



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Carrot River Valley

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Moosomin

Workers' Compensation Board

The Chair: — Our agenda today is to consider first the 1997 annual report of the Workers' Compensation Board and secondly, to consider the 1997 report of the Saskatchewan Water Corporation.

Before we start that I would like to inform members that yesterday when I checked my mail, I received yet another report on significant transactions from the minister responsible for CIC (Crown Investments Corporation). In this instance it is regarding the acquisition of Western Canadian Beef Packers Inc. I will have that circulated and tabled for the committee members.

And I would now like to welcome the minister responsible for WCB (Workers' Compensation Board), the Hon. Joanne Crofford, and ask her to introduce her officials and give us a brief opening statement after which we will hear from the auditors.

Hon. Ms. Crofford: — Thank you very much, Madam Chair. My remarks this morning will be very brief. I'm sure everybody's happy to hear that. And in keeping with the custom of ministers responsible for Crowns and agencies, I'll leave the spotlight to the witnesses who will appear before the committee.

And I would like to introduce the two representatives. We have Chairman Stan Cameron to my right. Stan's been the chairman since 1993 and recently accepted a reappointment for another five years. And just on the other side of Stan there is Peter Federko, who's the board's chief executive officer. The board invited Peter to become the WCB's first-ever CEO (chief executive officer) in 1996 and there are three vice-presidents that report to Peter. I think Stan and Peter are fast becoming veteran witnesses at legislative committees; and I know that they come here to be informative and forthright as they always are with myself when we meet about these issues.

These two gentlemen have presided over, I think, quite a success story at the WCB when you consider the circumstances that were existing at the time that they decided that some work needed to be done on the WCB. And with a series of initiatives since 1993, they've put the WCB on a very solid financial foundation and without sacrificing the benefits to Saskatchewan's injured workers.

Now not all Workers' Compensation boards in Canada have put their houses in order the way the Saskatchewan WCB has. It's a story with many chapters and I understand that Chairman Cameron is going to review the highlights for you in a presentation that he's put together for today.

This is the Workers' Compensation Board's third appearance here and it's one of this tribunal's way of demonstrating its accountability to the elected members of the legislature and ultimately to the people of Saskatchewan. And these appearances first began under the current board headed by Chairman Cameron.

In addition to their regular visits to this committee and Public

Accounts, the WCB fulfills public accountability expectations in several other ways. They do prepare an annual report right after the fiscal year-end and present it to the minister responsible for tabling. It's a comprehensive report with large amounts of data on injury claims and finances.

But also the WCB is a leader in stakeholder consultations. There's two annual events that highlight the WCB's commitment to stay on the one hand abreast of stakeholder viewpoints, and in the other hand, share key information with labour and employer communities.

The fall rate information meetings — which I think you've just completed — have been a fixture on WCB's calendar for many years now. And I was surprised myself, the large numbers of employers, representatives, and labour groups, and the people generally responsible for activities under the WCB that are met with in these meetings.

Over the course of two weeks, they meet to hear the upcoming plans for the new premium year. And at this fall rate-setting the delegations from sectoral organizations also see the impact of upcoming schedules on their own rate codes. So there's complete transparency in the rate codes that apply to various employers.

In the summer there's a mid-year review that again is one of Chairman Cameron's innovations. The board holds the mid-year review in both Saskatoon and Regina, and representatives of both stakeholders attend to hear executive reports dealing with claims and finances for the two quarters of the fiscal year. Major upcoming initiatives are unveiled to stakeholders at the mid-year review and fall rate setting meetings.

And related to this is the WCB's practice of circulating discussion papers with stakeholders for feedback.

So while I'm new to my responsibilities, it's certainly my impression that the WCB works constantly to improve and review the process. And I think the consultation process is successful because it is very comprehensive and inclusive.

Now I'd like to conclude by updating the status of the package of amendments to The Workers' Compensation Act, 1979 that was passed nearing the end of the most recent session. These changes will come into effect January 1, 1999.

And as you may know these amendments arose from recommendations of the 1996 committee of review. The committee of course is a labour/employer, bipartite review body that is struck every four years to come up with a consensus on improvements to the Workers' Compensation system. And only one other province — which is Newfoundland, who borrowed the idea — has regularly had this review mechanism in place.

Now you'll recollect my predecessor, Mr. Mitchell — I'm sure you recollect Mr. Mitchell, not too far away — has assured the legislature that these low-cost amendments are well within the board's ability to absorb some additional but small expenditures.

And this concludes my remarks, Madam Chair. I appreciate the opportunity to introduce Chairman Cameron and CEO Federko. And I will just fade away as you get into your discussion, but I'll stay for a bit here as you get started and to hear Chairman Cameron's remarks. Thank you.

The Chair: — Thank you, Madam Minister. Before I recognize Mr. Cameron, and I realize that you do have other cabinet duties today, I would just like to test the committee members and see if there are any committee members that have questions that they wish to put directly to the minister or if you can ask your questions of the officials. Mr. Boyd?

Mr. Boyd: — Well one area of policy that perhaps the minister might want to comment on is the whole area surrounding compensation for disenfranchised widows here in the province. The former minister on many occasions said that this is a file that will be dealt with relatively soon. I think he made that commitment on a number of occasions. I'm wondering if the minister would care to provide the committee with an update in that area.

Hon. Ms. Crofford: — Certainly, I can do that. There's really two issues around the disenfranchised widows discussion.

One of them is the legal obligations for a group of widows that were affected when the legislation changed and when the charter of rights changed in Canada. And there's a small time period in which there was a group of widows that I guess you could say fell through the cracks because of those changes and the timing of those particular changes. That constitutes a fairly small group — it's about seven widows that really fall within that legal obligation.

Now one of the questions that's being explored and that isn't resolved yet, although we hope to have it resolved in very short order, is what conceivable obligation one might have to the 300 or so widows who fall outside the absolute legal obligation as related to those changes in legislation and the charter. So what we're doing right now is looking at some of the issues of hardship for those widows, the current treatment of widows by the Workers' Compensation Board. We are taking an opinion forward together with the various legal opinions because of course, out of all the things governments might do, one does try to follow your legislation and your legal obligations regarding what you are obligated to do.

So there is really two levels of discussion: the narrow legal interpretation and perhaps the broader interpretation of what might be fair regarding what widows are currently entitled to. So we are not at the end of that discussion yet, but certainly I've been pushing hard on it and we hope to have some kind of a decision before the end of the year or certainly very, very, very early in the new year.

Mr. Boyd: — The former minister also gave the commitment that on many occasions that he would meet with representatives of the group to discuss a number of areas of interest to them, their contention being that the number of 300 out there is nowhere near that. They have made a fairly concerted effort to contact people that are in that area and have not been able to come up with anything even remotely close.

They dispute the administration's numbers in a number of areas. They also were of the belief that the minister was going to commit to meeting with them on a regular basis to provide them with updates on it. They were also of the view that the minister was going to share information so that they could be in contact with the alleged 300 people that are out there.

