplete information to the board of directors and the minister. Now we can exaggerate that to see if we can't make it into something bigger. But if I am to be professional about my job, I can't let my personal views and emotions override what the professional report says, which is that the mechanism reporting was not done in a fully accurate and timely manner. That's it. That's what happened.

I now report that to my board, who in a logical way after hours of discussion, come to the conclusion that even though Mr. Messer is doing, by the board's recommendation, a good job in

providing leadership on the economic side, when it comes to reporting on things and following proper guidelines isn't acting as he should. What's the solution?

Well, he wasn't rewarded. Mr. Messer was not rewarded. The decision that was made on behalf of the board couldn't be stated more directly than the motion that Mr. Gantefer referred to that he could no longer work for SaskPower. That's not a reward. His employment ended with SaskPower based on the report.

Now the question is, having made the decision to part ways, is there severance? Which is a question that any management team would ask after somebody parted company. Is there a legal responsibility for severance?

We asked ourselves that, got two legal opinions — one legal opinion that was adamant that severance was in order, and one that said it wasn't. We then said to ourselves, do we take one of these decisions and we as a group of cabinet ministers, make the decision whether to pay severance or not to pay severance to Mr. Messer? We said no, we will refer it to an independent individual with legal advice to make that decision — under Canadian law what would be applicable under the circumstance?

And Mr. Milt Fair, with the support and recommendation and legal counsel of Mr. Garden, came to the conclusion that a severance package, as we all know, was applicable, and we accepted that. And if we were doing it again today would I accept it? Even though the politics have not been great, I've had many calls saying under these circumstances, an individual, I wouldn't have paid the severance.

The fact of the matter is that Mr. Milt Fair was given the task, with legal counsel decided to pay it. And I support it 100 per cent, even though I know that politically it's probably not a popular thing to say.

Mr. Osika: — If I can, thank you. You alluded to the fact that it was discussed at the cabinet level. At what point?

Hon. Mr. Lingenfelter: — No. The board level.

Mr. Osika: — Okay. Perhaps I misunderstood.

Hon. Mr. Lingenfelter: — I said by a group of cabinet ministers.

Mr. Osika: — Okay.

Hon. Mr. Lingenfelter: — Idea being . . . and I mean if I caused confusion let me make this absolutely clear, the board of directors at CIC being cabinet ministers only.

Mr. Osika: — Okay. Thank you. I just again — and I respect the fact of what you said about Mr. Messer being competent but impatient with government processes. That's dangerous with a civil servant, and it brings me to ask the question.

Even the board must have recognized back in 1994, during Mr. Anguish's time, that they had a loose cannon on their hands who was making decisions — gut, as you mentioned; you

alluded to the fact that it was his gut reactions to certain business decisions that he made — without any prior approval or support or authority. That's the scary part here.

Did that include things like Guyana — to go ahead and initiate a process that might jeopardize millions of dollars for taxpayers? That's where it comes to the fact that there may very well have been some concern by the board, the appointed board, knowing that the Premier's support for this individual was there. I'm sure they didn't sleep very well the night before that all this finally came to a conclusion. Anyway, I still . . .

The Chair: — Mr. Osika, again, if you could put a question — and I appreciate the depth of your feeling on this — I would appreciate though if you could try to keep your language a bit more temperate.

Mr. Osika: — I will, Madam Chair.

The Chair: — Thank you.

Mr. Osika: — I'm sorry if I was intemperate in my language. I just wanted to clarify the fact that the minister here, now, in retrospect and having seen all the evidence and the evidence given, that he still does in fact support a severance package for Mr. Messer, under the circumstances.

Hon. Mr. Lingenfelter: — What I want to make very clear is I support the board decision to refer it to Mr. Milt Fair — independently, without any influence from anyone — to make the decision. And I support Mr. Fair 100 per cent in the decision that he made.

Mr. Osika: — If we had a chance to do it again, how would the interviews, how should the interviews be conducted in reviewing the performance of a CEO of SaskPower?

Hon. Mr. Lingenfelter: — The question again.

Mr. Osika: — How would you like to do the interviews today, based on what we know now?

Hon. Mr. Lingenfelter: — You mean for a new CEO?

Mr. Osika: — Yes.

Hon. Mr. Lingenfelter: — Well there will be a process in place because we are starting down that road of hiring a permanent head for SaskPower. And so the interviewing process, salary and remuneration, all of these things are being discussed.

There have been several stories in the *Leader-Post* about how you will be able to get a CEO into the province to run a power corporation the size of SaskPower for the kind of salary and remuneration that we'd pay as compared to private sector corporations, or other Crowns, federal Crowns.

