



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Saskatchewan Transportation Company

The Chair: — Good morning, everyone. Will committee members please take their places. We are meeting today, this morning, to consider the 1997 annual report of the Saskatchewan Transportation Company. I'm going to be really bold and make the assumption that there are no subsidiary companies in this.

Then this afternoon we will be considering CIC (Crown Investments Corporation of Saskatchewan) again.

I would like to welcome the Chair of the board, Murray Westby, and the officials as well. Gentlemen, our practice is to ask for you to introduce your officials, then to make a brief, overview statement if you have one or if you wish to make any statement. Then I will ask your external auditor, Brian Drayton from Price Waterhouse, to comment on the annual report for the year under review, and then ask the provincial auditors, and I believe it will be Corrine Rybchuk today, making a comment on the comment, how is that?

After that we will throw it open for questioning by committee members. The custom in this committee is that we question officials in blocks of time of approximately 15 minutes, rotating from the opposition to the third party to the government and back again.

Mr. Boyd: — Recent custom.

The Chair: — The custom. The working custom.

Mr. Boyd: — For as long as you want it. Anyway . . .

The Chair: — Anyway, I do thank all committee members for their co-operation in this custom. It does appear to be working well.

I would like to at this time, Mr. Westby, ask you to introduce your officials, please.

Mr. Westby: — Thank you, Madam Chair. Good morning, ladies and gentlemen. I'm pleased to introduce this morning to you the officials that are with me. To my right, Jim Hadfield, who's the president and CEO (chief executive officer) of STC (Saskatchewan Transportation Company); Don Wincherauk sitting next to him, who's vice-president of corporate services. And next to Don is John Millar, director of strategic planning and communications. Sitting at the back is Shawn Grice, our director of finance and controller; and then we have with us Brian Drayton from PricewaterhouseCoopers, who's our external auditors.

I have no formal statement prepared at this time, Madam Chair, other than to say Saskatchewan Transportation Company, we feel, has made significant progress in its business operation in the past year. And I realize we're here to talk about 1997 and hopefully any questions that come up we'll be able to answer. So with that, I will close with that, Madam Chair.

The Chair: — Thank you. Mr. Hatchfield — Hadfield, I'm sorry — did you have any opening remarks you wish to address

to the committee?

Mr. Hadfield: — No, Madam Chair, I do not.

The Chair: — Okay. Then we'll get right into it.

Mr. Drayton: — Madam Chairman, my comments too will be quite brief. I refer the committee to page 25 of the company's annual report which presents our auditor's report addressed to the Members of the Legislative Assembly and dated February 28, 1998.

As indicated in the report, our audit was conducted in accordance with generally accepted accounting standards. And in our opinion the financial statements do present fairly in all material respects — financial position — results of operations of the company for the December '97 year-end.

Our audit was conducted primarily in two visits — one in late November, early December and one in early February. As a result of those examinations, we have agreed with management's assessments and judgments regarding accounting estimates required in the financial statements and disclosures. As well the audit was conducted in accordance with The Provincial Auditor Act and the recommendations of the task force on roles and responsibilities with respect to auditors' involvement and interaction. And in that event was co-ordinated with the Provincial Auditor's office from the planning to execution stages.

Also in accordance with The Provincial Auditor Act, our audit included examination of the company's internal control procedures to safeguard the company's assets as well as the company's compliance with legislative authority and other matters. The overall control procedures were found to be adequate, however we did report three areas where we believed control systems could be improved; those being in the areas of project management, information security policy, and the disaster recovery plan. Those matters have been reported in the Provincial Auditor's report to the Legislative Assembly, and my understanding were dealt with by the Public Accounts Committee last week.

We have been informed by management that progress has been made in all three of those areas and we'll be reviewing that in the current year's examination.

I also report to the committee that throughout our examination we received full co-operation from management and their staff, and did receive open access to all books and records and any other information that we required. And that, Madam Chairman, would be the extent of my comments at this time. I'd be happy to answer any questions when you get there.

The Chair: — Thank you very much.

Ms. Rybchuk: — Thank you, Madam Chair, members, and officials. My comments are organized in the following. The first is our audit results which Brian went through. In carrying out our work at STC we worked with PricewaterhouseCoopers, STC's appointed auditors using the framework recommended by the report of the task force on roles, responsibilities, and

duties of auditors. I would like to acknowledge the co-operation that we received from PricewaterhouseCoopers and also from the management of STC in carrying out our work.

We reported our results in our spring 1998 report to the Legislative Assembly. And as Brian already stated our three opinions: the opinion on the financial statements was that they were reliable; the legislative authorities that they were complied with; and that the STC had adequate rules and procedures to safeguard and control its assets except for the points mentioned already by Brian. And again at the recent Public Accounts Committee meetings, STC noted that they've made progress on all of the above recommendations.

Another matter regarding the annual report was addressed. We believed that to assess the performance of Crown Corporations, MLAs (Member of the Legislative Assembly) and the public need adequate summary information about the plans of those agencies and about the achievement of those plans. Annual reports should provide their vision, long-range goals, specific objectives, key performance targets, and the main strategies for achieving those targets. They should also report on the extent to which they achieve those plans and targets.

We were pleased to note that STC's 1997 annual report clearly lays out its mission statement, its goals for 1998, and performance indicators for those goals including passenger miles travelled, communities served, and quarterly freight profits. We congratulate STC on its progress and note that in next year's 1998 annual report, STC plans to compare its 1998 operating goals to actual results, and disclose STC's 1999 operating goals.

We also encourage STC to communicate the key aspects of their plans and results using the balanced scorecard performance management system. That concludes my opening comments and we're prepared to answer any questions.

The Chair: — Thank you very much. Do any members of the committee have questions of either the Provincial Auditor or the representative from PricewaterhouseCoopers? There being none we will move directly into questioning of the officials.

Mr. Boyd: — Thank you, Madam Chair. We have a number of questions dealing with a number of different subjects that we wanted to discuss with the officials here today, the routes that the STC is involved in, the losses that STC has incurred, their computer system, and the courier business that they are involved in.

STC has provided service to the people of Saskatchewan for some time. It has also lost money for a considerable period of time. Some would be of the view that that is acceptable and some would be of the view that that is part of the mandate and responsibility of the bus company to provide those kinds of service and if necessary to continue to lose money for the taxpayers of Saskatchewan.

In its annual report, STC said it would need a subsidy to meet losses of about \$3 million. However when that was said and done, \$3.9 million was necessary. I think the people of Saskatchewan would certainly want to know what happened to make up that ... to continue to have a higher than projected

loss. And can you give us an estimate as to what you expect the losses will be in 1998? Will they be running at about the same levels?

Mr. Wincherauk: — Madam Chair, if I can just, I'll have a little comment. If you turn to page 27 of our annual report, 1997 was a year of change for STC. We basically had a brand new management team. The management team had to sit down and have a look at what our problems were, identify those problems, and then provide some quick solutions to it. When we arrived on the scene, we were facing a severe fiscal problem which we had to deal with immediately.

In June we were forecasting, I think at that time, about \$22 million in losses, which would have projected out to about a deficit of 7.2. We managed to sit down and work it out, we drove the \$22 million down to about 20.6 which is a 6 per cent increase. We then had to move to try to focus the corporation, taking it back on what STC has done over its 50 years of history, focusing on the passengers and the express. And then the third part was to build a 1998 budget, which comes to the question you raised.

And our message to our staff was strict, fiscal control. And we sat down and we attacked the budget, and we tried to attack it on the side of administrative expenditures and not on the operating side. And for instance, our executive budget we cut by 37 per cent, our finance by 29 per cent, our human resources by 45 per cent, our systems by 51 per cent. And when you sit down and you look at the 8.6 that you have on page 27, and you compare that to our 1998 forecast which we see coming in at about \$3.8 million, that's a decrease of 56 per cent.

And just one further comment on the 8.6. Whenever a company goes through major restructuring, there are one-time costs, and for STC in 1997 that was roughly around \$2 million. And so, in a roundabout way getting back to your question, that we believe we've gotten things under control, and if you were to look at the CIC mid-term report that was released at the end of August, we're coming in on our targets.

And just a couple of seconds here. Our operating costs have decreased by 1.5 million or 20 per cent. The administrative costs are down by well over half a million dollars or 36 per cent. Overall expenditure is down by 25 per cent. And our annualized deficit including depreciation falls from 7.2 million to 4.2 million, and that's about 42 per cent.

Your other question was on the 3.9 million we received as an order in council back in July. I think you have to look at that as being sort of like a line of credit. We weren't too sure where our numbers were going to end up so we requested the 3.9, and I think our most recent forecast will have us on the operating side at about \$2.5 million along with a capital of 200,000 so it comes in at about 2.7 million. So we're way ... we're below the 3.9 and we also will be under the 3 million that we identified.

Mr. Boyd: — So you've taken considerable steps to address the concerns and problems.

Mr. Wincherauk: — Yes, sir.

Mr. Boyd: — Very significant concerns, I think, you could characterize them as.

Mr. Wincherauk: — Yes, sir.

Mr. Boyd: — One has to wonder what the heck was going on with the management of the past when you had those kinds of levels of administrative costs and operating costs and things of that nature, and yet you're able to significantly reduce them and probably has not seen that much difference in the operational aspect of the company.

Mr. Wincherauk: — One never likes to second-guess people who come before you. I remember reading an article by Jack Welch who was CEO of General Electric and his comment was, well that's water under the bridge. Also I don't . . .

Mr. Boyd: — Money under the bridge too in this case.

Mr. Wincherauk: — Money under the bridge . . . really feel that, you know, we can comment on that. I know Jim may have a . . .

Mr. Boyd: — The concern I think continues across Saskatchewan that when you can make those kinds of very, very deep cuts into a Crown corporation, I guess it makes people pause and reflect that perhaps there's other areas, other Crowns, that it would have those same kinds of savings. I know that you're not going to be prepared to comment to that statement. But it certainly, I think, indicates that when there is a — I think I'd typify it as a crisis, people can respond. Crown corporations can respond and make significant changes to their operating budgets to try and address some of those concerns.

The area that I wanted to speak about next was the whole area surrounding your computer system problems. STC had, with its computers last year, about three-quarters of a million dollars was lost due to a billing malfunction. Can you tell us precisely what went wrong that resulted in this problem?

Mr. Wincherauk: — Again that's going back over a period of time and I'm not too sure why the previous management arrived at the decisions that they arrived at, but I know when we came on board and when we decided that we weren't going to pursue the Lynden contract, it allowed us an opportunity to sit down and have a look at how we were doing our accounts receivable, how we were doing our billings.

We dispatched one of our staff to Grey Goose, a company in Manitoba that is similar in size to STC, and she came back with a report saying that we could implement this new system; it would solve our problems that we had with the current accounts receivable and just allow us to get on with business.

Mr. Boyd: — The figures being used are losses in the magnitude of 750,000?

Mr. Wincherauk: — What that is, is that we have an allowance of 750,000.

Mr. Boyd: — Some media sources have pegged it as high as \$1.7 million. What is the accurate figure?

Mr. Wincherauk: — Well what we have, in our accounts receivable there's about a million dollars. We have been pursuing that vigorously over the last year. We have done two mail outs trying to collect . . . to recoup our revenue. One was sent out in July; the second one just went out I think at the beginning of this week. And it's our estimation that we will . . . 88 per cent of it has been billed out.

A Member: — Eighty . . . I'm sorry?

Mr. Wincherauk: — Eighty-eight per cent of the 1 million has been billed out, and we anticipate that we'll have a pretty good return on that.

So at the end of the day on the allowance of \$750,000, I would think we will maybe use up 400,000 of that.

Mr. Boyd: — When was the time frame surrounding this problem?

Mr. Wincherauk: — I believe the problem started in 1996, in the fall of '96.

Mr. Boyd: — And the most recent billing has been last week?

Mr. Wincherauk: — Well what we had to do is go back to our stacks of invoices, take them and then match them up with their waybill. And we didn't want to be in a position where we were company X, Y, or Z send them one invoice and then another one a week later and another. So we actually had to bring in staff to go through the entire batch of invoices and match them up and then hold them back until we had all of it done. So that explains why we never, you know, melded out like each time we found one.

Mr. Boyd: — I find it difficult to understand how the problem could even have happened. Generally speaking, I think business people would look at the billing part of their operation as one of the most heavily scrutinized parts of their operation they would have, wanting to ensure that not only do they provide a good service to their customer, but they are paid for that service. And those kinds of very significant losses in that area would seem to be, I would think, almost unheard of in parallel industries.

Mr. Wincherauk: — I think this is where our external auditor and the Provincial Auditor have come up with their comments on why we had to develop a project management policy to be able to deal with this, which we have done.

Mr. Boyd: — Is that computer . . .

The Chair: — Excuse me, Mr. Westby, did you wish to add something?

Mr. Westby: — Well, just to Mr. Boyd before we leave that. I just think it's appropriate I say a word here too. And apologize — I'm not sure what the protocol is around here being a neophyte to this process but . . .

The Chair: — We make it up as we go along.

Mr. Westby: — Okay, good. Just, you know, and certainly the concern raised is a concern that the management and the board

is well aware of. I can tell you that there has been an aggressive collection effort put into this. And as a business person myself, I know, it doesn't matter what you sell if you don't get paid for it, it's all for nought.

So due to the very significant efforts of the accounting staff and it's not . . . You know, you can say, well why did you get into this fix? And I guess that's something that I'm certainly not prepared to comment on. But I guess we have to try to make the best of this situation which is certainly highly undesirable.

And I think it's fair to say, as Mr. Wincherauk has mentioned, that a good many of the accounts are being paid — not without some question — and I don't mind telling you we got a bill ourselves here from May 1997. And I took it to my bookkeeper and I said, did we pay this? And he said, no, we didn't. So we paid it. He grumbled a little, but you know, I think we have to rely on the basic good will and honesty of people. It doesn't mean they're happy, but if it's a legitimate account that they can show that they've incurred they will pay it.

Now of course some people won't, and some are out of business and some have left the country and whatever.

But I just want emphasize that yes, it is a serious concern, and the board certainly has directed staff and we've done everything humanly possible to try to collect as much of this as we can. And certainly the allowance of \$750,000, as Don has said, is far from the actual number that will really be incurred when the smoke all clears.

Mr. Boyd: — I think it'd be fairly safe to say that in John Deere dealership operations you wouldn't lose \$750,000 in billing. The bill would be most . . . I think in most operations of any magnitude that would be picked up fairly quickly that there was difficulties in that area before these losses started to occur.

Is that computer system, the one that apparently resulted in the difficulty, still in use?

Mr. Wincherauk: — Part of the system, the express billing component of it, is no longer used, you know, but the . . .

Mr. Boyd: — The billing is done currently manually?

Mr. Wincherauk: — We have a manual system that interfaces with our stand-alone computers.

Mr. Boyd: — Perhaps not, in terms of any kinds of difficulties with any Y2K (Year 2000) problems, but . . .

The Chair: — Like Y2 '96.

Mr. Boyd: — Y2 '96.

I take the board and the Chair's viewpoint that all steps are being taken to address this kind of tremendous oversight. When you're already a corporation, a public corporation that is losing money, every effort has to be made, as it appears you are every effort making, to wind down the costs.

Part of the business cycle though obviously is keeping track of your costs but also keeping track of the revenue streams to

ensure that you're being paid adequately.

Part of the concern probably extends further than that. I would assume that, yes, it would be accurate to say that many businesses would grumble about getting a bill for services rendered in 1996 or 7. Do you anticipate losing additional business as a result of those grumbings that many people would have?

Mr. Hadfield: — No, I don't anticipate . . . It's actually remarkable. I have spoken with several of our accounts, our larger accounts, about this issue and they're not very happy about it but they understand. And as business partners, as being customers of STC, they do understand. The situation has been fully explained. The billing has gone out and in a majority of cases those accounts are going to be paid. And the effect on STC, the 750,000, will be considerably less than what was anticipated as stated in last year's annual report.

Mr. Boyd: — Right. Moving on to the whole area of your courier business, in July of '97 STC's courier lost a very lucrative \$1.1 million contract I understand with Lynden Air Freight. How much of the courier express total business did this contract represent?

Mr. Wincherauk: — Lynden was worth about 1.2 to 1.3 million in revenue. And just to correct you, we did not lose the Lynden contract. We made a management decision when they came back to us with numbers that were significantly lower than \$1.2 million and they were asking us to do a lot more, that it was just no longer viable for us to enter into an agreement with Lynden.

And actually after the Lynden contract expired, our revenue numbers on our express side turned around considerably. And I believe that's referred to in the annual report.

Mr. Boyd: — Yes, it is. On page 8:

When the contract came up for renewal, and Lynden asked for concessions which would have seen STC moving considerably more freight for less money, as well as changes to the level of service, it was quickly realized that this would mean the contract would lose STC money, and the offer to renew was declined.

So you, the company at the time made the decision that it would be best if they weren't involved in that contract.

Mr. Wincherauk: — That is correct.

Mr. Boyd: — And yet at the time the media reports, Mr. Nystuen at the time, July 19, 1997, is indicating that it was a significant factor in STC's future and stressed that it may result in layoffs, may result in considerable less business to the company. The appearance at the time is significantly different than the annual report would suggest.

The blow of the courier . . . loss of the courier service, the best management the beleaguered Crown corporation has going will likely spell layoffs, Nystuen said Friday. When there are fewer freight pieces moving through the system, we certainly need less trucks. And potentially fewer trucks means potentially

fewer employees.

It would appear at the time it was the view, not as the annual report suggests, that you gave up the contract but that you lost the contract or would no longer have the contract and that it might result in significant changes to the operation.

Mr. Wincherauk: — Madam Chair, that is correct. As a result of not having the Lynden contract, we removed 700,000 truck miles from our network; we laid off 16 staff. And when you go back and you look at the expenditures versus the revenue on this, there was very little return to STC with the Lynden contract. And the conditions that they wanted to negotiate with us meant that we would be . . . the 1.3 million would drop under \$1 million in revenue and at that point it was just not a viable option for us.

Mr. Boyd: — So it wasn't a lucrative contract you're suggesting.