As I say they have made every effort they believe, to contact these people and haven't been able to. And on the rare occasion when they are given a few names which they . . . it's been an extremely rare occasion, they find that these people, some of them simply don't exist. They have either moved on or passed on.

Hon. Ms. Crofford: — The number of people involved would not affect the policy decision. The policy decision is based on issues of legality, obligation, and outstanding circumstance of even the known group of people. So the number would not affect that. Depending on what decision was made you would of course make a concerted effort to identify all people who might be affected, so the number has nothing to do with the particular choices that would be made as far as policy goes.

I have met with the disenfranchised widows, once formally, once informally. One of their representatives out of the Vancouver group is regularly in contact with my office and I've also met with the member from Saskatoon Greystone who has been quite involved in this and have kept her up to date on our progress in getting this discussion completed.

So I think we are in regular contact and there's certainly nothing more I can offer in the discussion. I did have a discussion with them, talking to them about what they felt would be the most fair outcome of this process, and subsequent to that it's really a matter now of taking it forward through the decision-making process. And I do feel that we are in touch. Certainly my staff talk to them on a regular basis. I've talked to them and met with them, and the member from Greystone phones regularly to see how it's going. So I think we've satisfied that particular concern.

Mr. Boyd: — The alleged number of 300 though, Madam Minister, certainly does affect the global number in terms of dollars if there was a settlement, and that's been part of their concern that it almost appears that the government is attempting to present a grossly inflated number of potential claimants as well as a grossly inflated dollar value to this concern thereby, somehow or another, leaving the perception with the general public that this is going to result in millions and millions, and perhaps even tens of millions of dollars worth of settlement that the government just simply can't afford.

So if the number isn't 300 and it's significantly lower than that, obviously the global number in terms of a settlement is affected dramatically, thereby maybe not giving the same level of public support for your . . . well, for what you think might be public support for your position.

Hon. Ms. Crofford: — I guess the way I would answer that is because the employers pay for the WCB fund, we certainly do have an obligation to look at what the maximum potential impact might be on the fund of a settlement. The number you refer to is likely a maximum.

But I think I would have to say that employers who fund the WCB are concerned that the decision is legal and responsible and that it falls within the capacity of the fund to absorb without a dramatic increase — a dramatic and permanent increase — in rates to fund that change.

And I would have to say that no decision would be made at the expense of the widows based on purely monetary concerns. What we're tracking down here is the obligation because of course you could give any amount of money to any number of persons who are deserving in our society but that would not be under a legislative requirement of a compensation program.

So we are looking at what that program should provide and the maximum amount that it might cost that program. I mean it is a program that's based on actuarial figures and that the rates are set according to the obligations under the fund. And so it's absolutely necessary to be responsible in looking in that because the next place we go are directly into the pockets of the employers to pay for that. So we have to be sure that what we're recommending is responsible and sound.

Mr. Boyd: — So you are committed to living up to the commitments of the former minister with regard to the sharing of information, and with regard to providing the advocacy groups with information about the potential claimants that are out there so that they can verify them themselves?

Hon. Ms. Crofford: — I'm going to . . . I haven't been . . . They've never asked me for any names so this is a new piece of information.

Mr. Boyd: — They didn't think they had to ask you. They had asked the former minister and then the former minister agreed.

Hon. Ms. Crofford: — Yes, yes. I do not know about that piece of information. Stan, do you know anything additional about that . . . (inaudible interjection) . . . No.

And like I say, if it was a pressing matter to them . . .

Mr. Boyd: — Well perhaps we can get the *Hansard* to . . .

Hon. Ms. Crofford: — . . . I'm sure they would ask, because I have been in constant contact with them and that question has never come up. So it may be a pressing matter in your mind but they haven't raised it with me.

Mr. Boyd: — You've been in contact with local representatives here in Saskatchewan?

Hon. Ms. Crofford: — Yes I have. Local, yes. I've met with . . . I don't . . . all the names don't come to mind but certainly Rose Polsom and other people, yes, we have met.

Mr. Boyd: — Thank you.

The Chair: — Thank you, Mr. Boyd. Again, are there any further questions directly of the minister? If not, I will turn to Mr. Cameron to make his opening remarks. And, Madam Minister, you're welcome to stay but . . .

Mr. Cameron: — Thank you. Good morning. Again Peter and

I welcome the opportunity to be here and to share in the experience of Workers' Comp from a more local level, but also from some perspective of a national basis as to what this insurance plan is about.

But this morning I want to review how the WCB has moved into the strong financial position that we enjoy today which permits us to offer most Saskatchewan employers, again in 1999 as we look forward, an attractive rate and premium.

But I want to emphasize first that these cost savings would be impossible had the WCB not first secured between 1993 and 1997 and safeguarded the generous benefit package that the legislature has given to the board to administer.

You may recall that during the first years that I was the Chair, one of our tasks was bringing stability back to the province's Workers' Compensation system. That involved, between 1993 and 1996, organizational retooling, new programs, new initiatives, moves designed to better serve employers and workers.

We had before us in 1992 and 1993 as a result of a legislative committee, the committee of review, a broad indictment of the board and its service. That committee drew up a long list of recommendations it felt would close the wide gap between the services that the board was delivering and what the stakeholders expected of us.

It was clear then — as many of you here can attest — that the WCB was not in sync with the people it served. You'll also recall that during the '80s and into the '90s, there was considerable alarm in the Workers' Compensation community about the costs of the system. It's sobering to reflect that back in 1993, the unfunded liabilities of the 12 boards across Canada exceeded \$16 billion. At that time, the Saskatchewan WCB's balance sheet was funded and our financial position appeared to be strong. By 1994, however, it became clear that the actuarial liability had been understated by many millions of dollars.

In addition, there were two other menacing signs of potential financial difficulties: the volume of claims were rising; and the claims' durations were longer.

One of the first moves of course was the organizational restructure so that we could begin to manage of these issues. We overhauled the claims department and it continues to mature as we sit here today. We brought in new innovations and efficiencies in the way we process and flow through the system approximately 40,000 claims a year. Key to the restructuring was the introduction of a client service representative system; a large information technology investment as well.

We believed that early intervention would help injured workers recover faster and return to work sooner with less chance of reoccurrence or reinjury. Consequently we accepted the urgency of making an investment in the delivery of health care to injured workers. At the time we developed the early intervention system, in order to guide us in making a wise investment, we invited a task force of Saskatchewan health care professionals to draw up a medical intervention model for us. We adopted the task force blueprint and began to accredit a province-wide network of treatment centres and assessment teams.

When Peter and I were last here in 1997, we reported there were 13 treatment centres that we were utilizing in the province. Since then the number has grown to 19 treatment opportunities and 27 secondary medical assessment teams.