You will not need to go very far in the federal Crown organization to find salaries for Farm Credit Corporation or for AECL (Atomic Energy of Canada Ltd.) that are hugely different than what we pay in our Crown corporation sector. So these are important issues that, as we speak, the management

team at CIC are looking at in order to make recommendations to us.

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

Hon. Mr. Lingenfelter: — Thank you.

The Chair: — Thank you, Mr. Osika. I take it you have no further questions? Okay. I will then move to the government side.

Mr. Tchorzewski: — Thank you, Madam Chair. I have a long list of questions here which have been asked by members opposite, and I think eloquently asked and eloquently answered, and I think probably would not serve the committee any purpose if we were to repeat the questions which have been asked and which have covered probably the issues as well as they could be covered.

So in light of that, we will not be asking any further questions for the sake of filling in time or repeating questions already asked. And we thank the minister for his frankness and his being here today.

The Chair: — Thank you, Mr. Tchorzewski. No government members have questions of Mr. Lingenfelter? Do members of the Saskatchewan Party have any further questions? Do members of the Liberal Party have any further questions?

Mr. Hillson: — No, thank you, Madam Chair, and to the witness.

The Chair: — Thank you.

Hon. Mr. Lingenfelter: — If I could, I do not have a closing statement, only to say that I thank the members of the committee very much. Although I haven't had the wonderful opportunity to sit here day after day, I say in the most serious way that it's with a fair bit of pride, having been here 20 years, to watch the process. Because while it may not be perfect, I think it has served a very, very useful purpose for us. And I thank you all for that.

The Chair: — Thank you, Mr. Minister. You are excused. Other business?

Mr. Tchorzewski: — Madam Chair, I think if I may just comment on the committee before — and I do this having served on many committees in quite a number of years — that after the 1980s, I guess the institutions of the legislature became somewhat discredited for — and I'm not going to go into any particular reasons — but I think there was a sense in the public mind that the institutions of our democratic system were not serving them well.

And the only reason I point that out is because as the work that we have done here — both the two opposition parties, the independent members, and the government members — progressed over the last three months, it impressed me that this committee was doing a very excellent job carrying out the functions that members of the legislature are elected to carry out. And I say that very deliberately, and I want to put it on the

record for others someday hopefully to take a look at. Because I think what we have done here is that, I believe, helped restore some of that lost confidence which had been damaged for whatever reasons earlier in the 1980s.

And I think there's nothing more important than making sure that the institutions of the legislature have credibility in the minds of the public so that they can believe that they're doing their work. And I think the work that's been done by this committee helps to restore that, and if for no other reason — although there certainly are other very important reasons — this has been a very important exercise.

But now that we have heard some 20-some witnesses under oath, I think it's time for us to decide as a committee what we will do with all of this that we have garnered in the questioning and in the documents which we have read and in the expert opinions that we have been provided.

So I would like, in order to try to assist the committee, move a motion at this time — and I have copies for you, Madam Chair, and I can pass them on — on what I think would be a useful process to begin the drafting and the completing of the drafting of a report. And I will read it to you and members will get copies which I have given to you and hope that the committee will consider it.

And the motion goes as follows:

Be it resolved that a drafting subcommittee be struck to oversee the preparation of a draft report for consideration by this committee;

That the subcommittee be composed of three members nominated by the government members of this committee; one member from the official opposition; and one member by the third party;

That the subcommittee report back with a draft report at an appropriate time after all evidence has been reviewed by this committee, in consultation with the chair of this committee; and

That in the event that the drafting subcommittee fails to reach consensus on a draft report, that members dissenting from the majority report may attach comments or dissenting opinions to the majority report; and that those comments and dissenting opinions be included without amendment in the draft report to this committee and, if so desired by dissenting members, in the final report.

That I understand, Madam Chair, is the normal procedures that are undertaken in drafting a report of a Crown Corporations Committee as they are provided in the rules under which we operate.

And I move that motion, and then I would want to make a couple of other comments to it.

The Chair: — We have a motion moved by Mr. Tchorzewski. It's been circulated. I'll just give members a moment to review the content of that motion. And then I will ask Mr. Tchorzewski to speak and I'll recognize Mr. Gantfoer right after that. If

you'll just wait just a second, Mr. Tchorzewski.

Mr. Tchorzewski: — Obviously I don't, in my motion, anticipate that the members of this subcommittee of this committee are going to sit down with pencil and pen in hand and start writing. That's what there are officials and staff people to do. But I think this committee will play a very important role in finalizing a report.