Mr. Wincherauk: — No. It was a lucrative contract in the sense it was the largest contract that we had at \$1.3 million but it wasn't making us money.

Mr. Boyd: — And then the decision was taken to give it up then.

Mr. Wincherauk: — Correct.

The Chair: — Have you finished questioning on that?

Mr. Boyd: — Yes.

The Chair: — All right.

Mr. Osika: — Thank you, Madam Chair, and welcome gentlemen and ladies.

I wonder if it would be appropriate at this time, Madam Chair, to ask . . . We've been talking about the fact — and I'm not sure whether it's these same officials that were here at the Public Accounts Committee meeting within a week ago, I believe. And if that was the case, and forgive me for asking this at this point — but I'm trying to rationalize why we would have the same people appearing before two different committees to virtually discuss the same issues with respect to the performance and operations of individual Crown corporations.

Forgive my naïveté if there is some real sound, solid reason why we're duplicating.

The Chair: — I'm trying to rationalize it myself.

Mr. Osika: — Is there any way that either this committee or some committee or somebody is able to present a motion or an argument or ask for some rationalization as to why we have same officials from the same Crown corporations appearing before two different committees?

The Chair: — Mr. Osika, it's a difficult question to answer. When the Crown Corporations Committee undertook a significant review of its terms of reference and mandate in 1994 and presented a report to the House, we clearly identified the

issue of duplication and overlap between the two legislative committees as an area of concern. I felt that we received endorsement and encouragement from the legislature to find some way to resolve this issue.

Since that time there have been a number of meetings but the issue has not been resolved. The Provincial Auditor maintains that it is his legislative responsibility to table reports with the Public Accounts Committee even when those reports deal with things that are solely under the mandate of the Crown Corporations Committee.

There have been numerous meetings to try to resolve this issue and I believe both the Public Accounts Committee, certainly the Chair, is on record as saying that she wanted to seek a meeting with us to try to resolve this issue. That was in October. I haven't been contacted by her yet but they've been busy working on other things. So I think that we will eventually have that meeting.

Various members of the Crown Corporations Committee at various times have expressed concern and frustration over it. We are working. I have asked the Clerk to give me a report on what is required in order to satisfy both the requirements of the House, the requirements of The Provincial Auditor Act, and the concerns and needs of the legislators appointed to both the Public Accounts Committee and the Crown Corporations Committee to be able to stop this overlap.

I think that — I'm sorry for going on — but it appears that the situation is coming to a head this fall because clearly CIC officials appear before us on Monday. They then tell me they answered the same questions and made the same statements on Tuesday to Public Accounts Committee. SaskTel, STC, it goes on and on. We have to come to grips with this situation because we are wasting valuable senior executive time in tripping over two legislative committees.

I think today I would suggest we will note your concerns about this duplication and overlap and carry on with the business of reviewing the STC annual report and financial statements and various policies and objectives as is our mandate. And perhaps we might even want to consider striking a sub-committee to meet with Public Accounts. Or if committee feels it's all right, I will just carry on trying to find some solutions that I will present to the committee in due course.

Mr. Osika: — Thank you, Madam Chair, and I apologize to the officials here. It's not their concern but it seems that these officials are here, as they are from other Crowns, and we continue to ask them about their cost efficiencies, their responsibilities with respect to accountabilities. And perhaps we should look at the efficiencies and cost effectiveness of this type of duplication and that's why I raised that question.

The Chair: — Good point.

Mr. D'Autremont: — Thank you, Madam Chairman. Perhaps this discussion arises because of the changing role of government and the changing role that government has given itself rather than the role that the Crown Corporations Committee or the Public Accounts has.

This committee, which I have sat on a number of times since I've been elected, would normally delve into the areas of policy, both past and future, which was answered . . . the questions were answered by those in charge, the minister. In this particular case, the minister now refuses to come to Crown Corporations to answer questions for the individual Crowns. The minister will come as the chairman of CIC, but no longer attends as the minister responsible for STC, SaskTel, SaskPower, and the other Crowns. And that is the difference that we have today.

There have been some questions about the policies from the past, why did these things happen? The executives sitting before us could not answer those questions because they either weren't here or they were policies and decisions that were made before their appointment to their positions that they have today. But the minister would have been responsible for those decisions, or his government and cabinet were responsible for those decisions, but the minister's not here to answer.

And that is what is happening in the Crown Corporations Committee that is different than what the role the Crown Corporations Committee played before and that is where is there is some questions being raised because the minister's refusal to attend these meetings.

The Chair: — Well I take your point, Mr. D'Autremont. That's a new one to me because . . .

Mr. D'Autremont: — Well, where was the minister?

The Chair: — Well quite frankly, in 1994 when this committee . . . Gentlemen, I'm sorry. We'll only be a couple of minutes and then we'll get back to STC. When this committee undertook a review of its mandate and role, one of the things that members from all parties, but most particularly the opposition, said was that they were frustrated at having to address their questions through the minister. The minister would then turn around, ask the officials, there would be a whispered consultation, and then finally the minister would be briefed on the answer and would give it to the committee members.

Committee members asked for a more direct process. They were frustrated at past Chairs that said we can only deal with the year under review when they would know that there were full well issues that were happening right now that they wanted to be able to deal with.

So it was decided that we would stop the artificiality of having only the minister speak at this committee and stop the artificiality of only looking at the year under review, which in times gone by, could have been two or three or four years in the dark history. So the role was changed and the ministers customarily came, introduced their officials, gave them power to speak, and then they left. And no one raised a concern about it. It seemed that the process was working very well.

Then with the Crown review last year, when the ministers were taken off the boards and it was decided to appoint very senior, capable, well-respected, influential people in the community, of which Mr. Westby is an exemplar, the minister made the decision to come to CIC because he is overall responsible for

that. He came to that meeting and as has been the custom, empowered his officials and his board Chairs, or Vice-Chairs as the case may be, to speak to the issues that the committee members raise.

I will take your point though and I will pass it along to the minister so that he hears that there is at least one committee member who would prefer that he sit here the whole time and be the spokesperson for what the officials are going to tell him is the answer.

But right now this is the way the committee is operating. We have Mr. Westby here who is the board Chair, who has, by accepting his appointment, accepted responsibility overall for the policies and objectives of STC. We have the officials here. Mr. Osika has raised the very important question of duplication and overlap. I have indicated to him that we are moving and trying to find some way to resolve this. I thank him for bringing it up.

I would suggest now that what we ought to do is get on with focusing on the STC annual report for '97 and the implications that it may have for today.

Mr. D'Autremont: — Thank you, Madam Chair. One clarification on part of your statement. You suggested that the minister in the past would come in, make a small presentation, and leave. That was not the case. The ministers would come in, make a presentation, and remain here to answer questions.

On the rare occasion, the minister would ask permission to be excused, and the board members, the committee members, would all agree that they had finished questioning those areas that the minister would be responsible for, and would indeed accept the answers from the executive's president.

The idea of allowing the executives to answer the questions of the committee members directly was working fine last year and the year previous to that but the minister was also here to answer those questions that the executives of the Crown corporation were unable to answer because they were decisions made by cabinet which affected those Crown corporations. And we no longer have that ability.

The Chair: — I don't wish to be argumentative, Mr. D'Autremont. My point was that we've been in an evolving modus operandi for the last four years and occasionally the ministers have been here for the whole time; occasionally they have not. This is, as far as I know, the only legislative committee where the ministers do customarily come. I will express, on your behalf, to the minister your frustration that he is not here today.

Again though, I think that we're being discourteous to the officials and the board Chair who is here today because the item of business is to deal with the 1997 annual report of STC not with some committee concerns.

So I think we ought to get on with it.

Mr. Trew, unless you have something . . .

Mr. Trew: — It's actually on this and I intend to be very, very

brief.

The Chair: — I'm just . . . I'm trying . . .

Mr. Trew: — I think it will be helpful to you.

The Chair: — All right. I'll recognize you.

Mr. Trew: — Thank you. Not to haul coal to Newcastle.

You've pointed out quite correctly that the system of Crown Corporations Committee has been an evolution, a work in progress. We have the minister responsible for all of the Crowns that will be appearing when CIC (Crown Investments Corporation of Saskatchewan) . . . when we review the Crown Investments Corporation, both at the beginning and at the end of the Crown Corporations.

I understand opposition members particularly feeling that isn't enough. And quite frankly, my instincts are that they are in some ways correct on this, that ministers . . . I don't want to see us in a situation where ministers must be here while committee members want to address the officials. But I do think it is important that we encourage the minister to attend, at least for a while, a part, a portion of as many Crowns as it's possible.

But I do recognize that ministerial obligations sometimes will prohibit that, and I don't want to hold up the work of the committee. So to the extent that that may have been helpful, you're welcome; to the extent that it may have been confusing, I'm sorry. Thanks.

The Chair: — Well, we have two issues before us on the table now. One is the attendance of ministers at these meetings. Again, I'm going to point out this is the only committee where the ministers do attend. They don't attend Public Accounts.

And the second is the question of overlap and duplication between the two committees since it appears from Mr. Osika's vantage point, who does attend both committees, that both committees are doing and asking the same questions. I will attempt to resolve both of those. But in the interim could we get back to questioning the STC officials? And I recognize Mr. Osika until approximately 5 after 10.

Mr. Osika: — Thank you, Madam Chair. I may not need that long. However, I appreciate that.

In the Provincial Auditor's spring report there were a number of recommendations that were put to STC, and I note in some areas that those recommendations have been followed. Are you continuing to meet the demands or the expectations of the auditor with respect to those other areas that have not yet been addressed?

Mr. Hadfield: — Yes. We have complied with all the four points raised in the report, other than the disclosure of persons who receive public money. And like other Crowns, STC does not publish a list of persons due to competitive confidentiality. But we understand the matter has been referred to this committee for review, and we will abide by any recommendation that the Crown Corporations Committee comes forth with.

Mr. Osika: — The confidentiality aspect would have to do with contracts, competition not being . . .

Mr. Hadfield: — Competition and contracts and a whole wealth of information, yes.

Mr. Osika: — Do you feel that that would be important for this committee to be aware of those types of expenditures, and the contracts that are entered into, and the fashion in which they're entered into?

Mr. Hadfield: — Well there are rules and regulations as to how we enter contracts and structure business alliances with suppliers, etc. And as long as we comply with those I don't really feel that it's necessary. But having said that, I stress that if the recommendation is that we disclose that type of information from this committee we most certainly will.

The Chair: — Pardon me, the committee did resolve yesterday that they would be asking to receive on a standardized, customary basis, any contractual consultancy arrangements that a Crown enters into for a total value in any particular year of over \$10,000.

At the same time though committee members did highlight the question of commercial sensitivity and indicated that as per our 1994 resolution to the House that we were not interested in having corporations disclose information that would affect their commercial sensitivity.

So I can't give you an ironclad rule; we are asking for disclosure of usual information, particularly about advertising firms, legal firms, and that sort of thing. And at the same time we're asking the Crowns to be careful and not to give to us information that would jeopardize your commercial position. But we have to ask for your discretion and we do not wish you to use a broad brush stroke to define that carefulness and that caution.

We're not interested in having Crowns hiding information; we want to have the Crowns operate in as full and transparent and open and accountable manner as possible. At the same time we recognize that they operate in a business environment and sometimes there are things that it is simply inappropriate to have disclosed in a public committee meeting.

Mr. Osika: — Thank you, Madam Chair. If I could go on now. Well I guess it's a matter of record and it's before . . . prior to you gentlemen having being involved, but it's on the record that since 1980 STC has continued to lose money. And I appreciate that now you have got it under control to a great extent.

You indicate in your report that your expenses are something of 35 per cent above the industry norm and your fares are still lowest in the country. And I would expect that you are continuing to review your routes — your profitable ones, your non-profitable ones. Do you have something of that fashion going on, on an ongoing basis?

Mr. Hadfield: — Yes, now we do. We look at our routes on an ongoing basis and will be examining them as to obviously, as to whether it makes business sense. But we have a social obligation to the people of this province and we have been

mandated and we have internally mandated that we will not reduce the number of locations — 276 — that we currently visit and service in this province. We will continue to service those routes in the most efficient way we can. And that was our operating goal for 1990, one of our goals for 1998, and will continue to be in 1999.

Mr. Osika: — So in other words the essential services that's needed for rural Saskatchewan will continue despite the subsidies and maintaining minimal subsidies for those services?

Mr. Hadfield: — That is correct.

Mr. Osika: — Do you have currently between any centres — any of the larger centres — commuters specific over and above your regular schedules? Do you have any commuter services?

Mr. Hadfield: — Yes, we have one commuter service to the technical facility in Moose Jaw — SIAST (Saskatchewan Institute of Applied Science and Technology) — from Regina.

Mr. Osika: — And how often is that?

Mr. Hadfield: — Daily.

Mr. Osika: — That's daily? From morning and evening or . . .

Mr. Hadfield: — Morning and evening.

Mr. Osika: — Are there any intentions of increasing any commuter services of that nature?

Mr. Hadfield: — As a business person I'd like to answer that. We will look at any opportunity to enhance our business as long as it does not cost our company money to provide that service.

Mr. Osika: — Madam Chair, I thank you. That's all I have for the time being.

The Chair: — Thank you, Mr. Osika, and I'm sorry that you kept getting interrupted in your questioning. I apologize for that. I would now recognize Mr. Trew from the government side till approximately 10:15 at which point we'll take a break.

Mr. Trew: — Thank you, Madam Chair. Mr. Westby, Mr. Hadfield, and balance of the officials, it's a pleasure to have you here. It always is.

I want to talk first about some of the changes in STC. It has been a troubled — financially troubled, certainly — operation for a good number of years now and I know that there was a Crown review undertaken.

Part of that review, I believe, urged that the Crown look at what it should be doing — that is, set out some clear definitions, some clear guideposts, some clear goals. And I'm wondering if you could help me with what STC's goals are, or were in the year under review, and how they're shifting.

I'm assuming there will be some shifting, if for no other reason than STC had been challenged to operate in the black for quite a number of years, and I think that it's generally recognized that that's not likely to happen, certainly in the near term. So that

would have resulted in some shift of emphasis I suspect. Can you help me out with that?

Mr. Hadfield: — Well to address the first part of your comment or question, our operating goals for 1998, were eightfold.

To provide the current bus service levels. We achieved that goal and will be part of our goals for 1999.

Establish and maintain a lower subsidy level. We have more than achieved that goal for 1998 and are continuing to strive to maintain that lower subsidy level in future years.

Maintain service to the Saskatchewan communities. Yes, we are still servicing 276 communities and our goal is to continue to service those communities.

Maintain the affordability of service. That is a goal that we have achieved and we will continue to achieve in 1999.

Ensure the subsidy from government goes to underwrite passenger service. That goal has also been accomplished for 1998 and will continue to be a goal for 1999.

Ensure that our freight operations generate sufficient profit to pay for other corporate services. That was a goal, and again achieved that goal in 1998 and will continue to be a goal in '99.

Further reduce overall operating costs. The goal was 2 per cent. You will find when this report comes out for 1998 that it will exceed 20 per cent. So we have achieved that goal. And again we have that goal set aside for 1999.

And maintain direct bus operating costs. Our goal was 8.6 million and again we have achieved that goal.

So according to the goals set out for 1998 in the 1997 report, which is in front of you on page 22 and 23, we have achieved all our goals, remarkably so, through a number of different measures.

To address your comment or question as to what does the future hold for STC as far as goals and what is changing, our goal is to stick to our knitting, basically. We offer a passenger and express service to the people of Saskatchewan. We will be visiting and servicing 276 communities.

Previous administrations, I'm not free to comment on. They went into all sorts of other types of ancillary businesses associated with passenger and freight service.

Our goal is to offer passenger and freight service to the people of Saskatchewan in an efficient, cost-effective manner, keeping the subsidy to a minimum. Our goal is to keep it between 2 and \$4 million. And we have achieved that goal in 1998 and will achieve that goal in 1999 in setting out our operating goals.

Mr. Millar: — If I could, Madam Chairman, in future years our goals will also be shifting somewhat. We're going to be quantifying issues of passenger safety and passenger comfort that we haven't addressed to this point because we've been concentrating on the financial stability of the company. We will

shift somewhat in the upcoming years for more concentration on safety and satisfaction to customers.

Mr. Trew: — Well it's very impressive. Your seventh goal was to reduce overall operating costs by 2 per cent and you exceeded 20 per cent and then said: and we plan to do that again next year.

Mr. Hadfield: — I do not plan 20 per cent, but stick to the 2 per cent.

Mr. Trew: — Yes. I was pretty sure that's what you meant because 20 followed by 20 is pretty . . . I mean 20 in itself is very impressive. It's an impressive number. Good. I'm pleased to see that you didn't just stop when you met your goal but in fact tried to do even better. And congratulations on meeting all of those goals.

I see on page 19 the management discussion and analysis — I think it's the second page of that — the employee history, and I see from '95 to '98 it has dropped roughly 70 employees. How did that happen? Is it through normal retirement, through attrition, through termination? Just how did that downsizing happen?

Mr. Wincherauk: — Madam Chair, last year I mentioned that 1997 was a year of change for STC; it was also a very difficult year. We started with 308 staff, and by the time we finished last year we had reduced it down to 242 and that was a reduction of 22 per cent. Also our management staff was reduced from 41 positions to 25 and that's, I think, about 35, 36 per cent. There were significant layoffs at STC, and as I said earlier, it was very difficult on our staff.

Mr. Trew: — Could you speak a little bit louder, Mr. Wincherauk.

Mr. Wincherauk: — I'm sorry. It was a difficult time for us and there were layoffs. But it was just one of those things to get our numbers under control, we had to take that action and most of them were focused either on the management side or on the administrative side of the corporation. And outside of the loss of the Lynden . . . the issue of the Lynden contract, we tried to keep it mostly to administrative so we weren't hurting our core businesses.

Mr. Trew: — So it was layoff?

Mr. Wincherauk: — Yes.

Mr. Trew: — Okay. Did STC enter into any sort of an early retirement program at all or . . .

Mr. Wincherauk: — No, we do not have an early retirement in our tool bag, so to speak.