Early intervention is the success we believed it would be. It's delivering outstanding results. The long waiting lists for referral and treatment are gone, injured workers are receiving medical attention they need, and the compensation system is assessing the medical resources around the province as never before.

As we know, sitting here this morning, that not a dollar of benefit costs for injured workers for medical treatment comes from a taxpayer-funded health care system. At the same time, we were also aware that the system lacked the capacity to link up with the legal duty of employers to accommodate and our opportunity to exploit the many return-to-work opportunities we felt existed in the Saskatchewan workplace.

We believe the injured worker is best off if they can return after recovery to the pre-injury employer. In practice this means return to work is integrated with early intervention and thus part of the treatment process. Graduated return to work, work-hardening, light or lesser duties are just a few of the opportunities or tools of return to work.

In addition to having service problems we inherited a challenging financing legacy upon coming to office in 1993. For several years, employer assessment rates have been kept artificially low. It was a practice that failed to maximize the board's investment opportunities. It jeopardized the injury fund, and along with that injured worker benefits.

Part of the problem prior to 1993 was the lack of technology in the place to actually do the calculations and the grinding of numbers to appropriately set the rates.

Our early attempts to correct this imbalance between costs and revenue attracted considerable attention in 1995, at a time when the WCB's injury fund was down to \$7 million. We agree there was money in the reserves but our fully funded status, which the Saskatchewan board guards jealously, was not near as strong as it ought to have been or should be in the future.

As we moved from quarter to quarter in '96, it became clear that the WCB had turned the corner. In 1996 acting on the professional advice of an actuary, Watson Wyatt, our strengthening finances allowed us to absorb a very extraordinary actuarial adjustment of 74 million.

Of that 69 million was used to correct past failures to set aside enough money to fully meet the WCB's future liabilities to the thousands of injured workers or their survivors in the province. This was a large sum that more appropriately should have been collected in years previous.

Our strengthening finances also saw the injury fund rebound.

Combining the injury fund and our reserve funds, we had a \$38 million surplus at the end of 1996. A year later at the end of 1997 this surplus had grown to a hundred and fifteen million, which in this year was applied to the board's first ever funding policy. So in 1998 the board's funding policy came into being;

it was fully funded as a result of surpluses for '96 and '97.

Our comfortable surplus, together with a robust economy bringing in record revenues and outstanding investments returns, allowed the WCB to lower 1998 average employer premiums 15 per cent across the board with many receiving reductions of up to 25 per cent. That was the first significant premium reduction that the WCB had ever had in its 68 years.

Several other initiatives had helped us to regain a strong financial foundation. A rate reclassification and amalgamation initiative strengthened many rate codes and reinforced the intrinsic advantages of a collective liability system.

We advised about 20,000 employers in 1996 and into 1997 of their indebtedness of arrears to the board and we began to collect that with an amortization of that debt over a five-year period. That debt incidentally equalled approximately 30 million. In other words, these 20,000 employers had taken approximately 30 million more out of the system than had been paid in in the years previous.

We also introduced an actuarial-based rate setting model which we used the first time in setting 1998 rates and now have confirmed it and it has matured for the 1999 rates. The funding policy is in place that ensures that the injury fund and the four reserves inclusive in the policy have cash levels proportional to the system's costs.

In the view of the board so long as the funding policy is adhered to and observed, our benefit package and our fully funded status of the future ought never to be at risk. As I said earlier, both growing premium revenues and outstanding investment earnings put us in a very strong financial position that we enjoy today.

We forecast in 1998 to generate \$40 million in an operating surplus. We have announced that a portion of this surplus — thirteen and a half million — will be rebated to employers in the spring of '99.

But before we distribute a single dollar of the operating surplus, we will put 13 million towards replenishing the reserve as per the funding policy. We have also set aside thirteen and a half million dollars for a special contingency reserve in the event cabinet accepts some responsibility or liability for the disenfranchised widows proposition.

To sum up, this year's 40 million operating surplus is being apportioned three ways: topping up reserves, a contingency fund, and an employer rebate.

We'll be coupling the thirteen and a half million dollar employer rebate with a \$10 million refund already destined for the employers in 31 of the 60 rate codes whose industry balance also have a surplus. Overall the board will be able to return nearly 23 million in early 1999, which is equivalent of a 17 per cent drop in WCB costs.

These are the key elements in the 1999 premium package which we distributed to all MLAs (Member of the Legislative Assembly) and business last week.

I would also like to note that at the beginning of the year, half — 29 of the rate codes, industry rate codes — will see varying increases. However, for most the spring rebates will easily offset these increases.

Effective January 1 of 1999 the average premium drops 2 cents from \$1.80 to \$1.78 per hundred dollars of payroll. The \$10 million refund of industry fund surpluses lowers the average cost by 6 per cent. Thirteen and a half million of the '98 operating surplus will be allocated to over 30 of the 34,000 employers in the province.

These back-to-back premium reductions will have a real impact on the economy coming in the form for 1998 and 1999 of \$53 million of cost savings to Saskatchewan employers.

That's a snapshot and an overview of several important programming and financial initiatives that the board took to bring stability to the system. These initiatives have given us considerable latitude to assemble the competitive rate package for 1999 with the fullest confidence that the benefits under the legislation are safeguarded for the benefit of workers.

This combination of adequate premium levels and effective programs mean that we have never had to, nor ought to in the future, contemplate cuts to injured worker benefit package such as we've seen in other jurisdictions.

Through the fiscal position we're in and the program framework between 1993 and 1997, this insurance plan has put back into the economy just short of 630 million in compensation benefits to injured workers. This support for injured workers and their families is a significant contribution to the Saskatchewan economy.

Like everyone, the WCB is learning how to live in a changing world. I've touched on how we had to raise our service levels. We've also made great strides as an organization through improving our accountability. Being here this morning is part of that.

But we must also be capable of adapting to many other external changes. We believe we're better positioned than ever to do that. In the workers' compensation fraternity — that's on a national basis — we are well aware that part-time employment, self-employment, rising skill sets, aging workforce, to name a few, are trends guaranteed to have a profound impact on the board and its resources.

These will affect injury prevention, worker and employer coverage, benefits and service delivery, rehabilitation opportunities, re-employment opportunities, even the financing of the no-fault collective liability system. These are serious matters.

Fortunately there may be some offsetting trends. One is the appearance in many workplaces today of disability management programs. This is welcome and at the WCB we're aggressively leading and promoting this important development around the province.

The presence of these trends and issues means the WCB needs to be ready to take all available measures to protect one of

Canada's best and most financially secure compensation systems.

A few months ago the WCB finalized its strategic plan. There are copies here this morning, Madam Chair. If anybody wishes to have them we're pleased to circulate them.

We're confident that this comprehensive plan equips the Saskatchewan board as never before to deal with the winds of change that I've talked about.

Strategic planning may in fact be one of the WCB's most important undertakings ever, one that will make the organization and the system itself hopefully resilient, adroit, and forward-looking. Because of it we will be an organization capable, we hope, of rising to new challenges and getting the most from our many strengths.