And I'm sure that in this process, committee members will avail themselves of their respective staffs, who I know will be there to assist the role of the Legislative Assembly. Officials are no doubt something which will have to be employed. And I think this is not something that's going to get done over a weekend or two or three days. I know that it's going to take some time.

I think therefore it probably should be then when the committee is doing its work, the committee and the final meeting of the committee should be left to the call of the Chair, in order that there is somebody responsible for making sure that the committee does meet, that it's called to meet, and that it proceeds with the work that it has to do.

The Chair: — Thank you, Mr. Tchorzewski.

Mr. Gantefer: — Thank you, Madam Chair. By way of clarification — and I think Mr. Tchorzewski has clarified it for me — I assume in your motion you're meaning members of this committee rather than potentially being able to nominate staff to be members of the subcommittee.

Mr. Tchorzewski: — I want to make that very clear. We have staff who assist us researching, writing things. The ultimate decision and responsibility in the legislative process in the committee, is with the elected members. And I thank Mr. Gantefer for asking that. That is where the responsibility lies and I think it is important that that be clear on the record.

Mr. Gantefer: — Further clarification then, Madam Chair. Would it be the possibility in naming committee members that while they're members of the legislature, would they necessarily have to previously be members of the committee of Crown Corporations? And I think in some instances there's been the . . . just the technical requirements of constantly subbing in which is perhaps cumbersome in this event? Again, addressing that issue.

Mr. Tchorzewski: — You may want to speak, Madam Chair, but I have an opinion.

The Chair: — Yes, I would remind committee members to . . . again the warning I did give all committee members at the beginning of these proceedings: that it was important that we have continuity and that the people who heard the evidence would also be the people who would be looking through the statement of facts and preparing the report.

Mr. Tchorzewski: — You basically said what I was about to say. But I mean in the end, we can't determine what the opposition caucus may decide to do and they can't determine what we may decide with respect to membership.

But I think in order for — maybe this is too strong a point —

for justice to be served and in order that the people who really understand what it is they're putting in the report, know the details and the facts that have been presented here, I for one would urge very strongly all sides of this table that the people who have sat through this are knowledgeable about the issues. Because it's one thing to read it in a *Hansard*; it's something else to be present and see and hear the witnesses in this room.

So I would urge that to the largest extent possible, the committee, sub-committee be consisting — as you have said, Madam Chair, so well — members who were part of this process in order that we are fair to all of those who were here making their presentations.

Mr. Gantefer: — Thank you, Madam Chair. I wasn't inferring that perhaps we would reach outside of the normal attendance. I was inferring more of the technical difficulty of constantly subbing in members.

I believe on the government side there are members that have participated on an ongoing basis on this special review and had to be subbed in on a daily basis every time the committee met, from the permanent named members. In my instance that same situation applied to me. And I'm questioning if this committee could be appointed in such a way that would waive that requirement of that constant subbing-in system which is cumbersome at best in this event, if the committee has to operate on a more ad hoc basis in order to draft a report.

The Chair: — Mr. Gantefer, as I read the proposed motion, this drafting sub-committee will not be meeting formally so there will be no requirement to have substitutions. And it would seem to me that what ought to happen is that the people who are on the drafting sub-committee will be the members of the Crown Corporations Committee . . . Oh I'm sorry, I'll back up, will be the MLAs who have attended these special hearings and have sat through the hearing of the evidence.

This will be an informal drafting committee but no, there will be no requirement to be filling in substitution forms or anything like that. But I would anticipate that the members of the drafting committee will be the MLAs who have actually been physically present for the majority of the time hearing the testimony.

No further questions, Mr. Gantefer?

Mr. Hillson: — Yes, Madam Chair, the last time this process was undertaken I believe was 1954 in the Rawley Commission. And at that time my understanding is that the government used its majority to vote what the final report would be and opposition comments were simply excluded from the final report. So I'd to thank Mr. Tchorzewski for this motion because I think the final paragraph makes it clear that if there are any points in which the opposition finds it is unable to agree, those will be appended to the end of the report in any event.

So it seems to me that the normal procedure then would be that the majority of the report will be written and unless there is a descending comment added at the end by us, we would be taken to concur in that majority report except to say where we have expressly dissented from it. And that basically was where I was coming from on our discussion earlier and I'm glad to see it

was addressed. And so I'm in agreement with the motion.

I do, though, have some concerns that the motion appears to be on the basis that the committee has completed its hearings. And I do ask again that some consideration be given to the calling of Derk Kok, a private member of the board, on the basis that he has been identified as the person who in March of '97 asked if Mr. Portugal had a personal interest in the sale, that he was a member of the board when there were apparently discussions as to whether or not Mr. Messer should be fired.