Mr. Trew: — Do you anticipate one coming?

Mr. Wincherauk: — I would think that our layoffs are past us now and that over time, if the number of staff decreases at STC, it will be through attrition.

Mr. Trew: — Okay. I want to encourage attrition as far as

possible and I'm going to hold up SaskTel as a role model. I recognize you're in a completely different operation but I'm very proud of SaskTel having never terminated without cause. They rely on attrition and occasionally an early retirement program, that sort of thing. And I encourage STC as much as possible to do so.

My next questions lead to employment equity questions. Women come to mind, First Nations individuals, and people with abilities, special abilities. How are we doing or do you measure that? How is STC doing in employment equity?

Mr. Hadfield: — On the issue of employment equity as far as women are concerned, we're in a particular type of industry that as far as on the front line — coach operators as an example — does not attract women. We don't have any women operators. And we would certainly entertain that.

In as far as a management position, we have several senior women officials in the company. It's an area that we are aggressively working on to try and incorporate the equity issues, all equity issues, into our corporation.

Mr. Wincherauk: — One more further comment. I know of our last five hires, four of them have been female. And in the year 2000, this will become part of our corporate goals — to more aggressively pursue that on all three of the fronts.

Mr. Trew: — In the year 2000, Mr. Wincherauk, why not in the year 1999?

Mr. Millar: — Basically, sir, what we're looking to is set goals that we can quantify so that we can show progress on delivering. We feel that we need that much time to start putting in process a good equity employment program that we have been developing, but we're not there yet.

Mr. Trew: — Fair enough. The reason you're detecting any hesitation in my voice is I have a sense of urgency on this, but I think you do too. And there's many urgent things that STC has had to deal with and are dealing with. Personally I feel like I'm cutting you a little bit of slack, having met your goals last year, having enunciated some new nuances coming in the future. I appreciate all of that and I appreciate there is literally only so much one can do.

My next question has to do with the ratio of in scope to out of scope. Now you've gone from 41 to 25 management. Is that all of the out-of-scope people?

Mr. Wincherauk: — That's all of the out-of-scope staff.

Mr. Trew: — Right. So the ratio of management would be . . . Do you have that handy?

Mr. Wincherauk: — One to nine, I think would roughly be.

Mr. Trew: — And how's that compared to the way it was? Very similar?

Mr. Wincherauk: — As I said previously, that when we reduced our management staff, we reduced it by about 37 per cent. And I believe the in-scope reductions were something

around 16 per cent.

Mr. Trew: — Okay. I think I'm just at the end of my time. Well no, I'm not quite at the end of the questions. I've got two more. Do I have five minutes? Because I've got about two more questions I think I can cover in that.

The Chair: — My only hesitancy is I want to make a statement about employment equity too, when you finish.

Mr. Trew: — All right. STC has moved into some different bus coaches than in the past. It seems to me you're moving into smaller coaches. And I know that the idea from a physics point of view is to push less down the road and that just makes all kinds of sense to most people.

I'm not sure that it does and that the size of a vehicle doesn't necessarily mean you're going to get hugely better fuel efficiency. And in fact, sometimes the opposite is true because of a different configuration of power train.

I'm wondering what your experience is with the various types of motorcoaches that you're now operating.

Mr. Hadfield: — Well as you're aware, Madam Chair, and the committee, that we have downsized three of our routes and pulled off the larger coaches, the 47-passenger coaches, and replaced those with 15-passenger vans.

The efficiencies, we believe, will be 30 to \$35,000 a year per route. And the reason for that is that, yes, you still need an operator, but there's no need in putting a 47-passenger coach on a route that never carries 47 people or perhaps more than 15. So you downsize and you put a smaller van on, and it pulls a trailer for the freight and the luggage.

If you look at the cost of coaches versus the cost of a . . . the maintenance cost of coaches versus the cost of vans, it's considerably less, all right, on the overall picture. And we're looking at, as I said, not to repeat myself, efficiencies of approximately 30 to \$35,000 a year. It just makes good business sense to do that.

Now we just didn't do it. We spoke to the communities. We spoke to as many people as we could as to try and gain some feedback as to what they thought of it. They thought very supportive of that. We did a test in Eastend — very supportive once it was put into place — and since we've done Lanigan and Hudson Bay — overwhelming support. In fact the feedback that we're getting, it's actually an enjoyable experience for our riders in that there's a closeness, there's a bonding, and there's a lot more discussions going on, on the trip that perhaps there was previously — more of a community spirit I guess on the coach.

Mr. Trew: — Good. I assume that you figured into the finances the fact that those vans won't run two million miles like the . . .

Mr. Hadfield: — I can replace those vans 10 times in the length of time that I would replace a coach.

Mr. Trew: — Right, and that's factored in. Good.

Mr. Hadfield: — Yes.

Mr. Trew: — How about the downtime? Is there breakdown . . .

Mr. Hadfield: — No. We have a very aggressive maintenance department and yes, those vans have to be pulled off occasionally for service. And they're replaced perhaps with a smaller 20-passenger or 21-passenger Goshen, we call them, for the length of time that it has to be serviced.

But it's the same issue when you pull off a big bus as you pull off a van. There is a maintenance schedule and that maintenance schedule is followed strictly. We are very concerned about passenger safety and comfort, and we have to make sure that our coaches and vans, etc., are maintained properly.

Mr. Trew: — Good. I appreciate that. There are some other buses too.

The Chair: — Mr. Westby has a comment.

Mr. Trew: — Oh I'm sorry.

Mr. Westby: — Well just along the same attack, Madam Chair, another point too, and certainly our prime objective is safety, reliability, and customer satisfaction as well as being cognizant of our fiscal constraints. Public perception I guess if you like is another issue that I'm sure some of you heard it, I certainly have since I got involved. Well why do you run a 47-passenger bus down the road when there's only three people riding on it?

And not to say that that is the major consideration by any means but it's something. And we as a Crown corporation and one that's been beleaguered and trying to turn itself around if you like, something we have to have is public support. And we feel that this is one area we've shown that after due diligence that we've responded. It may happen on other routes too. It may not.

And I have only one person that was somewhat critical. One of these vans runs through our community, and I said well you know given the choice of that or no service at all what would your choice be? Well obviously there's no debate there. But I think people realize that sure it's nice to ride on the big bus, but you know given the fact we've got all things to consider, it's a reasonable compromise. So I think that's something we have to consider in the whole equation too.

Mr. Trew: — Thank you. There's one other type of coach that I think I've seen that seems to sit a bit lower and it's got windows that wrap up into the roof that I've seen STC running up and down Highway 11. Can you tell me about that?

Mr. Hadfield: — Those coaches were purchased with the decision . . . (inaudible interjection) . . . yes, were purchased when the decision was made to go into the trucking business. Again I apologize for previous administration. And it was felt that when we went into the trucking business we didn't need as heavy duty a coach. Those particular coaches, I believe we have four left. We are attempting, through time, to dispose of those or to find a better use for them. Let's put it that way.

Mr. Trew: — Okay, good, because that fits with my personal bias and I was not entirely aware of that history and appreciate it. A final question before my final comment. The STC used to operate two restaurants; one in Saskatoon and one in Regina. Do you still operate them and how do they impact on STC's finances?

Mr. Hadfield: — Our company does not operate those restaurants. They are leased out to actually former employees who purchased to . . . lease out the space and run the restaurant on their own.

Mr. Trew: — Does it wind up . . . do they cost STC money? Is the rent subsidized?

Mr. Hadfield: — There is a small amount of cost to us just to have a service there. The way the arrangement is structured, that we provide a certain amount of support on capital, replacement of equipment, and that was done as an encouragement to get the employees to actually run the facility.

Mr. Trew: — Okay, thanks. I'd like to thank you for the way you've answered the questions and a thoroughness of it; and thank you, Madam Chair, and the balance of the committee for your tolerance while I went a little bit longer.

The Chair: — Thank you, Mr. Trew. Before we break if I may be allowed a brief statement, as I look around this table I think it's probably a fair guess that I'm the only one who actually has experience driving a bus, and I'm a woman. Now I will admit that I got arrested for driving that bus because I didn't have a class 1A licence.

But I have to tell you that the job of being a coach operator does appeal to women and I would like to encourage you to be more aggressive in terms of reaching out and talking with various equity organizations. Working for Women in Saskatoon is one that springs to my mind that can give you names of women and disabled people and aboriginal people who would be qualified and would be able to take the extra training to qualify for a class 1A licence and would like the job of being a coach operator.

The committee now stands adjourned until 10:35.

The committee recessed for a period of time.

The Chair: — We will resume our deliberations of the 1997 annual report of Saskatchewan Transportation Committee. I would ask members of the opposition if they have questions to put at this time.

Mr. Boyd: — Yes, Madam Chair. To the officials. STC has recently instituted a number of small vehicles to use on some routes, I understand. Can you give us some early results on how this is going in terms of finances and public acceptance?

Mr. Hadfield: — Yes, I can, Madam Chair. We have instituted three routes as I have previously stated. We expect to save in the neighbourhood of 30 to \$35,000 per route on an annual basis with this measure, and acceptance has been overwhelmingly positive.

Mr. Boyd: — I would expect that this will be something that

you will consider for other routes then. I don't think it's a stretch to suggest that STC has seen a noticeable change in the way the bus company, the ridership, and the move towards freight services and those kinds of things, where you're more apt to have freight on the bus than passengers on the bus. Would that be the case?

Mr. Hadfield: — In some cases we do, but you have to take into consideration your whole year's of . . . your whole year's worth of business. Yes, we have times when we have low ridership and, yes, we have times when we have overloads where we have to put a second bus on. And so we try to accommodate both sides of our business, being the passenger and the express.

Mr. Boyd: — It was a three-month project, the smaller vehicle one?

Mr. Hadfield: — The first test in Eastend was, and now it's permanent.

Mr. Boyd: — Now it's permanent there?

Mr. Hadfield: — Yes.

Mr. Boyd: — And elsewhere?

Mr. Hadfield: — The Lanigan route and the Hudson Bay route.

Mr. Boyd: — What number of passengers can they accommodate?

Mr. Hadfield: — These are 15-passenger vans.

Mr. Boyd: — Fifteen-passenger vans. Are they pulling a freight trailer?

Mr. Hadfield: — Trailer. A freight trailer they're pulling, yes, that carries the luggage and the freight.

Mr. Boyd: — Luggage and the freight. How many passengers on average do you need to break even with these smaller units?

Mr. Hadfield: — We don't have that information readily available, but we can certainly get that for you.

Mr. Boyd: — Yes. And compared to the normal sized buses the cost of operation should be considerably lower I would expect?

Mr. Hadfield: — That is correct.

Mr. Boyd: — Yes. And I would assume that this all means good news in terms of bottom line savings for STC?

Mr. Hadfield: — Yes. In response to that question, a comment. We are continuing to look at increased efficiencies in the company, keeping in mind that we still want to maintain our service of 276 communities.

Mr. Boyd: — How many routes are there in Saskatchewan currently? Do you account for the operations on a community-by-community basis or on a route basis?

Mr. Hadfield: — We look at both communities and routes. It's sort of an ongoing exercise. And I was just trying to find here how many routes we do service?

A Member: — We serve 26.

Mr. Hadfield: — Twenty-six routes we currently have.

Mr. Boyd: — That's all. Twenty-six?

Mr. Hadfield: — Twenty-eight. Sorry, I stand corrected. Twenty-eight routes.

Mr. Boyd: — Did you count them or what? Oh, I see. How many of those . . . If you account for them per route how many of them are profitable and how many of them are not?

Mr. Hadfield: — We believe that three of our routes are profitable.

Mr. Boyd: — Which would be?

Mr. Hadfield: — Regina-Saskatoon.

Mr. Boyd: — Regina to Saskatoon and return?

Mr. Hadfield: — Yes. The Saskatoon-P.A. (Prince Albert) route.

Mr. Boyd: — Yes.

Mr. Hadfield: — And I believe the third route which is marginal is the Regina-Gainsborough — Regina-Gainsborough route. The other, we have about seven or so that are marginal, and the rest are losing situations.

Mr. Boyd: — Okay.

Mr. Hadfield: — On the passenger side, that is, yes.

Mr. Boyd: — Of those routes that are not profitable, has there been a drive towards looking at private operations to move into those areas?

Mr. Hadfield: — We presently have alliances with some private operators now. And they have come to the, if you will, come to the table because we can no longer efficiently provide the service.

And their communities have got together because they want to maintain that service and invested funds, and the example that comes to mind is the Little Red Bus Line which operates down in the Pangman, Ogema area. And they have community support for that service and they are partners with STC in interlining freight and passengers. And we will continually look for community partnerships of that regard.

When you talk about privatization of routes and so on, as you are aware we are faced with deregulation coming as early as the year 2000 and as late as the year 2005. And a situation such as that would occur . . . it's open season on the routes. But taking into consideration that most of these routes are not profitable and . . . (inaudible interjection) . . . If you would look and talk

to the private carriers now that we partner with, their profitability is marginal. They are basically there to provide the service and maintain the service for the community.

Mr. Boyd: — There are a couple of examples that I can think of where they've been in operation. One, the bus line between Leader and Swift Current's been in operation for some 20 years as a private carrier.

And just speaking with one of the owners of the company here, oh a month ago, it remains profitable. Not wildly profitable or anything of that imagination, but they've been around a long time and still maintain a pretty good level of service for their community, hauling all kinds of freight and passengers.

Mr. Hadfield: — I can appreciate that. In a regulated environment, individual carriers could possibly work. But when you get into a deregulated environment . . .

Mr. Boyd: — Which will be which year did you say?

Mr. Hadfield: — As early as the year 2000 and probably as late as 2005.

In a deregulated environment, it's basically open season. And I firmly believe, as a business person, that if you're going to have a transportation and express service, particularly a transportation passenger service in this province, if you're in a deregulated environment and everybody operating under their own auspices, you could get a real dog's breakfast of rates, etc., and very confusing and poor customer service.

I firmly believe that if the transportation system is to be maintained in this province, it has to be centrally controlled in order to promote customer service and that type of thing.

Mr. Boyd: — And what leads you to believe that when the experiences in other areas indicates different?

Mr. Hadfield: — Example?

Mr. Boyd: — In other jurisdictions.

Mr. Hadfield: — Out of this province?

Mr. Boyd: — Yes.

Mr. Hadfield: — Well first of all, I believe in our neighbouring provinces, Alberta does not have a public transportation system other than a couple of main routes that perhaps Greyhound runs on. In Alberta . . . I'm sorry. In Manitoba Grey Goose operates and only services again the southern part, maybe, of the province where all the population is.

We are a unique instance here, I believe, being Saskatchewan where our population and communities are spread out geographically. And I do believe and I stand by my statement that in a deregulated environment with 50 different operators in the province, it would be a horror's nest for the customer in order to maintain service because you're looking at different established rates. And I would think in a deregulated environment you will not see a lot of private carriers going into the business.

Mr. Boyd: — Well it's hard . . . I don't know how we can make that clear assumption like that when we have never seen that take place here in Saskatchewan to know whether there is that kind of . . . that would be one view. Certainly that is a view that some people I'm sure would share. There would be others I don't think that would share that, that's why there is a drive for deregulation.

Mr. Hadfield: — Fair enough.

Mr. Westby: — I guess if I could just respond to that, Mr. Vice-Chair. You know this whole debate about, you know, could private do it better. It's certainly a legitimate question and has been stated that when we get into deregulation we will likely have competition on some of these profitable routes that we have. The thing is how many, if anybody, is going to be interested in the ones that we know are money losers.

And I guess that begs the question, what do we do to the, particularly, rural Saskatchewan remote areas. Are we prepared as a province to say, well folks that's too bad, you find your way to the doctor the best you can.

I mean we have three target groups which we all know are: seniors, people that are economically disadvantaged, and Aboriginal . . . (inaudible) . . . That's our three target areas. And the reality is that, you know as a person that staunchly believes in rural Saskatchewan, we have to provide a modicum of service. Now if somebody can do it better privately, great. And we certainly explore those alliances with the private sector and we'll probably be doing some more of that.

But my concern and my board's concern is that we just don't say well, we'll write off rural Saskatchewan and we'll run the routes or sell the routes that make money. And I think that's what we're trying to do. We're trying to maintain that balance of doing legitimate business at the same time as providing safe, reliable service.

Mr. Boyd: — I guess the counter to that argument would be that, yes indeed those routes are not profitable for STC. With a higher cost structure than others, it's not surprising I guess that they would be higher . . . less profitable or less apt to be profitable than someone else. Under those circumstances when you . . . it's difficult to compare whether or not they'd be profitable under a different company or not, a private operator than an operator that has, as I say, cost structures higher than competitive companies in the carrier field.

So I guess the debate will continue and we won't know until we do see deregulation whether or not there would be that kind of loss of service to rural Saskatchewan that currently the board and the governments seem to feel there would be. It's difficult to make that kind of a leap of judgment I would suggest.

That, Madam Chair, concludes my questions for the moment. I think my colleague has some as well. Whether you want him to start now or not is up to you I guess.

The Chair: — I think Mr. Osika is indicating that Mr. D'Autremont might as well go ahead and ask his questions. I understand that the government members . . .

Mr. Trew: — Basically done.

The Chair: — Are basically finished. So, gentlemen, I would encourage you to simply go with the time remaining and apportionate it amongst yourselves. I will right now recognize Mr. D'Autremont.

Mr. D'Autremont: — Oh, thank you, Madam Chair. I'm pleased to see that the minister has arrived in the room because it's his statement within the annual report that I would like to deal with.

The annual report, in the report from the chairman, states on page 4, 5, and 6 that: "the company helps meet the social needs of our citizens" and it goes on to say that: "as long as the company was delivering on the service demanded by Saskatchewan people . . ." I would like to know how that determination was made as to what services the Saskatchewan people were demanding?

Mr. Hadfield: — I believe in 1996 the government held several surveys and the results were again overwhelmingly positive that the people of Saskatchewan wanted the service to maintain.