Over the last five years the efforts of everyone involved in the Saskatchewan workers' compensation system have paid dividends — everyone. I'm talking about workers, employers, and the resources of the board staff.

This system — founded and devoted on Meredith principles 80 years ago — is once again a revitalized and vibrant partnership between workers, employers, and the board. It is efficient, it's accessible, and it's equitable.

We feel our many reforms are fundamentally sound, containing all the built-in flexibility that the workers' compensation system ought to need for the foreseeable future. Having said that, all our operations are under constant review in search of ways to fine-tune programs and services. For example, we're especially looking forward in 1999 to hearing from the early intervention program's multi-stakeholder advisory committee on where we can make the program better.

Earlier I spoke about the wide service gap identified in 1992 and 1993, as many of your offices and constituency offices have been swamped with stories from injured workers. Have we closed the gap? Do our chief stakeholders — employers and injured workers — feel they receive good service from us?

Last November we surveyed injured workers and employers. Two key results revealed solid satisfaction levels; 91 per cent of employers and 88 per cent of workers were satisfied with the overall process of dealing with the WCB, contrary to the way it was in 1993 when we were advised that working with the Workers' Compensation Board was the worst personal experience of their life; 84 per cent of employers and 86 per cent of workers indicated that the WCB was now providing prompt and efficient service.

Those are the results, I believe, that confirm that our approach to reforming the system was the right approach. It's been collaborative; it's been a partnership; it's a path we'll stick to as we move to the future.

Are there things left to do? Of course. The system is working well; it's fractious by nature; it has imperfections. Nevertheless we're committed to achieving a goal of exemplary service in being one of Canada's best compensation systems. Thank you.

The Chair: — Thank you, Mr. Cameron. I appreciate those

remarks. I can certainly attest from at least one MLA's office that the complaints about WCB have decreased significantly. And when people do phone my office it's generally to ask where to go and how to get additional information.

There is of course the outstanding problem of many workers who either were injured on the job or felt that their injuries were not recognized appropriately in the '70s and '80s. And I think that that is going to be a long-standing issue that the board will have to grapple with. I would now call on Mr. Jamie Wilson of KPMG to present a report on the external auditor's results.

Mr. Wilson: — Thank you, Madam Chair. Committee members, other guests, good morning. We've conducted an audit of the Workers' Compensation Board's December 31, 1997 financial statements. That auditor's report is contained on page 25 of the annual report package.

In summary it states that in our opinion the financial statements present fairly in all material respects the financial position of the Workers' Compensation Board at December 31, 1997 and the results of operations and changes in financial position for the year then ended, in accordance with generally accepted accounting principles.

In addition to that audit we also conducted an examination of the internal control systems in place within the Workers' Compensation Board, the extent of legislative compliance, and other matters as required by the Provincial Auditor's office, and reported to that office on those matters.

And that's it.

The Chair: — And that's it?

Mr. Wilson: — That's it.

The Chair: — Short, sweet and simple. Okay. We also have Mr. Mobasher Ahmad and Mr. Karim Pradhan from the Provincial Auditor. And I would ask Mr. Pradhan at this point to make a comment on the Provincial Auditor's review.

Mr. Pradhan: — Madam Chair, members, good morning.

Jamie Wilson just presented his firm's auditor report on the financial statements for the Workers' Compensation Board for the year ended December 31, 1997. He said WCB's financial statements are reliable. We agree with this opinion.

He also indicated that in addition to expressing our opinion on the financial statements, KPMG and our office also audited WCB's rules and procedures to safeguard and control assets. We also made an examination to determine whether WCB complied with the laws and regulations governing its activities. Our findings and conclusions are included in chapter 2 of our *1998 Spring Report*.

In this chapter we continue to recommend that WCB should complete its system to estimate compensation costs it expects to pay for each reported claim. WCB should develop a process for estimating claims incurred but not reported. WCB's annual budget should include estimated compensation statements . . . sorry, estimated compensation costs based on these systems.

And WCB's monthly financial statements should compare updated estimates of compensation costs based on those systems to those in the original budget and explain significant differences.

The Standing Committee on Public Accounts considered these recommendations at its meeting on October 6, 1998 and concurred with our recommendations. We will note WCB's progress during our 1998 audit and if necessary we will provide our comments in our *1999 Spring Report*.

Madam Chair and members, we also made two recommendations to improve public accountability for WCB.

Our first recommendation relates to WCB's annual report. We recommend that WCB should continue to improve its published annual report by including the following information: firstly, WCB should include clear measurable objectives in its annual report; secondly, it should include a comparison of key performance indicators and targets to its actual results; and thirdly, it should include a discussion and analysis on its success to date in achieving its goals and objectives.

The Public Accounts Committee considered our recommendations at its October 6, 1998 meeting and concurred with our recommendation.

Mr. Cameron, the chairman of the board, just stated that WCB has recently completed its strategic plan. This plan sets out WCB's goals and priorities and critical success indicators. We think this is an important step forward.

Our second recommendation relates to public disclosure of payments as required by the Standing Committee on Public Accounts. We recommend that WCB should publish a list of persons other than injured workers who received money from it and the amounts the persons received following the Public Accounts Committee's current minimum disclosure amounts; or, WCB should discuss different public disclosure requirements with the Public Accounts Committee.

The Public Accounts Committee considered our recommendations on October 6 and requested WCB to work with our office to consider alternative public disclosure requirements and report back to the committee at a future meeting. During our 1998 audit we will discuss this matter with WCB and report progress on this matter in our *1999 Spring Report*.

Madam Chair, and members, this concludes my comments. Thank you.

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

Mr. Trew: — Thank you, Madam Chair. Mr. Pradhan, you mentioned in about the middle of your comments, WCB should set up a system to track, and I'm not sure if you said provide for, funding for injuries that are incurred but not reported. And I'm not sure I understood what you were getting at.

Mr. Pradhan: — I'll repeat my recommendation and then . . . We said that in our spring report, that WCB's annual budget

should include estimated compensation costs based on these systems, and WCB's monthly financial statements should compare updated estimates of compensation costs based on these systems to those in its original budget and explain significant differences.

Does that clarify?

Mr. Trew: — No, no. Maybe I wasn't listening very accurately the second time because the words were injuries that were incurred but not reported.

Mr. Ahmad: — Madam Chair, if I may. Yes, we recommended that WCB should have or develop a process for estimating claims incurred but not reported. That's commonly known in the industry as IBNR (incurred but not reported) and that's what we're talking about.

Mr. Trew: — And why would the board set up a fund to deal with claims that . . .

Mr. Ahmad: — Not the fund. We are not talking about the fund. We are talking about to estimate the liability for those claims which have incurred but not reported yet. They are part of liability and they should be set up.

And Workers' Compensation Board do set up that amount but they don't have a system to do that on a regular basis. They do it at the end of the year.