And I think it would also be helpful to hear simply a private member of the board say what was their understanding when they approved the sale for 20.8 million. Did they understand that to be a final and net figure?

Now admittedly that last point may have already been covered by the testimony of Mr. Lautermilch and Mr. Mintz. However, I think it would be of value to hear just what did an average private member of the board take in the approval motion.

So that's a separate point. I hear Mr. Tchorzewski saying that that's not really part of this motion, but I'm concerned that the motion that he's presented seems to be based on the hearings being completed.

And I think there are some outstanding questions that we have not answered. There are some gaps in the testimony. But having said that, I think I basically concur with Mr. Tchorzewski that a public or judicial inquiry would certainly have taken far longer and cost far more. At the end of the day whether it would have revealed more than what our committee has been able to glean, I think is very much open to question and quite frankly I doubt it.

So I think that most of the information is before us. There are still a couple of intriguing questions that have really not been answered. There are some gaps in the testimony. But none the less the process I submit has been timely and probably far cheaper than a full inquiry, and I say whether a full inquiry would have revealed any more is certainly open to doubt. Thank you.

The Chair: — Thank you, Mr. Hillson. The only problem with your statement was that the media were not present to hear it, but I'm sure in due course it will be repeated. Mr. Gantefer, than Mr. Shillington.

Mr. Gantefer: — Thank you. In listening to Mr. Hillson's comment about the possibility of recalling witnesses, and I appreciate that it's not a part of this motion, but I would like to suggest that it is at least conceivable that as this subcommittee would do the preparatory work of drafting a report, it is conceivable that there would be a consensus at that level that a further witness would be required or indeed a witness that has presented some evidence be recalled.

Would there be the possibility or what would be the process in order to articulate to the subcommittee that in the event that they come to a consensus that it is important to either recall a witness or call a further witness, that they would have the ability to recommend that to the full committee on Crown Corporations and that indeed would proceed?

Hon. Mr. Shillington: — Thank you, Madam Chair. Just first of all through you to Mr. Hillson, the resolution itself does not deal with the issue of further evidence. And I think we're better off to leave that issue until we deal with this motion, and then you can present any comments or indeed any motions you feel appropriate.

Mr. Gantefer's suggestion I think is quite apt. It may be that in preparing the report the members so chosen might find themselves disagreeing about some of the evidence given. It would then be open to them to either write the witness, conference call, or in the event one can envision they might want to recall the witness before this entire committee.

But I certainly think that's open to the nominating committee . . . sorry, the drafting committee. The drafting committee will make its own decisions. If they want to recall someone, as far as I'm concerned that always remains open to them.

The Chair: — I would just remind committee members that every witness that's appeared before this hearing has been given the caution that they may be recalled again by the committee — so they're all aware of that.

I also would point out to committee members that I have sent a letter to all witnesses that had not made a closing statement, indicating to them that I was asking for their closing statements to be tabled with the Clerk by noon of July 6. And I believe I've circulated copies of those letters to everyone. Mr. Priel, did you wish to add anything?

Mr. Priel: — Just a comment. Mr. Shillington, I'm not sure if I misunderstood your remarks. But if you were suggesting that the drafting committee might want to speak to a witness, I think that would be ill-advised. If the drafting committee decides it wants to hear more evidence, it should be the entire committee that should hear it.

A Member: — That's correct and I do so recommend.

Mr. Priel: — Yes.

The Chair: — Yes.

Hon. Mr. Shillington: — I think that would be the process. Yes. All right, I think with those comments I think we should vote on the motion, and then get on to the issue of further evidence, if any.

The Chair: — Before we vote on the motion I wonder, Mr. Tchorzewski, if on the advice of the Clerk you would entertain a friendly amendment. The last clause in your motion, "and if so desired by dissenting members in the final report," is actually technically contrary to the rules of the House. And the wording should ought to be, "and if agreed to by the committee as reservations in the final report, to the Assembly."

Mr. Tchorzewski: — I have never questioned the advice of the table officers of this Legislative Assembly, and nor am I about to begin to do so today.

The Chair: — All right. So I take it that that is a friendly amendment. Is that agreed to by all committee members?

Mr. Hillson: — So you're saying the word dissenting becomes reservations?

The Chair: — That's correct. That in essence is what is happening.

Mr. Hillson: — Okay. Agreed.

The Chair: — So that the final wording will be on the last clause:

And if agreed to by the committee as reservations in the final report to the Assembly.

Mr. Hillson: — Thank you.