As late as last summer, STC sent some students out that we had in our employ to do services — to do surveys rather — and it concurred with those results: that overwhelmingly in rural Saskatchewan in particular, the response was they wanted the service to maintain, to continue; they may not necessarily use the service but felt it was an important link that had to be maintained in this province, considering other things that were happening in rural Saskatchewan.

Mr. D'Autremont: — Would it be possible to see both the questions of those surveys and the tabulated responses?

Mr. Hadfield: — The surveys from 1996 have been released, I've been informed. And if the committee so desires we will certainly provide the information that the students did in the past summer.

Mr. D'Autremont: — Okay, thank you. I think that would be worthwhile for the committee members to see exactly what the questions were and what the responses were.

It goes on to say that first and foremost STC must maintain its current level of bus service in Saskatchewan. "Must" is a fairly definitive term. It says, to my mind, it says that you cannot make any changes whatsoever.

What would happen in a case where for some reason a community ceased to exist along that bus line? And I look at your map that you have on the back page. And at the end of one of your lines you have Creighton. Now Creighton is a substantial community but there has been talk in Creighton in the past that the mines were going to close down.

Now let's say that the arrangements had not been successful in negotiations with the union in Creighton and the mine had closed down there as was proposed. The community ceases to function basically; people no longer reside there. Will you continue to run a bus to Creighton if nobody lives there any more?

Mr. Hadfield: — Well that's a very good question. If nobody's there to utilize the service, we would have to go to the . . . if there were any remaining citizens and officials in Creighton and determine whether in fact the service was required and go through the appropriate channels to make modifications.

Mr. D'Autremont: — So the term "must" then is somewhat flexible, that in the future "must" doesn't mean that the service to Creighton would continue but would be negotiable.

Mr. Hadfield: — I would think so, yes.

Mr. D'Autremont: — So perhaps "must" was not the proper term to be used in that particular case.

Mr. Hadfield: — I can't comment on the minister's use of words.

Mr. D'Autremont: — And that is the reason why the minister should be at the table to respond to these questions.

When it says in the same sentence "current level," does that mean that the bus size that was running at the time this statement was made, the frequency of visits to that particular community, or indeed the type of service that community was receiving must always remain the same?

Mr. Hadfield: — No. Our interpretation is the way the type of service that we deliver, being the number of visits, would have to be maintained. How we deliver that service is to . . . depending on the needs of the line.

Mr. D'Autremont: — But then that would be a change in the current level then.

Mr. Hadfield: — Level of service means frequency of visits.

Mr. D'Autremont: — Oh. So you could eliminate the passenger service and continue to provide freight service.

Mr. Hadfield: — That's not what that statement says, I believe.

Mr. D'Autremont: — Well what does "current level" mean then?

Mr. Hadfield: — It means "current level of service" means the number of visits servicing the community for both passenger and freight. How we deliver that service, the type of equipment we use, is to our own . . .

Mr. D'Autremont: — So it means type of service and frequency of delivery, but it doesn't necessarily mean the type of vehicle with which you're servicing that community?

Mr. Hadfield: — That's what we believe, yes.

Mr. D'Autremont: — And yet Mr. Westby was stating that people would like to have the service of the larger buses, that they're less happy with the smaller service. So would that not be a change of service then?

Mr. Westby: — Madam Chair, I interject here. I don't think I said that. I said people probably would prefer the larger bus, but

given all factors considered, we're still providing the level of service. And we have no official complaints that I'm aware of about the downsizing of equipment.

So you know, I apologize if I had a poor choice of words, but certainly I didn't mean to infer that people were unhappy with our downsizing of equipment.

Mr. D'Autremont: — Well I just think that this particular statement very much looks like it's set in stone, and yet upon questioning we find out that "must" does not necessarily always mean that "current level" is not necessarily always current level; that there is some room for adjustment here. And I think that is extremely important in the sense that if STC continues to be an ongoing loser of finances for this province, that there could be some changes made to the operation of STC. And I think that if STC is going to continue on that vein, there continues to need to be some changes.

Further on in the chairman's statement, it talks about subsidized passenger bus service. Is there a formula set out? Is there a standard way in which that subsidy will be directed towards STC? Is it simply a situation of the bus service costs X, we generated Y for revenue, send us the money?

Mr. Hadfield: — Well first of all we have a mandate that we have to keep our subsidy or grant, if you will, between 2 and \$4 million. And also we have to keep statistically, accounting-wise, the costs of passenger operation separate from the rest of the business. The freight part of the business has to cover all our corporate costs, our administrative costs. So we're only talking about direct costs on the passenger business. And like I say, as long as we stay in our operating function between the 2 and \$4 million, that is our mandate and that's where we will be staying.

Mr. D'Autremont: — So who absorbs any losses . . . that excess \$4 million? STC? From passenger service.

Mr. Hadfield: — Well I'm telling you there will not be any losses that exceed \$4 million.

Mr. D'Autremont: — Well we've had promises from STC in the past that losses were going to be turned around. And it was only through the elimination of the debt that they seem to be have turned around, and the efficiencies that have been put in place in the last year. Previous to that, that was not what was happening. We were receiving promises and no results.

Mr. Hadfield: — Madam Chair, we have a direction set down by our government and our board. It is our duty in operating a business that we follow those directions. And one of those directions is that our subsidy is to remain between 2 and \$4 million. Another direction is that we are to maintain passenger service. Those are our strategic goals; those are our objectives. And all I can tell you is that we are bound to follow those.

Mr. Wincherauk: — Madam Chair, I think the CIC report released at the end of August shows that we are on target to meet our numbers. And I think it's just one of those things that over time you'll see, when our annual report comes out, that we are on target and we have met the goals that we stated in our annual report.

Mr. D'Autremont: — If you see during the year of operation that you are not going to meet those goals, that you may run a loss in the passenger service of greater than \$4 million, what initiatives are you prepared to take to ensure that those losses do not exceed the \$4 million?

Mr. Wincherauk: — If I may, this year in the end of the first quarter we had some problems with our revenue numbers and we took corrective steps at that time, again on our expenditure side, again on the administrative side of the operation, to bring it back in line, absorbing all our extra costs through expenditure reduction. And also working hard to try and improve our revenue position, such as our foreign coach, trying to increase revenues there, making sure we have proper contracts in place, and getting the most out of our assets that we possibly can.

Mr. D'Autremont: — Okay, thank you. When it comes to subsidizing passenger service for STC, do any of the other passenger carriers in the province also qualify for those subsidies?

Mr. Wincherauk: — We'll have to get back to you on that one. I can't think of any subsidies that we provide any of the other people or that government does.

Mr. D'Autremont: — Well I'm just wondering if this subsidy applies only to STC or if others that may be running a loss service at some place on their route would also be subsidized? They have profitable runs; they may also have unprofitable runs. Do they receive a subsidy for that?

The Chair: — Mr. D'Autremont, we have in this province I believe either three or four public transportation companies operated by municipalities plus the provincial public transportation company.

All of those receive a subsidy, either from the provincial government or from the appropriate municipal government — Prince Albert, Regina, and Saskatoon, and Moose Jaw.

How you would define a subsidy or where it's coming from is I guess a moot point. Certainly there is urban revenue-sharing between the provinces to the municipalities and I believe they then use that to provide their subsidy for their municipal transportation company.

Mr. Westby: — Well, Madam Chair, just in that same regard. I have some knowledge of the losses incurred by the major cities in their urban transit systems and as you state, it's a question of interpretation I guess. Correct me if I'm wrong but I think the urban transit grants as we once knew them are by the boards but there are of course the revenue-sharing process that the cities have. And how they choose to spend that is their business but it's common knowledge, I think, ladies and gentlemen, that the city of Regina and Saskatoon, and Moose Jaw and Prince Albert to a lesser degree, incur significant losses in their transit system. And so I guess just to clarify the issue, if you look at it at a per capita basis, the subsidy to the urban transit systems in the major cities is far greater than the subsidy that the province of Saskatchewan is providing to the people of Saskatchewan.

Mr. D'Autremont: — Thank you. The freight lines that are . . . the lines that are running outside of the urban areas and look

across the map at the back and you'll see a number of yellow lines: Regina to Radville and Bengough; Regina to Redvers; Regina to Maryfield; I'm not sure where the Yorkton-Wroxtton, where that goes on to; Saskatoon to Outlook; Swift Current to Leader; P.A. to Meadow Lake, down to Saskatoon to North Battleford; and from the Hanson Lake Road, Channel Lake to Sandy Bay up to Deschambault Lake.

Do any of those routes receive any subsidies under the same formulation that STC would?

Mr. Hadfield: — Not from us but it's really not our issue. If they're receiving anything from any other agency, it's unknown to us.

Mr. D'Autremont: — Yet it seems to fall within the public policy for the public good that STC receive subsidies for passenger service. Would it not also fall within the public good that some of these lines may qualify for subsidized passenger service?

Mr. Hadfield: — That is an issue that is completely out of our hands.

Mr. D'Autremont: — Well it's the minister's comments in here as chairman of CIC/STC that talks about the public good. Perhaps the minister would care to respond to that.

The Chair: — The minister will be formally attending this committee this afternoon in his capacity as the overall Chair of CIC, and any questions that members have to put to him about individual Crowns or CIC matters can be put at that time.

Mr. D'Autremont: — Well hopefully when the question is asked then, he will not be responding that you should have asked the executives from STC to respond to that and he will provide the answer because that is the response we have got quite often in the House when asking these kind of questions. The minister simply responds you should have asked that in Crown Corporations or you should have asked that in Public Accounts.

When you talk about routes that are not profitable, which of your routes are the least successful for you in terms of passenger service?

Mr. Hadfield: — We would be prepared . . . we don't have that information with us today, but we would be prepared to provide the committee with a weekly passenger survey on all the individual routes.

The Chair: — Thank you, Mr. Hadfield. When you provide the information, will you please provide it to the Clerk of the committee with 15 copies and they will be distributed to all members.

Mr. Hadfield: — Yes, Madam Chair.

The Chair: — Thank you.

Mr. D'Autremont: — Okay, thank you, although I'm disappointed that you wouldn't have that information available. A similar type of question then: which of your routes are

successful in freight service but less so in passenger service?

I'll use an example which I'm somewhat familiar of the line, Fuller's bus line from Regina through Redvers to Alida. Mr. Fuller doesn't differentiate in the success of his operation between saying I'm a successful carrier of passengers but a failure at carrying freight or vice versa. He looks at it and says: can I make money running a bus down this line carrying both passengers and freight?

And if one subsidizes the other, this week it's freight paying the bills, next week it's passengers, overall he looks at as, am I successful in running my business; am I not successful? Now are there lines out there including both freight and passenger that are successful while they're not being successful as passenger lines?

Mr. Hadfield: — That information again is not readily available and unfortunately, statistically speaking, we have not been that detailed in keeping that information. We are attempting to do so in the future.

Mr. D'Autremont: — Well I would think that would be a very important equation in the determination of the success of the bus line.

Mr. Westby: — Madam Chair, I guess in the . . . you know, this whole idea of well the freight line — the freight has to subsidize the passenger service, I mean that's a given. That's the mandate we've been told and how it breaks down on individual routes will depend largely on the competition out there.

We all know there's several major couriers in this province that service, you know, some of the more lucrative routes and of course some that don't provide service to others. So that's . . . Obviously our percentage of customers, if you like, on the routes where there are no alternatives would be far higher than the ones where there's Purolator and Loomis and who else out there. So as Jim has said, we can provide you with the information but it varies from route to route I would suggest.

Mr. D'Autremont: — Well again using Fuller's as an example. Mr. Fuller has put a freight haul on the line that you have referred to as Regina to Gainsborough and is doing it profitably, running competition to you and to all the other couriers on that route. So it makes me ask what is the difference between Mr. Fuller's operation and STC's when it comes to running a profitable operation? What is the difference?

Mr. Hadfield: — Well I'm not familiar with the intricacies of Mr. Fuller's route, and I can only comment on our business as statistically as the information that we have readily available. If he says he's making a profit, congratulations to him basically. But not knowing the intricacies, not knowing what his overheads are, etc., I'm afraid I can't comment on his operation.

Mr. D'Autremont: — Well I accept that as a given, that you would not know the intricacies of his operation. But if Mr. Fuller can — and as a private enterprise person — run a successful freight service on a line that you are running both freight and passengers, how is that possible for you, and you said this was a marginal line for you, how is it possible for him

to run a successful service on there, when at best you can do is a marginal service?

Mr. Hadfield: — Well with the size of his equipment, and I have no idea of whether his drivers are subject to a collective agreement and what he pays his drivers or how many employees he has, etc. But we also have Purolators of the world and Loomises of the world that are also providing service in this province and who are also competitors, and I am not familiar whether they're making money on their routes either.

Mr. D'Autremont: — Well I'm sure that Purolator or Loomis or indeed Mr. Fuller, if they weren't making money on them they wouldn't be there. But they are there, so they are making money. And I know that Mr. Fuller is making money because I was talking to him the other day about it and he said he is making money on it. While I haven't audited his accounts to make that determination, I know as a fact that if he wasn't making money he would pull his equipment off of that line.

So there was business to be had there. He saw the opportunity. You were already in the business of providing service on that line. And yet he is gaining enough business to make a profit on it. And you said at best you were running a marginal service there. I just don't understand why it is that STC cannot run a successful service when a competitor can move into that market and do it successfully.

Mr. Hadfield: — The mix of his business versus passenger, and obviously he's not carrying passengers, he's carrying freight. We're providing a passenger service and carrying freight also on that line. So the complexities of that, we're not quite operating the same business. We have other issues when we offer the business that we offer.

Mr. D'Autremont: — Well Mr. Fuller — I don't know if I can say this for him or not — but may very well be interested in running passengers on that line but is excluded from doing so because of the provincial legislation that gives you the right to run on that particular route.

It just seems to me that when you start splitting off passengers and freight to make a determination that you need to be subsidized, it sounds a lot like the CPR (Canadian Pacific Railway) to me, you know. We can't make a profit hauling grain here, but we've split off all of our other profitable enterprises to make it so that we can't make that line profitable.

The rates that are set on page 13, it states here that such rates are regulated by the Highway Traffic Board and there has been no increase in other parcel express operators in the province during that period of time.

Is it perhaps not time for us to be, for the Highway Traffic Board to be reviewing those rates so that the bus operators, both passenger and freight, in this province can be making a profit.

Mr. Hadfield: — Are you talking about the parcel express rates?

Mr. D'Autremont: — Yes, parcel express rates.

Mr. Hadfield: — I believe the last review was done in April of

this year, and even though we are, we believe we are competitive and below — our rates are less than some of our competitors in some instances — there was an increase in April.

Mr. D'Autremont: — Are the rates for passengers also regulated by the Highway Traffic Board?

Mr. Hadfield: — I'm sorry?

Mr. D'Autremont: — Are the rates for passengers also regulated by the Highway Traffic Board?

Mr. Hadfield: — Yes, they are.

Mr. D'Autremont: — Has STC made any presentations to the Highway Traffic Board to have those rates amended?

Mr. Hadfield: — The last year was looking at our cost compression, all right. In the years to come we will be examining our rates and seeing whether it would be prudent to make any movement and request a review in that regard.

Mr. D'Autremont: — To the best of your knowledge, have other passenger carriers in the province made presentations for rate adjustments?

Mr. Hadfield: — Yes, they have.

Mr. D'Autremont: — And to the best of your knowledge, what would the ... what has been the response from the Highway Traffic Board?

Mr. Hadfield: — Greyhound apparently has been approved for approximately 11 per cent.

Mr. D'Autremont: — Increase.

Does STC run a competitive service against Greyhound at any point in your routes?

Mr. Hadfield: — Just the Saskatoon to North Battleford route.

Mr. D'Autremont: — Has Greyhound implemented their rate increase?

Mr. Hadfield: — Yes. We would assume they have, yes.

Mr. D'Autremont: — Have you noticed then any change in the ridership between North Battleford and Saskatoon since those rate increases may have gone into place?

Mr. Hadfield: — No.

Mr. D'Autremont: — So in fact then price is not a determining factor on ridership of buses in Saskatchewan.

Mr. Hadfield: — Well I would think price of course is a determining factor but also convenience to the customer — when the coaches are leaving and when they're arriving and that. So it's the schedules, the timetables.

Mr. D'Autremont: — So scheduling would then be more important than price?

Mr. Hadfield: — I can't say it's more important; it's equally as important.

Mr. D'Autremont: — Would a change in the price structure make STC's passenger lines in those areas where they're not meeting the requirements more profitable?

Mr. Hadfield: — It's possible it would, yes.

Mr. D'Autremont: — Will STC then be requesting a rate increase to the Highway Traffic Board to try and make some of those lines more profitable?

Mr. Hadfield: — It is our intention to look at our rate tariffs and so on in the year ... next year, 1999, and examine whether in fact we should be requesting an increase.

Mr. D'Autremont: — I have a few more questions, Madam Chairman, in another area. So perhaps Mr. Osika has some questions?

The Chair: — Thank you, Mr. D'Autremont.

Mr. Osika: — Thank you, Madam Chair. Just a couple of very brief ones and to follow up and to clarify. We talked earlier about the commuter services and you said there were some for SIAST people between Moose Jaw and Regina. Is that correct?

Mr. Hadfield: — That is correct.

Mr. Osika: — And you said that as a business person, you would examine and review other possibilities for implementing that type of a service if it would be a profitable exercise.

Mr. Hadfield: — That is correct.

Mr. Osika: — Are you currently doing that study between Moose Jaw and Regina?

It would be my feeling that, because of the number of people that do in fact commute between these two cities or these two centres, that we're talking about schedules and pricing, that perhaps that maybe a need, there may be a need there. And I was just wondering if you have something under way by way of a questionnaire or survey to determine whether Moose Jaw residents would utilize that kind of a service?

Mr. Hadfield: — We have actually initiated conversations in that regard. The risk that you face in offering that service is, first of all, we have one drop-off point in both places, being our depots, presently. So you have to consider the fact whether you would institute more than one drop-off point.

The question has been raised that once the service was initiated for, for instance, people commuting from Moose Jaw to Regina, as an example, who work in Regina and drive back to Moose Jaw or vice versa, is after a period of time, once they got to know each other, would they then initiate their own car pools to suit their individual requirements as to the geographics of where they work?