Mr. Trew: — So there is a system in place at the end of the year, they say, presumably based on . . .

Mr. Ahmad: — Actuary report.

Mr. Trew: — Yes, okay, thank you.

The Chair: — May I just ask the auditors how these recommendations will improve services to injured workers which is surely what the goal is. How will doing something, tracking something, on what I consider a fairly minutia-laden approach, on a month-by-month basis, improve services to the workers, and how will they notice a difference versus what is now done on an annual basis?

Mr. Ahmad: — I think, Madam Chair, that's a question of internal record keeping and the board must keep their records properly. What we are saying is they don't have a system to track the injured worker's cost which have not yet been reported, and that is an eventual liability which they will have to pay. They do that only at the end of year.

The Chair: — But is there an indication that the records that they have at the end of the year are erroneous?

Mr. Ahmad: — The records they have at the end of the years are prepared or completed by the actuarial report. Actually it does that and they usually take that number. What we are saying is that they should have a system like other insurance companies have, to set up a system which tracks their cost on an ongoing basis.

The Chair: — Again, is there an indication that there's

something wrong with the WCB that would lead to having this, what I would consider to be micro-management by the Provincial Auditor's department of WCB, that would justify doing this?

Mr. Ahmad: — All insurance companies and all insurance-related organizations do have that kind of system and that is a good system, otherwise you will never know what your costs are. And actually WCB had that problem a few years back when they found out the cost was out by \$20 million.

Mr. Trew: — Madam Chairperson, if I can get back in. I'm listening with a great deal of interest now because what I'm hearing is that the Workers' Compensation Board has a system that they get an actuarial report completed at the end of the year that said here is what the injuries that have been incurred but not reported, and the Workers' Compensation Board accept that number from the actuarial.

And they report it, they report to the public, to employers, to the public once a year in an annual report. That number is included in the annual report. Your department is recommending that this be done 12 times a year . . . not that reporting to the public, I understand that. The board budgets based on an annual situation. They don't except in — I think this is pretty safe to say — except in the direst of emergencies I don't think the Workers' Compensation Board would contemplate changing its rate structure mid-year.

There's an annual reporting that's done, and I don't know how this would improve the Workers' Compensation Board's ability to set its budget or run its operations, and nor do I see how it would in any sense improve the service to injured workers which is really the bottom liner about what the Workers' Compensation Board's about.

Mr. Ahmad: — Madam Chair, we are not talking about a service used to injured workers or improvement. We are not talking about that. We are talking about improving the system, and what we are saying is the actuarial report at the end of the year is simple confirmation that whatever liability you have in your books is reasonable, but the board must have a system, its own system, to estimate their liability as they go along throughout the year.

Mr. Trew: — Why?

Mr. Ahmad: — Because otherwise if corrective action is needed, it won't be able to take that correction because they don't know the number.

The Chair: — Before we get into too many arguments, I would suggest that perhaps people might wish to ask also Mr. Federko who clearly is very familiar with the board's operations.

Mr. Johnson: — Do you have any indication that there has been any major changes on a month-to-month basis? Well let's ask . . . Well let me rephrase the question. Is there any indication that there are significant variables year to year?

Mr. Ahmad: — Every year they set up a liability based on the actuarial estimation. So surely the number they have in one year is not going to be the same in the next year. It will change.

Mr. Johnson: — Right. I asked if it was significantly different.

Mr. Ahmad: — I can't tell you that number right now, but maybe Mr. Federko can.

Mr. Johnson: — Okay. This is sort of like trying to keep track of your profit margin on a farm based on the grain prices throughout the year. It isn't going to change. Okay. Never mind.

The Chair: — Mr. Boyd, did you wish a comment on this matter or shall we move on to . . .

Mr. Boyd: — Absolutely we wish a comment on this matter. In order to track the ongoing potential liability that the WCB may be in a position to have to pay, it would seem to be fairly responsible that you would want to track it frequently rather than . . .

Mr. Trew: — Why not every week?

Mr. Boyd: — Well . . .

Mr. Trew: — Every day?

The Chair: — Mr. Trew, Mr. Trew.

Mr. Trew: — Sorry.

Mr. Boyd: — If they were racking up liability every day in a significant fashion, perhaps that would be of need. Most budgeting organizations look at either quarterly or monthly. Businesses I think look at things of that nature on a monthly basis.

It's not unusual for financial organizations or anybody else for that matter to look at . . . they set forward a budget for themselves and then they look at it monthly, making revisions to that budget as they go along. They look at it two-twelfths into the budget and say to themselves, it appears that our sales and revenues may not meet with our projections here; we have to look at some steps to address those concerns.

And the same could be said I suspect of the WCB, that in order to keep an ongoing record, an indication of where things are going rather than at the end of the year saying, here's what our budget was; oops, we were out a whole bunch here because we haven't been tracking all along. I think it's only responsible.

And I think the Provincial Auditor is indeed correct that in terms of managing a properly either functioning business or a properly functioning compensation program you would want to know where you are all the way along the line instead of having someone step in at the end of the year — exterior of yourselves — and say, here's what the liability is.

And I think that's what, that's certainly what should be of concern to committee members. Committee members, yes, are indeed about . . . All of us sitting around this table, Madam Chair, are concerned about the well-being of injured workers. We're also concerned — and as we should be concerned, Madam Chair — about the financial integrity of the program that is funded for them in terms of Workers' Compensation

programs.

And in order to ensure the fiscal integrity of that, it only seems appropriate that rather than just looking at it at a one-time, end-of-the-year basis, that you would be doing what would be considered I think by most people responsibly looking at it throughout the year.

Mr. Cameron: — Madam Chair, I mean I have listened to the debate for the last two or three years on this identical issue — it keeps coming up, keeps coming up. This is debated with regularity at a national meeting with the boards on a national basis. Frankly the boards have no understanding or appreciation as to what this is all about.

I would agree that the financial integrity of the fund, which had been challenged, was threatened several years ago. That does have an impact on the benefit of workers. Because if in fact the financial integrity is not there, of course the money is not there to pay the benefit. So there is clearly a relationship there.

Prior to 1994 there was not a budget cycle at the board. It is exactly as discussed this morning, that's the way it was, that no one would have known until three months after year-end what really happened. In 1994 we implemented a budget process and a budget cycle.

In 1995 we brought that cycle to include a monthly report on all departments and components of the operations to the board on a monthly basis. And on a monthly basis as the board sits with its executive, we know how many dollars worth of compensation has been paid out for the month and year to date. We also know what the line costs are with regard to rehabilitation or pension costs or any of the other portions of the board compared to the budget. We know that on a monthly basis.

The operations of the board from financial reporting point of view do not operate any differently than the private sector does. And part of the reason for that is, for the first time in the history of the board, those that are at the head of it came from the private sector and have some appreciation of what the private sector's needs are — those being myself and Mr. Federko, who is a chartered accountant as well as the CEO of the board.