The Chair: — And committee members will also be aware that we already have passed a deeming motion to cause the report to be tabled intersessionally.

Are there any further comments on the motion?

A Member: — Question.

The Chair: — The question has been called. All those in favour, please indicate. Mr. Gantefer, Mr. Hillson, Mr. Trew, Mr. Shillington, Ms. Hamilton, Mr. Tchorzewski, Mr. Thomson, and Mr. Kowalsky. That passes unanimously.

The next meeting of this committee will be at the call of the Chair.

Mr. Hillson: — I appreciate Mr. Shillington has said that in the course of drafting that maybe further testimony will become apparent, but I submit it's already apparent that Mr. Kok would be a valuable witness, and I would like to move:

That the Chair be requested to arrange for the attendance of Mr. Kok on a date mutually convenient.

The Chair: — Do you have that in written form, Mr. Hillson? Thank you. I have a motion from Mr. Hillson:

That the Chair arrange for the attendance of Derk Kok as a witness on a date mutually convenient.

Did you wish to speak to it, Mr. Hillson?

Mr. Hillson: — No, I think I've already given my reasons. Unless anyone has any questions for me as to why I feel Mr. Kok is a necessary witness. I'm prepared to answer them.

The Chair: — Okay.

Hon. Mr. Shillington: — I'm just speaking quite briefly to the motion. It's never been suggested that Mr. Kok saw or heard anything that anyone else didn't. I think what's being suggested is that he has a different opinion. I'm not sure that's going to add a whole lot to our understanding of the matter. We've heard from board members.

I'm also impressed by the fact, I want to say, that while I've learned a great deal about this whole affair — a lot more than I

would have bargained for, and perhaps more than I want to — the last few witnesses have not changed, I think it's fair to say, the last witnesses have not changed our basic view of this matter.

Indeed I'm impressed, I may say, with the Deloitte Touche report. I'm impressed with how much of that report has actually stood the test of time. Many of those . . . (inaudible) . . . I'm really surprised by how, as I say, how much that thing has stood the test of time.

I'm not sure the last few witnesses have added a whole lot to our opinion. I don't think they've changed anything. And I don't think Mr. Derk, as I say, has any new facts — Mr. Kok, I guess it is — has any new facts. He may have different opinions. I'm not sure that's going to add a whole lot to the whole process and I would suggest that we get on with writing the . . . get on with writing the report.

Mr. Hillson: — I agree with most of Mr. Shillington's comments, and he may be correct. But I think it's important for us to know whether, when apparently Mr. Kok asked the question, does Portugal have a personal interest in this transaction, was that question merely a flyer or was there something behind it?

I think that's an important question to know. And I personally don't have any idea what the answer is and I doubt Mr. Shillington has any idea at this point as to what the answer might be.

A Member: — Question.

The Chair: — The question has been called. All those in favour of the motion, please indicate — Mr. Hillson, Mr. Bjornerud and Mr. Gantefer.

All those opposed — Mr. Trew, Mr. Shillington, Ms Hamilton, Mr. Tchorzewski, Mr. Thomson, Mr. Kowalsky.

The motion is not approved.

Are there any other motions or items to discuss at this point? If not, before we adjourn, I think I speak on behalf of all committee members that we do owe a debt of gratitude to the extremely tactful and helpful advice that we have received from our legal adviser, Mr. Priel. And, Mr. Priel, on behalf of the committee members, thank you. You've been very valuable in this whole process and we do appreciate your wise counsel.

Hon. Mr. Shillington: — I think, Madam Chair, I would extend that to all of the staff who've helped us — Ms. Woods; the people who have laboured very successfully to give us a *Hansard*; the folks who have manned the cameras . . .

The Chair: — Staffed the cameras.

Hon. Mr. Shillington: — Staffed the cameras — thank you — who have sat through some riveting testimony and I think by and large given us very good coverage. So I think I'd extend your comments to all of the staff who have served this committee so ably, including the page who has been here.

The Chair: — Thank you, Mr. Shillington. You were anticipating my comments.

Some Members: Hear, hear!

The Chair: — And again as Chair I would like to thank all the regular members of the committee and all the members who have substituted in and been so diligent. It's been an at times difficult process but it certainly has been, while not 100 per cent stimulating, it has been an extremely interesting process. And I'm sure that all of us have learned a great deal and grown as we've heard the testimony.

I do thank you all for your diligence. I look forward to working with you over the summer as we finalize the report for the Assembly. And I wish you all a very good summer.

The hour now being 12 noon, the committee stands adjourned.

The committee adjourned at 11:59 a.m.