But yes, we have undertaken discussions in that regard.

Mr. Osika: — Thank you. My final dissertation here will just be a comment. I'm pleased to see that in your report there is a mission statement and goals and objectives that complement your mission statement, which is something that will now allow this committee to, periodically if you wish and on an ongoing basis, measure your achievements, your accomplishments, and/or achieving your goals.

So I just want to say that that makes it a lot easier. And next time we come around I ask you why you did or did not meet certain objectives that you set. And I do believe that it's very important that you've obviously taken an aggressive move in a direction that other Crown corporations do so similarly.

It makes our job easier, and it makes it a lot clearer to the public as to whether or not corporations are in fact being profitable, being responsible, accountable, and are able to achieve their objectives.

So I thank you for today and for allowing me to ask these questions. Thank you, Madam Chair.

The Chair: — Thank you.

Mr. D'Autremont: — Thank you, Madam Chair. If you would turn to page 22 where it talks about the operating goals of STC. Mr. Trew said he was very impressed with these goals. Well, impressed may be one of the terms; I think perhaps amazed would be a better one for my particular case, particularly no. 4.

What I find amazing about this is that the corporation sets out as a goal to have revenues of \$1.63 per passenger mile and to only have expenses of \$2.60, that the goal of the corporation would be to lose 97 cents per passenger mile. Now that I find amazing.

I can just imagine going to Revenue Canada and saying that the goal of my farm is to lose a dollar a bushel.

A Member: — So what's new?

Mr. D'Autremont: — Yes, at times, at times that would indeed be a laudable goal. But at other times it would be very amazing for Revenue Canada to accept that I am a bona fide farmer when my goal is to lose a dollar a bushel.

The goal of STC should be to, at minimum, break even on your passenger mile. And while you may need to, according to the government's wishes, provide for the public good a subsidy at the end of the day, at some point in time, I would hope your goal would be to break at least even per passenger mile for the service you provide for Saskatchewan. That may mean you have to go out there and encourage more people to ride the buses rather than fewer people at a higher cost. Now that would be a laudable goal, but to lose 97 cents per passenger mile to me is not a goal of any value.

I would ask for you to comment on that.

Mr. Hadfield: — Madam Chair, in comment to that: first of all, if you'll look at the statement, maintain affordability of service . . . the key is affordability to our ridership.

The goal, statistically looking at the goals, I believe is an improvement. These are annual goals. They are not five-year goals, they're not 10-year goals — this is an annual goal. And it's very nice to say to . . . a goal would be for STC in any given year, this particular year being 1998, to break even. That's a very nice goal. But is it achievable, is it realistic from business viewpoint?

You have to look at your business, you have to examine your business, whether you're in the transportation business or in the tire business, and what is achievable, what is realistic. I believe that STC and the staff of STC have done a extremely great job in streamlining the operations of STC and in meeting and, in some cases, exceeding their goals for 1998.

There's no point in putting down a goal in any given year, being this year of 1998. And I would be repeating myself if the company will break even when it is definitely in real terms not achievable.

Mr. D'Autremont: — Well perhaps the corporation then needs someplace in its annual statement a long-term vision for the company which would include becoming at least a break-even company.

Mr. Hadfield: — Point well taken.

Mr. D'Autremont: — Thank you, Madam Chairman, I would like to thank the officials for coming in and answering our questions. Thank you.

The Chair: — Thank you, Mr. D'Autremont. Do any other committee members have any questions at this time? There being none, I would ask Mr. Trew to put the motion please.

Mr. Trew: — Thank you, Madam Chairman. Before I put the motion I just want to express to the officials, and certainly to Mr. Westby and the balance of you, how pleased I am with the responses we got today, the level of information sharing. And I want to express that I'm feeling more heartened for STC now than I have in a number of years. And I say that not out of any sense of disrespect for or lack of confidence in anyone in the past, but it's an expression of my genuine confidence in the team that's assembled today.

I'm hopeful and optimistic that in future years when STC appears before the Crown Corporations Committee there will be goals that have been met and exceeded, and that it will be even better news.

I'm pleased with what I'm seeing as the senior management team if I can describe it that way. And I have always known that on the road, if I can describe it, be that in head office or the bus operators, beyond the road employees at STC have always worked very, very diligently. And frankly, it doesn't matter what else if they're not doing the best they can hour after hour, day after day, it's a doomed operation.

So I hope that you find an opportunity to express that optimism to not only other management but to the staff at STC as well. And I thank you for this day and for the past year, and wish you well in the future.

With that, Madam Chair, I move:

That the Standing Committee on Crown Corporations conclude its review of the annual reports and financial statements of Saskatchewan Transportation Company for the year ended December 31, 1997.

I so move.

The Chair: — Thank you. The motion has been put. All those in favour please indicate. Hands down. Those opposed? There being none the motion carries unanimously.

The committee will stand recessed until the hour of 1 p.m. at which time we will be considering once again the CIC annual report.

Thank you, Mr. Hadfield. I'm sure that you found this an enjoyable and enlightening experience, real easy ride, no shocks.

Mr. Hadfield: — I'd just like to say thank you, Madam Chair, and to the committee. This is a new experience for me, and I certainly enjoyed the opportunity of meeting with all you folks here today. Thank you.

The Chair: — Thank you, and we look forward to seeing you next year. Stick around.

The committee recessed for a period of time.

Crown Investments Corporation of Saskatchewan

The Chair: — I would like to welcome back the minister and his officials from CIC.

Mr. Minister, since you were last here at the committee hearings last Monday, we have reviewed the '96 and '97 annual reports of SaskTel and related subsidiaries, the '97 reports of SGI (Saskatchewan Government Insurance), the '97 report of SaskPower and related subsidiaries, '97 reports for SaskEnergy, as well as the annual report of STC.

Committee members, I understand, have some additional questions that they wish to put to you and your officials. And before we start the proceedings, I would ask if Mr. Wright could identify for *Hansard* all the officials sitting at the table so that we can make sure we get you properly ID'd (identified).

Mr. Wright: — Certainly, Madam Chair. To my right is Sheldon Schwartz, vice-president, finance, for CIC; to his right is John Amundson, controller for CIC; just beyond the minister here is Patti Beatch, vice-president, investments; and Ted Boyle, executive director of communications for CIC.

The Chair: — Thank you. Mr. Minister, did you have any overview statements you wish to make at this time?

Hon. Mr. Lingenfelter: — No, only to say that watching from the outside, I understand the committee has been working extremely effectively and I think the new process we have, at least from the majority of members I've talked to, is working quite well. So we're here to answer any questions you might

have.

The Chair: — Thank you. I will then recognize committee members' questions, and I would call first of all on representatives from the official opposition.

Mr. Boyd: — Thank you, Madam Chair. Mr. Minister, following on our discussions with the Crown corporations individually, and CIC as the parent company, or maybe that was a term we found was uncomfortable, the wholly owned parent. I don't know what other term you used . . .

A Member: — Holding company.

Mr. Boyd: — Holding company, okay. Holding company . . .

A Member: — That's even worse.

Mr. Boyd: — Yes, holding company generally has a lot of negative connotations associated with it. But nevertheless if that's the term we want to use, the holding company, CIC.

Many of the Crowns were of the view that the subsidiary organizations within those Crowns should have the . . . I think Mr. Fair at least, and SaskTel folks, and I believe SaskEnergy, were all of the view that they should have the . . . the subsidiary organization should have the same accounting . . . or not accounting but reporting requirements as any other organization, as SaskPower for example.

Does CIC hold that similar view, Mr. Minister?

Hon. Mr. Lingenfelter: — In a general way we do.

Mr. Boyd: — In a . . . Can you help me a little with that — in a general way you do.

Hon. Mr. Lingenfelter: — Well I think if you look over the history of the way the Crowns have developed, I think at one point in time there was a development that had, sort of one-off development. Things were different in SaskPower than they were in SGI.

But in recent years . . . and I think the working of a holding company is to bring some discipline as to the reporting, to the openness, to the transparency of the work being done by all of the Crowns, and I think your comment about subsidiaries being required to live up to the same responsibility as the parent company is one that we accept.

Mr. Boyd: — The same reporting requirements. As you may or may not be aware, we have had some degree of difficulty in opposition getting the same kind of information with respect to freedom of information requests when it come to some of the subsidiaries. Frequently we got back information from them just simply saying that we don't have the same reporting requirements, take a hike.

Hon. Mr. Lingenfelter: — Well again I have to speak in general because I'm responding to general questions and I don't know the specifics of which you speak, but in a general way the same freedom of information obligations of the subsidiaries should be the same as to the parent and if there is a discrepancy,

then there is a mechanism for appeal. And if I knew the specific of which you're talking about I would try to clear that up.

But again in a general way we have moved to the position that the same disclosure and openness and transparency that would apply to the parent's organization or to the holding company should and will apply to the subsidiaries.

Mr. Boyd: — Mr. Minister, could you give us yours and your government's view on the Crowns as a whole through CIC as to what you feel their role is currently and into the future, where you feel their growth potential lies, and where that growth will take the Crown corporations down the road?

Hon. Mr. Lingenfelter: — Well I think the '96 review dealt with that issue in pretty specific ways where it talked about the need for Crowns to grow if they were to survive and that was a general consensus that came out of the review.

So you will see, for example if I use SaskEnergy as an example of that, that Crown is growing in terms of more connects. I think this past year they will connect between 4,500 and 5,000 new customers which would include a number of residential, hog barns, new grain terminals, or elevators throughout the province. They've also announced a new program for financing the connections and also the new appliance program. So you'll see them with a lot more high-efficient fireplaces. I would expect those are being installed by the private sector at record numbers as we approach this winter season. And so you see the company growing within the province.

On the exterior of the province, they are also doing consulting and project management in a number of areas of the world. They did a major feasibility study for gas in the country of Uruguay, where they won the bidding process and did the research on the feasibility of putting gas into Uruguay, coming across the river from Buenos Aires in Argentina. And that study was completed. So they're building in a number of different ways.

I don't know if you want me to do this for each of the Crowns but SGI of course is continuing to expand product lines. They're also now selling particularly the ag insurance policy, the farm pack, in Manitoba and some into Ontario, so they now have licence to sell insurance in two other provinces.

And basically this is the position we've taken with our four main utility Crowns, that they are growing and watching their bottom line very carefully. But having said that, at all times the mission statement of all of the utility Crowns is at the end of the day to realize their main objective and their main goal is to deliver service, highest quality service possible, to Saskatchewan customers at reasonable or lowest cost.

Mr. Boyd: — What is the current position then of CIC and you and your administration with respect to CIC's and the Crowns' involvement into international or national ventures outside of Saskatchewan?

Hon. Mr. Lingenfelter: — As it would relate to . . . I would think that it would be generally conceived that we have three different levels of outside endeavour. One, the lowest risk which would be consulting by our men and women who are

involved in the Crown. Secondly, project management. And thirdly, equity investments.

As it would relate to consulting and project management, these are decisions made at the board of directors of the individual Crowns. As it would relate to equity investments outside of the province, these would be approved and need to be approved by the holding company.

Mr. Boyd: — So as a result of the Crown review in '96, the sort of view of the Crown corporations would you say has changed now that equity ventures outside of Saskatchewan would be an acceptable growth opportunity for the Crowns to be involved in?

Hon. Mr. Lingenfelter: — It would be, but with some pretty stringent qualifications. And I need only go back to last week when we were meeting with the chamber in Prince Albert at their invitation to do a presentation on Crowns, where in the breakout groups it came back very clearly that the chamber in that area said yes, investments outside of the province, but based on very, very careful scrutiny and prudent investments.

And so that basically was the instruction and mandate from the review in 1996, and I think if you were to come to the meetings — and I'm sure you have many of your own meetings — but you would find that that criteria for international investment or for investments outside of the province is that yes, very clearly, to consulting, yes very clearly to project management, and yes to international investments or equity investments, but on a very, very prudent and careful analysis and where the risk is very, very much mitigated.

Mr. Boyd: — Yes. And you made that commitment incidentally to the legislature that that would be the case following on the failed efforts in Guyana and following on the failed efforts with respect to Channel Lake.

If you recall, Mr. Minister, you made that commitment to the legislature that indeed you would be reviewing the whole idea and concept of the Crown corporations making investments outside of the borders of Saskatchewan — equity investments.

Hon. Mr. Lingenfelter: — Well that is the case and I just might remind you that, not to go through all the detail, but the report that was done on Channel Lake indicated that on the overall deal there was \$2 million made; \$5 million lost opportunity, but \$2 million more for the company when sold than when purchased.

And secondly, just to be clear, because I'm sure you know this and we know it, there was no equity investment made in Guyana. We looked at Guyana very carefully. There was a letter of intent signed. But at the end of the day, because of the economic circumstances that surrounded the election, and then certain world economy pressures that came to bear on Guyana, the decision was made not to invest in Guyana.

So on those two topics I mean the record stands very clear what our position was.

Mr. Boyd: — So the Crown corporations through CIC still have the absolute latitude, perhaps with stringent requirements,

to look at equity investments?

Hon. Mr. Lingenfelter: — Well they have the latitude to bring projects to the board of CIC where they are analyzed by . . .

Mr. Boyd: — And that's the ultimate authority?

Hon. Mr. Lingenfelter: — No. They have to be approved by cabinet as well.

Mr. Boyd: — So the process would be, for example if SaskTel were to enter . . . consider entering into an equity investment in wherever the case may be outside of Saskatchewan, the process would be that it would there flow through to the board of SaskTel and then flow through to CIC and then flow through to cabinet.

Hon. Mr. Lingenfelter: — With recommendations along the way from the staff to . . .

Mr. Boyd: — With recommendations. And at every level they could approve or disapprove?

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

Mr. Boyd: — So if there was an approval at SaskTel's board and then CIC turned it down, it would never see the light of day at cabinet?

Hon. Mr. Lingenfelter: — That's true.

Mr. Boyd: — That's true. Is there direction to CIC as to what areas that you want them as an administration to look at or not to look at?

Hon. Mr. Lingenfelter: — Only based on economics and the business arrangement.

Mr. Boyd: — So you put forward criteria as to what kind of rates of returns and things of that nature that you would expect, or otherwise don't bother us?

Hon. Mr. Lingenfelter: — That's right. We have internal rates of return that . . .

Mr. Boyd: — Can you provide us with some detail as to that?

Hon. Mr. Lingenfelter: — Well I'm going to ask our CEO to comment on detail. I'm not sure how far or how much we need to go into that. But I think we can comment in a general way on our criteria.

Mr. Boyd: — Yes, I don't . . . Just excuse me, Mr. Minister and Mr. Wright, I don't think I'm looking for a specific, we want 18 per cent rate of return, because I think that may put you in some degree of jeopardy with respect to an investment that you might be considering. If you were looking at moving into Atlantic Canada with SaskEnergy for example, I don't think we want them to know what our negotiating position is before we ever arrive at the door.

But I think we want, in general fashion, some degree of assurance that there has been direction through cabinet as to

what that level of return would be considered acceptable. My guess is a couple of per cent isn't good enough.

Mr. Wright: — No. Madam Chair, if I may, I must admit I can't remember if it was the Crown Corps Committee or the Public Accounts Committee, we committed to provide a copy of our international investment guidelines. And those were first published in June of 1997, along with the Crown review. And then subsequent to Channel Lake and to Guyana, we enhanced those and have improved upon them. We're certainly delighted, if we haven't done so already, to make a copy available to you.

In terms of those guidelines, they don't specify specific rates of return per project. What they will specify is the arrangements that should be looked at and considered: partnerships, very important, okay; appropriate people on the ground in the other country that you can deal with; board positions commensurate with the equity investment; non-recourse debt financing, which is to say the project must stand on its own with another bank; and so on and so on.

Each of the investments, be it SaskTel or be it SaskEnergy or be it SaskPower, we will take a look at the rate of return. The rate of return has to be adjusted for a variety of items: the opportunity cost associated with it; taxes where applicable that are associated with it; the country risk, where associated with it; and the industry risk. Such that an investment by Crown A in country B or country C, the hurdle rate or rate of return that we demand is different depending upon the circumstances in each of those countries to adjust for what I'll call the risk factors.

In general terms, there's a hurdle rate of around 15 per cent, which is to say if a project in general terms doesn't come forward with a 15 per cent rate of return, there has got to be some very, very, very good reasons otherwise. And there may be because of the employment aspects or because of new technologies being developed and being worked on and so on. So I hope that's helpful.

Mr. Boyd: — Political risk?

Mr. Wright: — Political risk is part of the risk factor and indeed in Guyana that was one of the considerations. A country's risk deals with their fiscal position, deals with their monetary position, deals with their political position. So . . .

Mr. Boyd: — Political risk at home.

Mr. Wright: — We have a business evaluation process. That's part of CIC's mandate. We always leave it up to you good politicians to address the political question.

Mr. Boyd: — Well I can assure you, Mr. Wright, that we haven't been consulted in those areas.

Mr. Wright: — I'm not sure if that's a good or a bad thing.

Mr. Boyd: — Probably . . . we'll leave that for smarter people, higher up on the pay grid than myself. I think that that's part of the concern with ventures of this nature is, there is always risk. And I don't think that anyone would deny that there is risk.

I think we are certainly on the public record, Mr. Minister, Mr.

Wright, with respect to the whole view when it comes to consulting and when it comes to project management, types of those issues of that nature, we are fully supportive of that. We think that for example, SaskTel, SaskEnergy, others have considerable expertise that they can share with the world in terms of their areas of interest and that there is benefit to Saskatchewan and that there is certainly opportunity for Saskatchewan in that regard.

Equity ventures, we have considerably more trouble with. And the reason is really quite simple. We're not confident, and I'm not, and I think perhaps even the people of Saskatchewan would share that lack of confidence in the steps along the chain.

Everybody has opportunity to have input, say in a SaskTel decision about this, but they ultimately don't make the final decision. The next step up the ladder, CIC . . . or pardon me, the board at SaskTel has input into the decision and I suppose makes a recommendation and it carries forward. From there CIC looks at it and they make a recommendation to cabinet and it flows forward from there.