Some of this is tilting at windmills because the actuaries will tell us on a quarterly basis, a monthly base, or an annual basis what we need to know and what we need to report. I mean there is constant dialogue between the actuaries of the board and the board. But to ask them in fact to file a report on a monthly basis, we do not do that.

We know from history that in fact is that there are some formulas that we can apply to the liabilities of the board. I mean I am satisfied as I listened this morning that there is no suggestion that the liabilities of the board since 1994 have not been correctly reported. I thought I understood the Provincial Auditor's office and Mr. Wilson to say that, that there's no question about the integrity of the financial statements of the board. So I'm at a bit of a loss here as well.

There's been ongoing discussions between Mr. Federko and the Provincial Auditor's office and frankly there are situations that we just agree to disagree on. But as I had reported when we

appeared in front of Public Accounts not long ago, that we had every opportunity to try and find a way to co-operate, in a spirit of co-operation to try and find a way to accommodate each other. And frankly since 1993, we've gone a long way to do that; and we're committed to try and find a way to solve these situations.

This is the first board in Canada that created a model to try and determine on a daily basis what the net present value is of its liabilities — the only board in Canada. We started to grow that technology in 1995. The technology frankly failed. And in 1996 and '97 we have continued to try and develop that. There is no experience on it. And to draw an analogy that we are like a private insurance company that is governed by different rules than we are, just seems to me to be not fair.

And so we're satisfied that our financial reporting is correct. We're satisfied that we're doing what our stakeholders expect us to do.

We are the only board in Canada that reports to our employers and labour groups by invitation, twice a year, on the financial status of the board. We are the only board in Canada that will provide on a monthly basis any financial information upon the request by the stakeholders. We're the only board in Canada that every year meets with 70 employer associations that represent 80 or 90 per cent of the workers in the province, and the labour movement, in which we lay out the entire financial plan, the budgets, with the costs for the coming year, the costs of compensation, pension, and administrative costs year to date.

I mean we think that we are being accountable. I mean since I became the chairman of this board it's the first time that the board has ever appeared in front of Public Accounts, or appeared in front of Crown Corps, or made itself available to the legislature when there are other debates.

We're happy to be accountable and we'll continue to be. But we do not agree that the issue that is being raised by the Provincial Auditor is an issue of such significance to the stakeholders, employers, workers, or the legislators.

The Chair: — Thank you, Mr. Cameron. We've obviously, either by accident or design, zeroed in on an important dispute between WCB and the Provincial Auditor. And it is my hope that, working together with the external auditors and looking at the situation across North America, that a solution can be found that does give an adequate comfort level for all parties concerned.

I think what we ought to do now is move on and move into questioning of the witnesses, and I'll recognize Mr. Boyd.

Mr. Boyd: — I think we would rather not, Madam Chair. I think that this is an area of significant concern to the Provincial Auditor and it's certainly of significant concern to ourselves in opposition.

The Provincial Auditor made it very clear that, to us in opposition, that if we had questions of him directly, that he'd be prepared to attend. He has representatives here today. I would ask, Madam Chair, that we would perhaps consider a recess and ask if the Provincial Auditor is available today to speak to the

issue directly.

This is an issue of importance I think to the people of Saskatchewan. The successes, Mr. Cameron, of your organization are not to be undermined in any fashion. They are duly noted. I think what the Provincial Auditor is calling for is reporting to a higher standard than you currently report to, and that in my mind is not a bad thing.

You have met many reporting requirements. You apparently make these kinds of projections we are told. It seems to me to be reasonable that you could provide a summary report on a monthly basis as to the projections that you are making, and how you have either met or failed to meet those projections. That seems reasonable.

I suspect in many organizations that that would be considered an expectation that is warranted. Making no projections would be irresponsible. Apparently you make projections. I think what the Provincial Auditor — if I interpret correctly — is simply saying is that on a reasonably regular frequency is to make those projections and provide a report as to how it worked out throughout the year.

I think there's considerable merit in it and I think rather than us debating you on this issue, I think it would be appropriate that the Provincial Auditor speak to the issue directly, Madam Chair.

The Chair: — Before I ask about the availability of the Provincial Auditor, I would like to know again from Mr. Pradhan, what was the disposition of this matter when it was discussed at Public Accounts.

Mr. Ahmad: — Madam Chair, I'll speak to that. If I may just go back a little bit. There is no dispute between Workers' Compensation Board and Provincial Auditor's office — absolutely nothing.

The Workers' Compensation Board is developing a system to track this cost and we are simply saying they should continue doing that. During 1996-97, you started to develop a system and that system is not complete at the time of our audit. In '98 maybe it is now working or maybe it's complete; we don't know yet. So there is no dispute.

Now the recommendation we had was that they should set up a system to track the cost of claims incurred but not reported. The Public Accounts Committee, they discussed this thing, and they concurred that they should have that system. That was the disposition.

The Chair: — It seems to me then, if Public Accounts has already ruled on this and will be reporting to the legislature, if we wish to carry on the debate we can continue in the legislature. It will be going forward. So, Mr. Boyd, I'd ask you to reconsider. Perhaps we don't need to call in the overall boss of Mr. Ahmad and Mr. Pradhan. They are here as capable and competent representatives of the Provincial Auditor and I think, unless I hear differently from members or from Mr. Cameron, that we can put this matter to rest right now and move on to consideration of the annual report.

Mr. Cameron: — If I may just make two short comments, and I'll try to be very short. One is that this suggestion is approximately 1 per cent of the board's liabilities — approximately \$5 million a year.

The second thing is that the board through its funding policy that came into effect in 1998 — first time ever that the board has had a funding policy — that in fact we have set some \$20 million to the reserve for latent injury and disease to assure, in fact, the integrity of the fund. That if in fact there's something we're not aware of, asbestosis for example — claims that may take 40 years to develop — that the money is there for that.

And I think that that is what we're talking about. I think we have done what we're expected to do there. And if I left the impression that we were offside with the Provincial Auditor on this issue, I think more appropriately that we have . . . We're not exactly both having the same understanding as to what's expected of the other, but we're getting there and we'll continue to try and get there.

The Chair: — Thank you.

Mr. Aldridge: — Thank you, Madam Chair. Before we ever leave this issue, I would just like to also find out a little bit more information about the purpose of tracking that sort of information that we're referring to here on a more frequent basis, and maybe the Provincial Auditor's office can comment on this as well, perhaps Mr. Cameron.

But if you are recording that information on a more frequent basis, what would be the intent of doing that? What would be the eventual outcome of doing it, I guess is what I'd like to hear. What would be the outcome from tracking that information and reporting it on a more frequent basis?

The Chair: — We're back to where we started with the questions and I'm really sorry I asked it, but . . .

Mr. Ahmad: — I will respond to that, Madam Chair. The reporting is reporting to the board. We are not talking about reporting to outside public. When any organization has a system or a liability, a potential liability, they must know how their liability is moving or progressing and they should track that and they should inform the board.