But it is ultimately the cabinet that makes the final determination on whether or not this is a go or not a go. And I suppose that's where, if you're going to get into those kinds of ventures, that's where the ultimate decision should be made. And whether it's a cabinet of the New Democrats, whether it's a cabinet of Liberals, or the Sask Party, or anyone else for that matter, I'm not convinced that the public of Saskatchewan has the confidence that those people have expertise in those areas.

They may have expertise in politics, and that's probably a given. And they may have expertise in running their business or their farming operation or running a schoolroom, but do they have expertise in judging a project in Atlantic Canada or in Chile or in Brazil or Uruguay or some of the other places that the Crown corporations are looking at. And yet at the end of the day they are going to be the ultimate . . . Unless they just simply rubber-stamp them, and I assume that isn't the case. I assume that that wouldn't be the case, that they just simply just rubber-stamped them because the level of expertise has already been decided with the SaskPower officials or SaskTel officials that have direct experience and expertise into those areas.

Would you consider, Mr. Minister, that that is a concern within the mindset of Saskatchewan people?

Hon. Mr. Lingenfelter: — I think it's a . . . I mean this is a wonderful debate about how you grow an economy and the options that are in front of whoever the cabinet of the day will be. Because I mean in this business it's not going to stay the same forever and you'll get different points of view on where you should take the Crowns or even how you would develop an economy.

But the fact of the matter is that people, long before we were here, made a decision that Crown corporations were going to be a big piece of the economy of Saskatchewan. It wasn't Tommy Douglas who started this process. It started before Saskatchewan was even a province in 1901 when the territorial government set up hail insurance companies so they could protect the farmers.

So we have an interesting situation where we're quite different — our economy — than the other provinces in western Canada or in Canada where 17 per cent of the GDP (gross domestic product) is made up of Crown corporations.

The interesting thing is that all the corporations in Alberta look at international investments and the co-ops in our province look at international investments and they have to struggle with it to decide whether or not they move in that direction to grow or whether they don't.

We, as the board of directors . . . (inaudible) . . . all of us sitting around this table have an interesting role to play and an important one if we say 17 per cent of the companies that make up our GDP are either going to grow outside of the province or don't grow outside of the province. This isn't very much about being black and white or somebody having all the answers and not having the answers. Your opinion is every bit as valid as mine is as to which way we should be taking the Crowns.

But having said that, we have come to the conclusion that I think we agree on two points. And I appreciate your candour in this that you absolutely support consultation and project management and you've got misgivings or opposition to equity investments.

Our position is somewhat different in that we agree with you on the first two items and we agree on a very cautious approach to international investments along the criteria that Mr. Wright has elaborated. And to say whether or not for example the federal government is correct in having a Crown corporation that builds nuclear reactors in China and Korea to create employment and build that industry, it's always I guess easy to say you shouldn't or should in hindsight.

But the fact of the matter is, in Canada, over the long haul in many provinces international investments by Crown corporations is not something new but is well established.

And the same is true of many European countries. If you were to go to Sweden or Norway or England or France, Crown corporations invest in many, many parts of the world and so in one sense we're a long way apart, the member from Kindersley and myself, but yet in another way we're only a little ways apart. And these are interesting debates that I think deserve more attention and more discussion.

And what I like about the process that we have in place now is that it is not perfectly transparent but I think relatively transparent, and we're able to have an intelligent discussion even between opposition members and government members about where we go, how we do it, significant transactions that have to be reported back to this committee where questions can be discussed. And when it came to the Saturn project or Guyana, we had that kind of discussion around this table and I think that's extremely healthy.

The Chair: — Thank you, Mr. Minister. Perhaps we can leave the debate between you and Mr. Boyd at this point then and move to Mr. Osika.

Mr. Osika: — Thank you, Madam Chair. Mr. Minister, I just . . . and there may be some questions that were already asked of

you in your previous appearance here. There were a number of recommendations that were made by the auditor in his report this spring. Can you update us on whether or not those recommendations are being complied with or at what state they're at, please.

Hon. Mr. Lingenfelter: — Do you mind if I get Mr. Wright to comment on that?

Mr. Osika: — No. Thank you.

Hon. Mr. Lingenfelter: — He's sort of got hands-on in that area.

Mr. Wright: — If I may, Madam Chair, there were indeed a number of recommendations arising out of volume 2 of the auditor's fall 1997 report. One of the recommendations dealt with a comparison of planned activities to actual results.

When I appeared before this committee last, we suggested that the quality of the reporting of all CIC subsidiary Crown corporation rivals that, and hopefully exceeds that, of the private sectors. In fact one could argue that our planned activities are beginning to be articulated more and more carefully and with greater elaboration in our annual reports. And our annual report . . . the subsequent annual report does compare our actual results in that year with our planned activities.

Is it full compliance with perhaps what the auditor wants? I suspect not. But I think that what we're doing is we're moving in a very positive fashion to attempt to achieve what the good Office of the Provincial Auditor wants.

With respect to the next one — the assembly, a list of persons and the amount of public money they are paid — we do take issue with the Provincial Auditor on this one. We take issue largely on the commercial aspects of many of our transactions. We are concerned about disclosure of certain payee lists because there may be certain commercial aspects to it that could jeopardize the value of some assets.

I'll give you an example; this is completely hypothetical of course. If we in CIC were to undertake a valuation over the course of the year and we hired a firm to undertake that valuation of one of our assets because we may choose to sell it or may choose to grow it, but we don't do so, it wouldn't be appropriate down the road that we disclose that in fact this was done by saying, well we hired Merrill Lynch and we paid them \$500,000 to undertake an asset valuation. We're very sensitive about that; we just disagree.

With respect to giving the Assembly a copy of the share-purchase agreement related to BIOSTAR, we are in compliance with that I believe and we believe the auditor agrees.

With respect to the public policy objectives for CIC are to be prepared and presented to the Crown corporations, we've developed something called balanced scorecard within CIC, four quadrants: customer service, financial, innovation and growth, and public policy. And we are in a process now of implementing that with the Crowns; we've had one year under

our belt and we're working on it more and more. And it's our hope that when we've got this fine-tuned — because we are at the leading edge here we believe in terms of governance, at least the Conference Board of Canada has suggested we're among the leaders in this — to be able to provide that to you in greater and greater detail as the years go on.

With respect to the recommendation of the auditor . . . should establish and document standard assumptions for use by the Crowns. This deals with pension liabilities. It's our understanding that our subsidiary pension plans are, for the most part, using consistent assumptions. There may be one or two exceptions and I think I noted the Provincial Auditor's office sort of nodding their heads positively towards that.

With respect to some of the spring report, CIC, the spring *Report of the Provincial Auditor, 1998*, the auditor said we should document all of our policies pertaining to the subsidiary Crowns. We are doing so. We put them in our policy manual. It was an excellent suggestion and we welcomed it. It's in a policy manual. We distributed it to each of the Crowns. I believe we are in compliance with that.

With respect to . . . Sorry, I'm just trying to go through each one of them. There was another one: CIC should ensure subsidiary Crown corporations obtain seven levels of approvals and provide the same level of public disclosure.

This dealt with and I believe it was addressed in the Channel Lake report dealing with what we call BCA subsidiaries, business corporation Act Crown corporation subsidiaries of our Crown corporations; that they should have an OC (order in council) upon the sale of any asset.

Indeed that is our policy in place now. It may require legislative changes. And if you want more information, Sheldon Schwartz can speak to it. It may require legislative changes due to a ruling that we got from the Department of Justice, but we are very positively disposed to it and we're moving in a very positive way. We think that's an excellent recommendation of both the authors of the Channel Lake report and the Provincial Auditor's office.

With respect to . . . I believe that's it. I think I've covered them all off and would be pleased to answer any of your technical questions in that regard, Madam Chair.

Mr. Osika: — That's fine. I appreciate that, Mr. Wright. Thank you. You elaborated on all of them that I'm aware of here anyway.

Could I, moving to another area, what directives does CIC give or have they given to Crowns with respect to a policy on sponsorship of events? Is there any kind of direction or policies in place for the Crowns?

Mr. Wright: — Madam Chair, the only thing that we have asked of the Crowns is that they are responsible, through their boards, to make available sponsorships and items of that nature. We asked them to ensure and have asked their boards to ensure that it relates in some fashion to the promotion of their activities as a Crown corporation. Other than that, no directives.

The Chair: — I think, Mr. Osika, it has become apparent in the testimony we've heard over the last week and a half that various Crowns are in different states of preparedness and of policy development with respect to sponsorships. And some of them clearly have established committees and clear-cut objectives and criteria for gifting to various community organizations; others are in the process of developing it.

I would anticipate that if you come back next year and ask that question, that likely all the Crowns will have policies set and well-established procedures.

Mr. Osika: — Thank you. I was just wanting to clarify whether or not there was any direction from the government to CIC in this regard, and from CIC then to the individual Crowns, I guess, leading to . . . I can understand why the competitive Crowns do a fair amount of sponsorship and advertising. But Crowns such as Sask Water for example, or SOCO (Saskatchewan Opportunities Corporation), what would be their reasoning behind advertising? They're not in a competitive field.

So I just wondered if there was any kind of a policy whether from government to CIC and then from CIC to its subsidiaries, to its Crowns, to say well this is the policy, these are the guidelines, and this is the criteria that you would use in committing these taxpayers' dollars for various sponsorships and advertising programs.

Hon. Mr. Lingenfelter: — Well the total amount that we spend, I think, and through the Crowns is about \$3 million a year in total for these kinds of endeavours. And I say again that competition and competing is one reason for giving charitable donations and being involved in the community but there is quite another reason for doing that sort of support and that is the fact that most major corporations do sponsorship and charities, I might argue, to a greater extent than the Crowns do.

But again if you have 17 per cent of your corporations in the city of Regina, it's much more than 17 per cent of the GDP made up of Crowns, and you say because there's no competition we're not going to do any support of local sports or local charities. What simply begins to happen is the charities that might flourish and do great works in other parts of the country don't exist here and are penalized because of the fact that you have Crown corporations.

I think the much better policy is to structure in such a way that based on a small percentage or over an overall concept of what is industry standard, that you should apply those kind of principles, and basically that's what the Crowns are struggling with at the present time.

And at the public meetings that we've held, we've had about 20 of them with chambers and REDAs (regional economic development authority) around the province, this is one issue we've put to them. Is the charitable level in your community too high, too low, or about right? And we're getting some interesting comments back from the public as their perception as to what Crowns should be doing.

Mr. Osika: — Thank you for that, and I just want to clarify this. I'm not asking this as a matter of being opposed; just

seeing what support is given to sports or to any other charity. I just wondered if in fact there was a criteria set down as to within what areas, to what extent, and to what degree?

Hon. Mr. Lingenfelter: — Well each Crown has their own individual, and it's broken into two different parts. One is at the main level of the corporation and then out in the rural areas, they are allotted a certain amount to do at the local level. But here's one area where I think more consistency is needed.

Mr. Osika: — I thank you for that. I guess that's what I was leading into next. What would . . . there would certainly be a ceiling placed on amounts, percentages, whatever. Is that correct?

Hon. Mr. Lingenfelter: — They do it the same, I guess, as any other corporation would do. They would budget a certain amount. Then the allocation could take place at events that might be sponsored at the provincial level through the management at the head office, and then a certain portion would be given out in districts to be managed by the district office. And without going into a lot of detail, there is a fair bit of flexibility left to the local officials to make those decisions.

Mr. Osika: — Is there a ceiling on the approval for certain expenditures?

Hon. Mr. Lingenfelter: — There is, and I don't know, John, whether we can give that. I can certainly provide it . . . as to how that breaks out but because it's not the same in each of our Crowns it might be best if I just take notice of the question and try to provide you a written report.

The Chair: — Mr. Minister, when you provide the report, would you please have your office provide it to the Office of the Clerk with 15 copies and they will distribute it.

Hon. Mr. Lingenfelter: — Okay. Right.

Mr. Osika: — Thank you very much. I wondered if on that same report would it be possible for CIC to provide the committee with a report on the events and the amounts that have been provided . . . sponsored in the past year.

Hon. Mr. Lingenfelter: — In the past year? I think that isn't a problem and I'll undertake to provide that. I think it's available and we'll do our utmost to provide you that information as well.

Mr. Osika: — I thank you very much, Mr. Minister, Mr. Wright, Madam Chair.

Mr. Chair: — Thank you, Mr. Osika. I'll now recognize the government members.

Mr. Trew: — Thank you, minister and officials. Mr. Boyd raised an interesting question about the Crown's international investments, that sort of thing, and I appreciate the comments about growing the economy and that 17 per cent of Saskatchewan's GDP is from within the Crown corporations.

I'm struck by two related thoughts. One is that with respect to publicly traded, or what we might call a private company, the checks and balances tend to largely be: management will look

at an investment, recommend, and a board of directors says yea or nay.

Here we have management in the Crown corporations. We have management will look at an investment, will recommend, and if they recommend it's nay, it dies there. If they recommend it's "go," then it goes to their board of directors, then to CIC and its board of directors, and then ultimately to cabinet.

At any point it can get booted out for any reason. So it seems to me that we've got an awful lot more ducks lined up ready to say no to a potential investment than we have lined up saying, yes, let's do it.

I think that's useful; in the main I think it's useful. I might, in another day argue that it ties our hands a little bit too much. But I simply point out that if we're serious about growing the economy, I think we have to find ways for the Crown corporations to go outside of Saskatchewan and grow and create jobs, many of them for Saskatchewan people in international opportunities.

But certainly there's the investment portion of it where you can make a return and the Crowns have had a very good history, and I'm quick to say a mixed history. There have been some areas where there's been some losses but there's been some very good gains as well.

You may wish to comment on that but I'm going launch into the final part of my argument and then I think I'm basically done.

I notice in today's paper SaskTel retained its A credit rating. But I also noted with interest as I read the article that the downside seemed to be that SaskTel is a small telco and the comments made by the credit rating agency were that other telcos are merging and forming alliances and growing their businesses.

They were full of praise for the job SaskTel is doing. I want to be crystal clear about that. There was no question about the job it's been doing and the fact that it's saved over 90 per cent of its long-distance customers, that sort of thing. But clearly what the credit rating agency was saying is, SaskTel is going to have to either expand — that is grow, form business alliances — or go the way of the dodo bird. And it's just simply a question of time.

Is that a view that is held by CIC? And I'm not necessarily trying to single out SaskTel other than by way of example.

Hon. Mr. Lingenfelter: — Well I think your example and comment is sort of where we opened this and where the review in 1996 led us and concluded that we really have three options. You can sell the Crowns and that's a clear option the people of the province have. It's their asset. It's about — what, Mr. Wright? — about \$8 billion worth of assets that they own that we manage, opposition and government in this configuration. We manage this on their behalf. They could sell them. That's an option that can be considered.

You can leave them status quo within the borders of the province and allow competition to come in, which is the way of

the world. And under free trade and interprovincial barriers, you'll know that no longer will you have 100 per cent of the business. You might have 90 per cent in the telco or you might have 80 as in Alberta have and in some provinces dropped to 75.

But what you do know is that as competition comes in, and your business is reduced because of competition, your asset level depletes. So leaving them status quo doesn't seem to be a very great spot to be in if you're running this like a business, to say we're forcing our companies to stay within the boundaries of the province and go from 100 per cent of the business to 75 or 80, which would mean your asset will be worth less.

Or the third option is to say, we're going to keep them, not sell them but give the mandate to do consulting and project management, maybe that's enough, maybe it isn't, or to do some selective investments outside of the province. And where the review in '96 came down is, I think, along the lines that you speak to that if you're going to keep them you better have a strategy to grow them, and if you're limited in the province to how much you can do then you have to start looking outside of the province, i.e. selling Agro Pac in Manitoba and Ontario or looking at some other options, and basically that's the track we're on now.

As it would come to the decision making of how to do international investments, we have chosen that CIC approve and cabinet approve. But there again there are some people who argue quite vehemently with me that cabinet shouldn't have the final decision; that the final decision for international investment should either stop at the board of directors at SaskPower, up to a certain level, and then at another level CIC, and then if it gets to a certain level, then the cabinet be involved. At the present time all of our international or equity investments come all the way up.

So in my mind I think we're on the right track on that. But that doesn't mean that there are some pretty other . . . that there are other strong views that may have legitimacy as to how many different levels you want these investments to go through.

Mr. Trew: — Thanks, Minister. I concur with the third track obviously from my statements. And I'm pleased to hear your comments on that. I don't want to beat the thing to death, Madam Chair, so I'm done asking questions for now.

The Chair: — Good. It's nice to know that we hold the view in this committee that talk does not have to expand to fill the available time. Mr. Boyd, I will now recognize you.

Mr. Boyd: — Thank you. As the minister and Mr. Wright would know, I'm sure that there are significant differences between Crown corporations and the private sector, and the rigours associated therewith in making decisions.

I would suggest and be of the view that there is criteria differences between what kind of investments the private sector would make and what kind of investments Crown corporations would make based on a number of differences. Return to the shareholders . . . I suppose a return to the shareholders is looked at in some fashion.

The risk evaluations — and I suppose there are some differences and some similarities between the two — risk based on an assessment of expertise within the organization, absolutely. However, the ultimate authority in terms of the Crown corporations appears at this point to be made on expertise of the cabinet, if they have the final say. If they are just simply rubber stamping the expertise decision and assessment made of SaskPower, there's a difference.

If for example an oil company decided to make a . . . launch a drilling program in the Kindersley area, they are putting their capital and their dollars at risk. And I would think a lot of people in Saskatchewan would be of the view, when it is your buck that's on the line, your livelihood that's on the line, there is a considerable amount of rigour goes into that decision that may not — I would say may not — go into it if it isn't your buck and your livelihood on the line.

If it is based on an assessment, an accurate assessment with the expertise within the company making the final decision, I think you have the same kind of rigour and assessment that's made in the private sector — but that isn't the case here. The final decision is made by cabinet — people who don't have that same kind of expertise as I assume an oil company that's in the business of drilling oils in the Kindersley field and has the expertise and their track record and all those kinds of things.

Frankly I would feel uncomfortable as an individual about making decisions about whether or not we should be going into business for a jurisdiction that many of them might have to look up on the globe just to find.

If it was a case of us making the decision and simply saying, look, we're going to look at the expertise within SaskPower or SaskTel and we're going to . . . whatever their assessment of this is at the end of the day, that's the way we're going to go. But that doesn't appear to be the case and the minister has confirmed that.

I'm not aware of too many private corporations that look at political fallout at the home front as any kind of a consideration — yes, I guess there's very, very modest consideration. But I don't think political in terms of the big P political question as to will the voters of this province be concerned about an oil company going into Kindersley and making and launching a drilling program. There is a different, there is a different . . . Or for example, the expertise of an oil company going into Guyana and making a drilling program. I don't think that they would be too concerned about the political considerations back here in Saskatchewan.

They may certainly have and be of the concern about the political implications of their decision in Guyana — and that would be part of the risk assessment I would assume. But I don't think they care a whole heck of a lot about what Roy Romanow or what Bill Boyd thinks about, or Dwain Lingenfelter or any of the rest of us for that matter, think about what they are going to do with their dollar in Guyana.

That's why I think that there are many people, and I include myself in that voice, that are of the view that there is a big, big world of difference between Crown corporations making investments on behalf of the shareholders who have no input

into those decisions — other than once every four years at the ballot box — when that generally speaking isn't the only issue on the table.

At a shareholders' meeting — and I've attended quite a few in my life — generally speaking, the performance of the company and the management of that company is really the only issue of the day. How did we do in terms of return on investment to the shareholders?

That debate, I would submit, Mr. Minister, doesn't take place in provincial elections in the same fashion that . . . generally provincial elections in Saskatchewan — we can go back over many of them I suppose — although it may have overtones as to the direction of the Crown corporations it certainly doesn't have, it isn't the only issue by any means.

I guess in conclusion, just what I'm saying, Mr. Minister, is that there are different rigours involved between the business world and Crown corporations in making those decisions. And I think as result of that, the Crown corporations are called to a higher order in terms of making those decisions about where they should or shouldn't be going.

I think the people of Saskatchewan support the view that there should be Crown corporations making contributions in terms of consultings and consulting ventures, and project management ventures throughout the world for that matter if they're judged to be appropriate. Equity investments, I think that they are concerned about them when they see for example, here in Saskatchewan, SaskPower putting forward — what do they call that — reconstruction fees here in Saskatchewan for an infrastructure that's crumbling.

Well crumbling is maybe too harsh of a term, for an infrastructure that's deteriorating because it hasn't been touched since the day it was put in in the '50s, some of it, and making investments elsewhere. I would think they would rather than seeing reconstruction charges added to their bill, they would prefer to see the investments in those areas made by Crown corporations and the profits there within rather than seeing them go down. And whether they did or didn't directly get involved in Guyana in an equity investment, it was just a matter of time had things not blown up. That's what appeared to be the direction that you were going.

So, Mr. Minister, I think, and I look at the March 4th issue of the *Star-Phoenix* here in Saskatchewan and the Premier of this province saying that because of the Guyana experience, his government has been forced to take a look at foreign investments through the Crown corporation investment corporation, Crown Investments Corporation, pardon me, and that the rules for investment have to be re-evaluated.

I don't see anything or I don't believe I've heard anything in your statements today to suggest that they have indeed been reassessed. It appears that they are the same kind of criteria as flowed following the Crown review that took place back in '96, and if there is any differences in the criteria, I would welcome you at this point to share that.

Hon. Mr. Lingenfelter: — I'll get Mr. Wright to just comment quickly on that, but I want to say that when it comes to

management of Crowns versus management of the private sector companies, there's no doubt that there are differences in terms of structure. But when you say that the people who manage private sector companies are going to do a much better job because it's their money that's being invested versus the money that's invested by the Crown, I just urge you to think about that for a moment.

Because when for example, Allan Blakeney or Peter Lougheed are investing on behalf of the Crown when they are premiers, I find it hard to believe that suddenly when they are no longer premiers and are on the board of directors of private companies, that Allan Blakeney and Peter Lougheed suddenly say I don't care anymore because this is public money when I'm doing the investing on that side but I care a lot . . . I mean, it's not their money that they're investing when they're on the board of a private sector company. I mean it is in a sense that they may hold shares.

The fact of the matter is the money that they're investing when they're on the board of Cameco is usually a broad variety of private sector investors that has no face to it. They wouldn't know who invests in Cameco and I doubt they'd check the list to see who's trading on a daily basis. A lot of it is pension money of unions, teachers' funds, those kinds of things.

And I would expect when Peter Lougheed or Allan Blakeney made decisions as leaders of a government they are just as cognizant of the responsibility of the dollars as they are when they sit on a private sector board. This is my impression.

Or if your argument is that politicians can't have the credibility to sit on boards of directors, I mean, Mr. Mulroney sits on a number of boards. I've talked to him from time to time on some of the companies that invest in our province. Paul Schoenhals; Bill Duke, one of your supporters from south of town, sits on one of the largest banks in Canada — I think he does a heck of a job.

So when I say does Mr. Frank Proto and Susan Milburn and Tim Gitzel and Tom Kehoe, have they got the competence to run a board on our behalf and do they care as much about it as if it were a private sector company? I think they care as much, in some ways maybe more, because of the . . . And I don't think they'd accept these positions if they didn't.

And so I'm extremely comfortable with the process that we have in place. Does that mean that every deal is going to be a winner? No, but I would say that the percentages of wins over losses would be at least as good as what they would be if these people were sitting on private boards.

And I mean, at some point in time, I think the one thing we have to do as Saskatchewan people is become more proud of how competent we are. And even the members asking the question, I'm sure life after politics, there would be private sector companies who would appoint you to boards and think you have the competence to do it.

Now you may think that you don't have the competence, but I for one think that you or some members of the previous administration — and it's been proven — do have the competence to be involved in boards of directors and do a good

job.

Mr. Boyd: — Thank you, Mr. Minister, for those kind observations. I understand the presidency of SaskPower is available these days . . . (inaudible interjection) . . . I haven't given it any consideration but perhaps you might consider it.

I want to move relatively quickly, Madam Chair, through a number of areas and conclude. At least I hope we can move relatively quickly through them. I'm starting with Crown Life, Meadow Lake Pulp mill, MacMillan Bloedel, and one question on the National Pig Development company.

Crown Life — with regard to it, regarding the merger between Crown Life and Canada Life, can you briefly give us an overview into how this merger is going to affect CIC's investment in the company, and do we stand to make profit in this area?

Mr. Wright: — Thank you, Madam Chair. Very quickly, we have a \$422 million investment in Crown Life in several forms. One is a hundred and fifty million dollar debenture. On or about closing we expect to receive that debenture back in full. We have a secondary amount which is \$68 million in non-voting equity shares in HARO Corporation, and a third amount, the residual amount — I would have to work out the math here — which is a debenture held by HARO.

It's our full expectation that over a matter of time we will achieve at a minimum the full return of the \$422 million from Crown Life. It will involve the divestiture of the approximately \$1.5 billion of assets that, after the sale goes through, Crown Life will continue to hold.

Mr. Boyd: — And how will that affect employment here in Saskatchewan?

Mr. Wright: — Well in fact in the absence of such a transaction, it has been argued by some that Crown Life could not have maintained its market share and as a result would have had to significantly shrink in the approximately 1,100 jobs down into the 6 to 700 job range if not lower. Ultimately some would argue that it would ultimately, at that point, have to be divested with who knows what impact on the economy.

This transaction has a guarantee of 675 jobs from Canada Life for at least five years. In fact I'm led to believe that Canada Life would like to see higher employment levels, depending upon their success in this province. So from that perspective one could say it's as least as good if not better.

Mr. Boyd: — With regard to the Meadow Lake Pulp mill, the Meadow Lake Pulp mill in the 1997 report states that the downturn in the Asian economy was responsible for losses incurred by the pulp mill in '97. If anything the Asian economy has been worse in '98. How does this turn of events bode for the pulp mill's bottom line? How much should we expect to see the taxpayers lose in 1998?

Ms. Beatch: — Thank you, Madam Chair. With respect to the Meadow Lake Pulp mill, indeed the Asian flu has not helped the situation when it comes to pulp prices. And the member is quite correct that things aren't improving necessarily in Asia,

and that's not necessarily helping out the pulp mill.

I'd like to point out — I'm not sure which number you have for loss for 1997 — but that would be a net income loss, that is to say an accounting loss which doesn't necessarily mean cash provided by CIC to the Meadow Lake Pulp mill.

With respect to going forward, CIC by order in council was authorized to provide a total of \$15 million up to August 1999 to fund any cash deficiencies that the Meadow Lake Pulp mill may have during that period. So the member is aware, to date we've funded \$5 million out of that 15, and we anticipate we'll be within that range between now and next August.

Mr. Boyd: — You also had expected that prices for pulp would recover late in the year. Has that in fact happened? The forecasts were that way, I understand.

Ms. Beatch: — Indeed. Madam Chair, I don't recall a bright, rosy forecast indicating any spike in pulp prices. We remain hopeful that they will improve. I wouldn't suggest they've improved significantly since . . . over the course of the past year they've been up and down a bit and holding fairly steady in that area.

Mr. Boyd: — Thank you. With respect to . . .

The Chair: — Mr. Boyd, before you move on to . . . you were moving on to another Crown were you?

Mr. Boyd: — Yes, I was.

The Chair: — I have an indication from one of the members that they wanted to ask a question about Meadow Lake Pulp. Would you . . .

Mr. Boyd: — Sure.

The Chair: — Thank you.

Mr. Johnson: — In the case of the initial construction of the Meadow Lake pulp mill there was a concept that it would have a very minimal effluent stream out of the mill and then through further redesigns or whatever, that was reduced to, I believe, no effluent leaving the mill.

Does that place it in . . . as a mill, have a higher cost on a per ton basis than say mills that haven't got that there? Or is it just that it's a new mill and old mills would operate on a lower financial . . .

Ms. Beatch: — Thank you, Madam Chair. Indeed the mill in 1990 was constructed as the world's first zero-effluent chemi-thermomechanical pulp mill, so there is zero effluent coming out of the mill. I'm afraid I can't get for you or offer you here today — and I'm willing to undertake for you — whether there is an additional cost as a result of that zero-effluent factor.

On the positive side, relative to other mills . . . on the positive side what it does provide is a bit of an edge on marketing in terms of revenues because we can market, particularly to European customers, that it is a zero-effluent mill and European

customers tend to be fond of, or more involved in, the green movement.

And so if there is an additional cost element as a result of zero effluent — and as I say I will undertake to provide that to you — it certainly in part is offset by additional marketing benefits on the revenue side.

The Chair: — Again, Ms. Beatch, any information, would you please provide it to the Clerk.

Ms. Beatch: — Absolutely.

The Chair: — And she will distribute it. Thanks.

Mr. Johnson: — Will that mean . . . I understand the European requests mean that any harvest would be in a sustainable manner. Will that — and I assume that you would be providing some other information — will that mean then that the mill would stop accepting any non . . . or any product that is not produced right from the forest reserve, the north Saskatchewan forest reserve? I'm asking whether they would stop purchasing private woods.

I have an indication that because it becomes very difficult to certify that the private wood being delivered to mills would not be certifiably produced in a manner that you could certify that it was a sustainable operation, and that then would mean that that product that is made from that won't meet those European standards.

Ms. Beatch: — I thank you. Again, Madam Chair, I'm not aware of any restrictions or any prevention on the part of Meadow Lake Pulp to accept private wood.

Mr. Johnson: — Okay.

The Chair: — Thank you, Mr. Johnson.

Mr. Boyd: — With respect to MacMillan Bloedel, can you give us an update on Saskatchewan's investments in SaskFor, MacMillan, and MacMillan Bloedel's 50 per cent partnership in the project?

Mr. Wright: — Very briefly, Madam Chair, the total investment by the Government of Saskatchewan is \$40.2 million. The net book value of that is 51.4 million. In 1997 CIC III (Crown Investments Corporation Industrial Interests Inc.) share of net income was 3.4 million. We received a dividend of 2.3 million which wasn't a great return on equity at approximately 6.6 per cent reflecting the overall lumber, oriented strand board, and plywood investments. We are currently in discussions with MacMillan Bloedel as to the future of the forest up there with reference to an oriented strand board plant. We have launched economic and engineering studies to determine the feasibility of building same. The value of that plant would be in the 130 to \$150 million range depending upon the engineering.

Mr. Boyd: — Are you looking at an equity investment into that project?

Mr. Wright: — Indeed equity would form a portion of that. It

could be in the 25 to \$30 million range.

Mr. Boyd: — We have received a number of calls from employees of SaskFor with respect to their employment future. Have you an assessment with respect to the potential for lay-offs or are we not going to see that?

Ms. Beatch: — Thank you, Madam Chair. With respect, I think the concerns you may have we have heard some of them, and I think it's largely related to the uncertainty on the old OSB (oriented strand board) mill — what's going to happen to the old mill when a new mill is built? And I can tell you we're mindful of the need to . . . of all of these employees at the old mill.

We haven't decided. It's conceivable that the old mill may keep going or at least one line of the old mill may keep going for some period of time. That's dependent entirely on the extent to which we have a fibre base to keep both mills, the new mill and one line at the old mill going.

So we're working towards integrating the employees at the existing mill and potentially moving them over to the new mill or keeping one line going at the old mill.

Mr. Boyd: — So there's no lay-offs anticipated?

Ms. Beatch: — We haven't concluded on exactly what the staff count is and reallocation at this point.

Mr. Boyd: — And the new mill would be located there?

Ms. Beatch: — In Hudson Bay, that's right.

Mr. Boyd: — In Hudson Bay. Thank you. With respect to National Pig Development has the downturn, substantial downturn, in the pig market had any affect on National Pig or more specifically on the government's investment in that company?

Ms. Beatch: — Thank you, Madam Chair. With respect to the government's investment in the company we have not added any new funding or financing to National Pig so I would suggest . . . it has any direct impact on our investment.

I'm sorry, with respect to National Pig, its name has changed to Genex Swine Group Inc., so I apologize for using the former name.

The investment, indeed some of its slaughter values, have not been very positive but Genex is moving forward, doing reasonably well, and hopefully has positive plans for itself in the future.

Mr. Boyd: — Thank you. I think an excellent name change frankly.

The Chair: — You could have called it Babe II.

Mr. Boyd: — Could have, I suppose. It might not have been a very good one either but . . . The last two issues that I wanted to deal with are the areas of the search for the presidency over at SaskPower and the last one would be rate review mechanisms.

Mr. Minister, when we had our discussions with the chairman of the board, or Vice-Chair I guess he is, Mr. Fair of SaskPower, he indicated that there is a search . . . has just started for the position that Mr. Messer used to occupy over at SaskPower. And I indicated to him and I think he indicated to the committee as a whole, that it will be a very important development into repairing the reputation that SaskPower unfortunately enjoys these days or doesn't enjoy these days with respect to things like Channel Lake and Guyana and other things that haven't been exactly the type of press that I'm sure any company would like to see.

Now arguably Mr. Messer may or may not have done a very good job over there. That's for another debate, however, he's gone and now we're looking for a new person to fill that role.

Mr. Minister, the search process has just started. I understand that there's been advertisements in various national publications and that there is a head-hunting organization out of Calgary has been engaged to help in this respect. I hope, at least I'm thinking, that the people of Saskatchewan would be of the view that we need someone in that position that has expertise in those areas and is outside of the political process in terms of being a direct . . . a past cabinet minister or a past MLA or all of those kinds of things.

And I think it's pretty clear from the past in looking at Mr. Romanow's comments of the past that, if we haven't moved beyond putting patronage positions into those types of very high-level positions, we haven't really gotten all that far. I don't have the direct quote in front of me I'm quite certain you're familiar with it and we would be happy to bring it forward if you care to see it once again.

Can you give us an update on what is happening with respect to it? What the government's involvement with this will be at the end of the day? As I understand it the search committee consists of Mr. Fair, perhaps a representative from CIC, Mr. Wright, and the minister? No? They don't want you on the committee?

Hon. Mr. Lingenfelter: — I wouldn't want to be there either . . .

Mr. Boyd: — But then it eventually goes to cabinet for final approval. Is that correct? Am I understanding the process?

Hon. Mr. Lingenfelter: — Well let me just say that we are now at full tilt in terms of a search for a new CEO of SaskPower. And I notice in one comment the member includes himself in the search and now he rules himself out saying an MLA shouldn't apply.

Mr. Boyd: — I didn't include . . . (inaudible) . . . in an application.

Hon. Mr. Lingenfelter: — On a serious note I want to say to the member that actually the company . . . Caldwell, I believe is the company doing the search. They have placed ads I know in a number of daily newspapers, and I think the response to this point — although it's very, very early, they've only been out a short time — has been there's been a good deal of interest expressed to date. There's a selection committee and review committee made up of three individuals who will make a

recommendation to the Power board. CIC will be involved, and of course cabinet, in the process.

Mr. Boyd: — Thank you, Mr. Minister. Frankly I don't think anyone ever considered myself to be much of a politician so maybe I could be ... (inaudible) ... and excused for past indiscretions, and excused for past indiscretions in that area.

Mr. Minister, on a significantly more serious note. We have seen in the past that this government has had a tendency to say one thing and do exactly the opposite in these areas. I think of a recent example with respect to SHIN (Saskatchewan Health Information Network). People that were — we saw the resumé of people that had put forward their name for that position and that were extremely well qualified — perhaps even overqualified for the position — but were looking for that job. And we wound up with the former president of STC in that position.

SHIN, being a computer-based development of significance in terms of health records, and we brought in a gentleman that had a track record of losing \$750,000 in computer records over at STC — not exactly a sterling record when it came to computerized programs.

So I'm hopeful and I think — as I said to Mr. Fair and I'll say it to you and Mr. Wright — I'm hopeful that the government has learned, as all parties probably have learned, some very good lessons in this area. That this is a position of tremendous importance to the people of Saskatchewan, and the future of that Crown corporation. The decisions that they will, that person will make will be watched with a great deal of scrutiny given the track record of SaskPower recently.