So if there is a question or any decision to be taken by the board they can make that timely decision. That's the purpose of tracking that.

Mr. Pradhan: — And I would like to add a couple of other things, you know. What happens is with insurer's liability is that you have two types of claims. The first is that a worker may be injured but that claim is not reported to you and therefore you need to estimate the liability.

Then what also happens is that as the claim progresses, based on new information being available, there may be additional liabilities. Because for example I may be injured, could get a whiplash or whatever on the neck injury, I could go to a doctor and basically the doctor would probably tell me, you know, you need a couple of days of rest and that should be it. As the claim progresses, I may need to go to the doctor again and I might

find that I have more serious problems and in which case there will be additional costs that the board will have to incur to manage that liability.

So what basically we are saying is that the board should keep track of those liabilities as the claim progresses and not just wait until the end of the year when the actuary comes along and basically makes that assessment as to what's happened to the claim since last year or since the accident occurred. And all we're saying is basically make sure that you keep track of the claims as they progress and estimate the liability and report to the board.

The Chair: — Thank you.

Mr. Aldridge: — Well yes, Madam Chair. So I understand the necessity that you're describing for the board to be able to assess its liability increasing or decreasing as a result of these on a more frequent basis you're suggesting.

So that would seem to me then to mean that as part of that management then you're saying with that information in hand they should take an action on a more frequent basis. Is that what's coming forward from a recommendation like this?

Mr. Ahmad: — No. We are saying that they should explain why the difference is, and if some action has to be taken by the board, then they must take it. We are not saying they should take action in every case. Maybe there is no action necessary but they should know and make a sound judgment what to do and how to monitor that.

Mr. Aldridge: — Thank you. Madam Chair, I've raised these concerns here at this point in time that I would certainly hope that nobody of the committee is proposing a more frequent revision of rates or premiums than what we already experience here in this province as a result of recording this sort of information on a more frequent basis because employers and employees already are faced with the ups and downs that we've experienced in recent years on a periodic basis, on an annual basis.

Can you imagine the burden that would be placed on business people if we had some sort of a floating premium system in this province, which this sort of information could lend itself towards doing if it was at some point demanded of management that they take some further action on a more frequent basis than annual because of the increasing liability of any particular sector, let's say for example.

Suddenly what we've heard from the government in terms of promising to reduce red tape to small businesses could actually be quite contrary to that. So I certainly . . . and any other members of committee who would want to make comment on it, I'd be interested to hear if this is what they're proposing. But I certainly am against anything of that nature.

The Chair: — I don't think any committee members are proposing anything at this point. And I think this whole discussion, if I may summarize, is probably . . . the committee members are looking and saying to both the Provincial Auditor and the WCB that while we agree that proper fiscal financial controls need to be in place, there is a point where there are

diminishing returns and you have to take a look at the cost-benefit ratio of this and not ask for too much information that may not enhance the board's accountability.

Mr. Boyd, would you like to make a final statement on this issue?

Mr. Boyd: — I didn't realize we had drawn any discussion to a conclusion here, Madam Chairperson. What the Provincial Auditor is appearing to do here is calling for a higher level of accountability so that the people of Saskatchewan can continue to have increased confidence in the operation of the Workers' Compensation Board. And I'm surprised to see that a representative from the Liberal Party would not be in favour of that increased accountability that the Provincial Auditor is calling for here.

A system, we understand from the Provincial Auditor's office, is in the works, and yet Mr. Cameron is saying that he disagrees with the need for this. I would wonder then at that point whether indeed there is a system in the works in Workers' Compensation right now or whether they are simply dismissive, as it appears to be the case, of the Provincial Auditor's recommendation in this area, or is there indeed work going on in the direction that the Provincial Auditor believes there to be work going on or is it just simply something that the Workers' Compensation Board has said is actually happening but is not.

The Chair: — I think those are fair questions. I would ask Mr. Federko to address them and then we will have a break.

Mr. Federko: — To respond to Mr. Boyd's comments directly. I think the issue here is not . . . as the Provincial Auditor pointed out they're really talking about two types of costs. On the one hand, they're talking about a system that on an ongoing, daily basis would estimate the liability for each individual claim as it arrived at the board. And we continue to work on developing that system so that we will have the expertise on a claim-by-claim basis to know what reserve requirements will be necessary to fund each individual claim. And I don't think there's any dispute about the need for us to continue to develop that, what we refer to, as the net present value system.

The second issue that we have more trouble with is the suggestion that, in addition to the reserving for each individual claim as it arrives at the board, we should also contemplate what claims may have occurred that we are not yet aware of on a monthly basis and set additional reserve requirements aside to meet that cost.

As Mr. Cameron indicated, and I believe he's correct in this matter, on an annual basis just recalling from past actuarial reports, the IBNR, or the incurred but not reported claim — so these would be claims that would have occurred at some point in time in December and we would not receive acknowledgement of the claim until some time in January or February of the following year — historically, that amount has been about 1 per cent of the total liability.

On a monthly basis we do estimate the total claims costs, we also estimate the total actuarial adjustment for the year which includes, based on historical information, a portion for IBNR. But we do not have a sophisticated system like the net present

value system that would estimate with actuarial science what the IBNR ought to be to be actuarially sound.

Our issue, as the Chair had alluded to, is simply a matter of cost benefit. If the total potential liability is in the neighbourhood of 1 per cent of the total liability and we are already estimating that to a certain extent, albeit on an unsophisticated basis, is there justification for us to spend additional resources, to spend additional monies on consulting fees, necessary to develop a system that from a material point of view would not alter in all likelihood any decisions that we would take on an ongoing basis.

The Chair: — Thank you, Mr. Federko. The committee will recess until approximately 10:35.

The committee recessed for a period of time.

The Chair: — We'll resume our committee deliberations. Mr. Boyd, you had the floor.

Mr. Boyd: — Thank you, Madam Chair.

The Chair: — I'm also advised that Mr. Ahmad did call over to his office and apparently Mr. Strelieff is not in the office.

Mr. Boyd: — Mr. Strelieff may not be in the office because he's en route to the committee. I spoke with him and he said that he would come and assist into the discussion surrounding this whole area. And so in that regard we see no difficulty with sort of moving on to another part of the discussion.

With the Chair's support, we would move back to that issue at . . . well perhaps now.

The Chair: — Why don't we just continue. Committee members will note that Mr. Strelieff has just entered the room and we can now discuss the issue of the IBNR. And I would ask Mr. Strelieff if he has a comment he wishes to make.

Mr. Strelieff: — Madam Chair, members, not at this point.

The Chair: — Okay. Mr. Boyd, did you have a question you wished to put to Mr. Strelieff?

Mr. Boyd: — Yes. To the Provincial Auditor, you have made a recommendation, we understand, with respect to what is known apparently as IBNR and the calling for the Workers' Compensation Board officials to provide regular updates to the board with respect to potential liability that the board may be faced with.