I think it would be a great opportunity for your government to depart from a process of political patronage into one of simply not allowing that to be a part of the decision. I can't help but note there are a number of cabinet ministers that have stepped down and won't be seeking office. And while they may have considerable skills and some of them do — perhaps all of them do — have considerable skills, one would hope that they'll be more inclined to be spending their winters in Phoenix or somewhere like that than in the offices of SaskPower downtown.

I guess I'll conclude at that point.

Hon. Mr. Lingenfelter: — Well I think this is a big opportunity. I pick up on the one point the member makes is that I think there is an important opportunity for us to select an individual — man or woman — who will come in and manage this corporation in the best interest of the public.

And I must say that I'm satisfied with the process that the board has established for their review and the company that has been hired, the individuals in the company who are doing the work. Only to say that I would expect that their decision will not be made based only on some technical expertise about how to make power, because if you look at usually successful corporations in Canada, oftentimes they're individuals who know how to manage companies and deal with people more than they are about the actual product that they're producing.

I use the example of a pipeline company. I don't think you have to know particularly how to weld the pipe together in order to manage a big, full-fledged company. I think a lot of our corporations today ... it's those individuals who are people managers — who can get the best out of the people and the configuration of circumstances that surround the corporation — who will make the best leaders in the company.

So it's my anticipation that when the process is completed, the individual who gets the job will in fact know a lot about the process in the company but also be excellent at dealing with people. Because my perception is, one of the weaknesses in our company today in SaskPower is not about whether or not we know how to manufacture power or make power and transmit power. I think we have great expertise at that level.

I think if we have a weakness in our process, it's having a person who can bring together the people in a corporation that is really made up of two very distinct parts — one transmission, one generation — under an umbrella so that everybody feels that they're part of a common team in delivering power at a reasonable price to the people of the province.

But I must say that at this point, under the direction of Mr. Fair, our CEO, I'm very comfortable with the process that he's laid out for us.

Mr. Boyd: — Thank you. That probably goes a long ways towards explaining where Jack may have failed — Jack Messer.

Hon. Mr. Lingenfelter: — Well I'm not going to comment on Mr. Messer, only to say and elaborate on the points I made when we were before the committee on that issue, to say that I think Mr. Messer had a very good set of skills. And the fact of the matter is when the decision was made to make a change, it was because the company direction had changed and it was thought that a new individual would be better equipped and better able to carry out those directions.

Mr. Boyd: — Two areas that you might want to look at for direction in terms of how this appointment could be made in the future. If you will direct your attention towards our party's platform, we are of the view that an all-party committee should be a part of the decision-making process. Thereby, while some would view the ... make the observation that it would inject politics into it, I think there is also a reasonable debate that it would take politics out of it.

And the recent experience, in that area where there's a good experience I think, is with the appointment of the Chief Electoral Officer here in Saskatchewan. As you know, that was an all-party committee that made that final appointment and I think by all accounts your party, our party, the Liberals, were of the view that it was handled pretty well. So that type of all-party involvement into that type of decision making can work pretty well and there's a good experience to back that up.

That last area that I wanted to touch on, Mr. Minister, is the whole area of rate-review mechanisms. We've had significant differences of opinion and views with respect to how those things should be structured in the past. And yesterday I made my views known to the committee with respect to this, and our party's views with respect to this as well.

We do not think that it has to be some huge new bureaucracy set up. We do not think that it has to have tremendous cost associated with it. We think that it could be made up of representatives of various groups right here in Saskatchewan — SUMA (Saskatchewan Urban Municipalities Association), SARM (Saskatchewan Association of Rural Municipalities), Saskatchewan Wheat Pool, perhaps Saskatchewan Federation of Labour, consumer groups, Saskatchewan taxpayers or Canadian taxpayers associations, all of those kinds of things — inviting them to, at their cost, put people onto a committee to make those decisions.

Yes, you have to provide them with the expertise to help them make those decisions and there's no question about that. But I think, and I am of the view, and I think a lot of people would agree with me, that it is a better mechanism for making the decisions even at the end of the day if there is a modest cost increase associated with it, than the rate-review mechanism that we currently have.

We are out of step with every other jurisdiction in the . . . probably in North America, in terms of that decision. The collective view of the rest of North America is that it is probably the only way that the consumers have confidence, that indeed the rates have been set independent.

There's been attempts by SaskEnergy to bring in outside auditors and look at this and justify it and everything else like that. But I still would submit to you and your government, that does not have the confidence of the people of Saskatchewan. And that a real rate-review mechanism — significantly different than anything we've seen in the past here in Saskatchewan and it had perhaps some good points, it had some major failings — but significantly different than that could be developed here in Saskatchewan.

I think we have the expertise in Saskatchewan to come up with a Made In Saskatchewan solution for this that is different than the rate-review mechanism that we have currently, where the president of SaskEnergy goes out across the province and has one or two people turn up at a meeting at a cost of \$10,000 apiece for the meetings. Yes, there's going to be a cost associated with something different than that. Is it better? I think it is. Every other jurisdiction in North American has made the same determination with respect to that.

Mr. Minister, would you care to comment?

Hon. Mr. Lingenfelter: — Well, I would because we have spent a fair bit of effort. I think, it's fair to say — and Mr. Wright may want to comment on this — of searching and scouring around North America, literally to find a better way and better system than what was in place when we had PURC (Public Utilities Review Commission), the utility review, and then when we had nothing, and now with the 45-day review.

I think it's fair to say that we should always be looking for better ways of setting rates. But at this point, I can honestly tell you that when we look at jurisdictions where they have rate reviews, the consumers aren't very happy when rates are increased regardless of what the process.

But if I were to say that this is a perfect system and we're

hidebound to this and this is what we're going to do regardless of what anyone says, that would be inaccurate as well.

Quite honestly, if we could find something, a better system that would more satisfy the needs of the consumer and better reflect the interest of the consumer and the corporations, we are very willing to look at other options.

But having said that, I can't tell you that we have another model on the drawing board. I mean, I'm willing to look at what you're suggesting and we're willing to look at what you're suggesting. But at this point in time, I have to be absolutely honest and blunt with you to say that all of the research that we have done, we have not yet found another plan on the shelf or in some jurisdiction that we would say, well, ah, here it is, we'll just take this and we'll transplant it to Saskatchewan. I wish that were the case because I know that the experience of our managers in going out and doing the 45-day rate review is that they aren't getting the kind of response I think that they would like to have.

But having said that, again, we at this point haven't got a plan that we know of that would work better. Certainly going back to the old full-fledged PURC review is not an option any more that we're looking at.

John, did you want to add to that on the . . .

Mr. Wright: — I can just add, Madam Chair, we looked at over 10 different models. We literally have attempted to scour the face of the planet in terms of alternatives, from that which is in New South Wales through to that used in neighbouring jurisdictions, be they LURCs (legislative utilities review committee), TURCs, PURCs, or what have you.

The significant legal issues that ultimately one gets involved in this — there's significant dollars issues — we've tried to focus in on what kind of system can we get that's accountable, transparent, open, accessible, and responsible without sometimes the long-protracted, highly technical or legal debates that occur, but I'm not sure that anybody benefits from.

We haven't found the ideal model yet but we again, as my minister has indicated, are certainly open and receptive to alternative approaches and discussions around these alternative models.

Mr. Boyd: — Thank you, Mr. Wright.

In conclusion, Madam Chair, I want to leave one thing with the minister. And you, frequently . . . from time to time use this as a bit of a stick to keep the opposition in line with respect to our criticism of the management of Crown corporations. And it's always, I think, grated on the opposition a fair bit that somehow or another our objections to the way Crown corporations are managed is some sort of slight against the people that operate and manage those and work within those Crown corporations.

We want to go on public record as saying it is never intended as a slight against the management team of the Crown corporations — CIC or any one of the Crown corps. We consider their management at CIC and the Crown corporations to be excellent. We consider them to be of the highest quality

people that possibly can be found anywhere in the industrialized world for the job that they are doing.

Our concerns surround other areas, generally speaking. If their management team makes mistakes as we've seen in terms of things like Channel Lake, and in terms of Guyana, and in terms of a number of concerns, NST, and there's other examples I can probably think of, then I think they are open for the criticism that they deserve, just as we in opposition would be open to criticism in any other fashion if we were making those same kinds of decisions.

But to say that somehow or another we are critical of the front-line workers, the management team, or anyone else just because they work for Crown corporations is grossly inaccurate and we would never be of that view. We are of the view, as I said, they are professional people and deserve all of the accolades that we can possibly give them.

So I would leave that with you, Mr. Minister. That our objections generally surround policy areas of which you and your administration are responsible for and not the people who manage the Crown corporations — things like rate review mechanisms, things like the appointments of CEOs, things like the direction that the Crown corporations are going to take in terms of equity investments and where those equity investments are going to be, things like whether or not they should be looking at other avenues to provide service to the people of Saskatchewan. Those are large policy directions, not criticisms of the management team.

Madam Chair, I will conclude by thanking Mr. Wright and his officials for the responses to our inquiries over the last while and to extend that to the Crown corporations that you are responsible for. Thank you.

The Chair: — Thank you, Mr. Boyd. Are there any other questions by any committee members?

Hon. Mr. Lingenfelter: — I just want to add the comment to my friend from Kindersley. That I'm pleased to hear the support for the team in our Crowns because I can't agree more that this is a superb group of people, as I would argue, all the civil servants who work in this government. I think it's seen as a professional group of people. I think where the idea comes from, that there is other opinions around about these people, are sweeping statements, probably done in a political way, during leadership contests. Where in print your present leader made some very, very derogatory remarks about civil servants which I think, in many people's minds, particularly within unions and representative groups, extends to the people in Crowns. And I've noticed and I mentioned this to you earlier, I think your lines are much more modified lately.

And when you say you're not a very good politician, I tend to disagree with you. I think you're a quick study. And I think your lines, as it would apply to the people who work in the Crowns, is a much better approach than the one your leader . . . when your leader made the comments during the leadership race. So I encourage you to continue on on your line and not the other.

Mr. Toth: — Thank you, Madam Chair. I guess one comment

is that, would that hold true for the Minister of Health in regard to her announcement yesterday? Anyway, just a comment on the fact that we're learning quickly in regards the appointment of the commission to look at the waiting lists in the province of Saskatchewan.

A couple of comments. Coming back to an issue that was raised by Mr. Osika regarding sponsorships is Sandra Schmirler. Do you know if she's still sponsored by SaskPower?

Hon. Mr. Lingenfelter: — I'm not sure. I know last year there was some sponsorship but I'm not sure that there is any sponsorship this year at this point.

I think it's not to do with the individual team but if they get to a certain level and then I think the sponsorship may kick in. But I don't think it's related to an individual team but more so to a position of women's curling if they advance to national or international.

Let me check on that to see whether or not that policy is still in place for the winning team coming out of the women's finals or not.

Mr. Toth: — I thank you. I know when we've talked about sponsorships, we know what's the discussion, debate that's taken place in the past. We think back to SaskPower and Arden Knoll a number of years ago.

You mentioned \$3 million, I think roughly in that neighbourhood, of sponsorships. And I'm wondering when it comes to that type of expenditures — and I believe you had indicated you would get back to us whether it's 3 million or whatever — indicate roughly the types of functions where sponsorships would be handed out and the criteria. I think Mr. Osika may have asked for some of that and that would be appreciated.

Hon. Mr. Lingenfelter: — Yes, we're going to get there for you as complete and detailed a list as we can.

Mr. Toth: — Another one, regarding board of directors, and I'm not exactly sure. I believe it's CIC. There really wouldn't be a lot of expenses as far as per diems as a result of the board of directors being basically cabinet ministers, other than maybe some travel.

But there's just one question and maybe I'll direct this to the Chair. Over the past couple of days when we've raised the issue of having the information regarding boards of directors' per diems and travel and that, the impression I got was most of it . . . all of that would be coming through CIC.

The Chair: — Yes.

Mr. Toth: — Am I correct in that, in making sure that we do receive that type of information?

The Chair: — What I've asked, Mr. Toth, is that CIC would undertake to give us an omnibus package of information, including minister and ministerial aide travel out of province, salary ranges, and out-of-province travel costs for senior management of the specific Crowns if that's possible to

separate out.

And I would like to point out to committee members at this point that different Crowns have different ways of accounting for the travel and it may not be possible to separate out the out of province. But you'll get a total dollar cost on travel expenses as the Crowns can give.

As well, honoraria and travel expenses out of province for each member of the board of directors. And then finally, fees paid to consultants totalling over \$10,000 with the proviso that where it will jeopardize commercial sensitivity that information will not be provided to the committee.

The intent of the motion was that we would receive a standardized package similar to what we received, certainly in '94, '95, '96, and '97. And Mr. McPherson was wondering where that information was, so we've now got a formal motion on it; and CIC as the holding company for the commercial Crowns will provide it on an omnibus basis. It's the same information as we've had in the past.

Okay? Do you have any questions about that, Mr. Toth?

Mr. Toth: — No, I was just being clear . . . a clarification I wanted to make to be certain that CIC was aware of this as well and that we were . . .

The Chair: — Yes.

Mr. Wright: — Madam Chair, briefly, it's going to take us a couple of days to pull it together; particularly CIC, as I was mentioning to one of the members, has a problem with travel. We can give you right now all in-province and out-of-province travel for each of the executive — not a problem. But try to break it out by the way in which we keep our books is very difficult.

Same on the contract side of the equation — fees paid for contracts in excess of 10,000. We have to go through each one of those because there are commercially-sensitive contracts that are let and we have to assess those very carefully.

So if members could be patient with us for a day or two, we'll get that information to them.

The Chair: — I think we can give you more than a day or two. And I should mention to you, Mr. Toth, we reviewed STC this morning; they had the information available but I asked them not to table it with the committee at this time because I think it will be more helpful if you get it in one complete package for all the Crowns.

Mr. Toth: — I have just one further comment, Madam Chair. I think, Madam Chair, you're quite well aware the package was basically put together for departments and we present that to the ministers' offices. And it certainly enhances our ability to more scrutinize departments when it comes to debate in the Assembly.

And I think it's just another way of enhancing the role of our responsibility in the area of Crowns by having and presenting that ahead of time and being able to have that information

versus asking for it at the end and then deciding whether or not you would vote off a Crown or say we'd like to hold it until we are able to scrutinize.

So it's just a way of really making this committee work more responsibly.

Mr. Wright: — Madam Chair, we will make that happen going into the future. We're just unaware this year that you wanted that. Not a problem. I will send a directive — not a directive — I will send a request to each of the Crowns to ensure that when they appear before the Crown Corporations Committee the next time they have all that information, and that'll be for 1998.

The Chair: — Mr. Osika, did you have a comment?

Mr. Osika: — Just a comment, Madam Chair. I want to just express appreciation and support for what Mr. Boyd had said about our civil service and the management teams in our Crown corporations. I believe that to be a fair statement. And I'm sure that people who do their utmost for the people of this province in that capacity will appreciate knowing that as well.

And just as a final statement, for fear of either eliciting an admonishment or perhaps some kind words from the minister, I again just want to express appreciation to he and his people that have come before this committee and answered our questions. Thank you.

The Chair: — Thank you, Mr. Osika.

Mr. Trew: — Are you in line for the SaskPower job, Ron?

Mr. Boyd: — He's not qualified either.

The Chair: — Committee members, you will be aware that tomorrow we will be reviewing the 1997 reports for the Workers' Compensation Board, and we will also be reviewing the 1997 reports for Sask Water.

Both the ministers involved with that are engaged in cabinet delegation day tomorrow. They're hearing briefs from various province-wide groups. I would ask at this time if committee members want me to put some pressure on the two ministers to excuse themselves from that cabinet delegation or if it will be satisfactory if we have the officials?

Mr. Boyd: — It won't be necessary.

The Chair: — It won't be necessary to have the ministers. Thank you very much. Finally I would also ask . . . I have polled all parties informally, but I would like to formally find out if there are any other Crowns that committee members wanted me to call to review the '97 reports?

Mr. Boyd: — Not at this time, Madam Chair.

Mr. Osika: — Not now, Madam Chair.

The Chair: — Thank you. And again I hear the proviso not at this time. I'm going to ask Mr. Trew to pass, or to put a motion with respect to concluding our review for CIC. But I do want to give all members the assurance that if something happens

between now and when the legislature is recalled this spring and they want another meeting of the Crown Corporations Committee that I will call it as speedily as possible.

Other than that though, I think that when we finish our meetings tomorrow we will have concluded our review of the 1997 reports that this committee wishes to review. And I have instructed the Clerk to prepare a report to go to the House, and I will be circulating copies of that tomorrow for all committee members to be aware of, and we will be voting on that tomorrow.

Mr. Trew would you put the motion, please?

Mr. Trew: — I will very shortly. I want to make a quick comment. The past nine days have been kind of interesting as we reviewed the commercial Crowns. And I like the system where we set up — the CIC came in first, gave us an overview, and then we reviewed the commercial Crowns that we wanted to.

And just an observation. I thought that all committee members — and I certainly include the opposition members in this as well as government members — I thought paid a great deal of attention to their — our — jobs. I think the process worked very well in this past two weeks and congratulations, Madam Chair, on getting us all together and keeping us somewhat civil for two solid weeks as we go through this very important exercise on behalf of the people of Saskatchewan. I think well done to everyone, committee members, and certainly the minister and the various Crowns and officials.

With that, I move:

That the Standing Committee on Crown Corporations conclude its review of the annual reports and financial statements on the Crown Investments Corporation and subsidiary statements, all for the year ended December 31, 1997.

I so move.

The Chair: — All those in favour, please indicate. Hands down, those opposed. There being none, that motion passes unanimously.

I would like to thank you, Mr. Minister, and your officials and we look forward to seeing you again either this spring after your '98 reports are tabled or next fall.

The hour being well before 5 o'clock, I require a motion of adjournment.

Mr. Trew: — I move we adjourn.

The Chair: — All those in favour? Thank you.

The committee adjourned at 2:45 p.m.