Not understanding the operations of the board as well as some, I think it would be helpful if you could explain your rationale as to what is the purpose of the recommendation that you've made.

Mr. Strelieff: — Madam Chair, members, Mr. Boyd, thanks for the opportunity to discuss this.

Sorry for the delay. I was just getting an update on where we are on this. Our recommendation . . . I think the one that you're discussing is paragraph .16 where we talk about the board should develop a process for estimating claims incurred but not

reported.

So at any one point, there are Workers' Compensation Board claims outstanding in the community that exist but yet have not been reported to the board. And that is part of knowing what the costs of your Workers' Compensation system is; knowing . . . as part of knowing those costs, would be to have as good as estimates as possible of those outstanding claims.

It's just, as far as our office is concerned, it's just one important part of managing the costs of Workers' Compensation claims.

Mr. Boyd: — Is this something that in the insurance industry would be considered a normal practice?

Mr. Strelieff: — Yes, in the general insurance industry it would be. I think in general, across Canada and the Worker's Compensation Board practices, they may not be there yet.

Mr. Boyd: — But in the general insurance industry it is seen as a good management tool to assist in decision making?

Mr. Strelieff: — Sure, if you go to SGI (Saskatchewan Government Insurance), you'll find that they spend a lot of effort and time on making sure they know what's called IBNR, I'm always . . . insured but not recorded.

My colleague here from KPMG is also involved in the audit of SGI and would also be quite familiar with the importance of making sure that insurance organizations know what their outstanding claims are.

The Chair: — Mr. Wilson, did you wish to make a comment?

Mr. Wilson: — Not other than to thank Wayne for bringing me into the discussion.

The Chair: — Back to the closest corner of the ring, then.

Mr. Wilson: — I'll thank him in a more appropriate manner then.

The Chair: — Thank you, Mr. Wilson.

Mr. Boyd: — And we would thank him as well for that useful intervention.

It seems . . . we would be of the view that it is a part of the management practice tools that would be helpful for the board in making decisions about where they are going as a board. In the private sector, I assume the reasons why they would be making these kinds of projections is so that they can take corrective action if corrective action is needed; or they can at least be aware of potential problems that are on the horizon.

And you can just almost imagine supposing there was some sort of large, industrial accident or something of that nature and there was going to be significant potential liability coming forward, it would seem that the board members of the Workers' Compensation Board should be aware that that is a very significant issue to the operations of which they manage and would want to know that this is coming down the road here very quickly.

And as a management tool, it would seem a good thing to have, just as in the . . . we have heard in the general insurance industry, Workers' Compensation making those same kind of projections for the board to be as informed as possible about difficulties that may or may not be coming down the road rather than after the fact, as may be the case at this point.

We understand that, Mr. Auditor, Provincial Auditor, that they are working in this area and there seems to be some degree of disagreement as to the usefulness of this but it seems to us at least in the official opposition that there is value in making those kinds of projections so that thought can be given as to what steps need to be taken to address any concerns that may arise.

Would you be of that same view?

Mr. Strelieff: — I do think that having a good track of what your costs are is very important. Over the last few years we've been encouraging the board to get a better handle on its compensation costs and my understanding is that it has moved forward quite significantly.

The point on the process for estimating claims incurred but not reported. I didn't hear the discussion this morning but I assume that the board officials know that that information is very important as well. It's just a matter of how precise they're going to get to that estimate. And I would also assume that over time they'll be getting as precise as possible.

I didn't hear the opening comments on that but I assume that that's the direction that this organization is going.

The Chair: — Thank you. Mr. Federko, did you wish to make a comment on this?

Mr. Federko: — Perhaps I could just pick up on Mr. Strelieff's most recent comment. The board in fact does recognize the significance of having reliable costs and is taking steps, prudent steps, to ensure that we can be as precise as possible without unduly incurring additional administrative costs. So as I indicated in my remarks prior to the break, we do employ a system that would include something for claims incurred but not reported.

However, we do not have a formal process, a actuarial process, a scientific process, for determining the portion of the claims liability that would relate to claims that are incurred but not reported. Rather, what we rely on are historical experiences as reflected in the annual reports of the actuary.

That, combined with discussions with the actuary that would allow us to adjust up or down the overall adjustment to our liability, is what we use to determine the total adjustment for our liability for the next year.

So as an example, if through our discussions the actuary indicated that our liability might go up by \$15 million the next year, we would take one-twelfth of the \$15 million and we would report that to the board within our monthly financial reports. And that 15 million would include the portion for claims incurred but not reported.

The question really is, and the issue from my perspective as the administrator of the Workers' Compensation Board is: are there merits to spending additional administrative dollars to fine tune, if you will, the process of estimating the dollars involved for the claims incurred but not reported when historically the total cost on an annual basis has been no more than about 1 per cent of the total liability?

And the answer I have to come up with is, it doesn't warrant additional monies to develop a more sophisticated system because the difference, in my opinion, in the degree of accuracy that would come out of a more sophisticated system compared to what we are currently doing would in no way alter any decisions that I would take as the administrator, or in my opinion that the board would make once we report those results to them on a monthly basis.

The Chair: — Thank you, Mr. Federko. Are there any further questions on this matter? If not, we will then move to consideration of the annual report.

And I have to say to committee members that I erred when I commented that we would be considering the '97 report. According to the records that the Clerk has uncovered, the '96 report was not voted off either. I think it may have been that we had concluded that we didn't want to review it on that year, but since we do have WCB here with us we might as well consider simultaneously the '96 and '97 reports.

And so I would ask representatives from the official opposition if they have questions that they wish to put to Mr. Cameron or Mr. Federko.

Mr. Boyd: — . . . consider the report from the external auditor on the '96 financial statement.

The Chair: — I think that Mr. Wilson could certainly be in a position to comment on that.

Mr. Wilson: — Yes there is, Mr. Boyd. We conducted an audit on the December 31, 1996 financial statements as well and have included our auditor's report in that annual report. I don't have a copy of it before me so I'm not sure of the exact page number but the report states that we've examined those financial statements, and in our opinion they also present fairly the financial position of the board at December 31, '96 and the results of operations and its change in financial position for the year then ended in accordance with generally accepted accounting principles.

Mr. Boyd: — With no reservations?

Mr. Wilson: — That's correct.

The Chair: — And that's on page 23 of the '96 annual report.

Mr. Wilson: — Thank you, Madam Chair.

Mr. Boyd: — Does the Provincial Auditor or his office have questions with regard to the '96 audited statement?

Mr. Strelloff: — Members, we agree with the financial statements that are presented as well.

Mr. Boyd: — Recommendations?

Mr. Strelloff: — Is that for me or . . .

Mr. Boyd: — Yes.

Mr. Strelloff: — The recommendations that we have related to '96 are quite similar to the ones for '97. I think the difference between the two years reflects work that the Workers' Compensation Board has done to strengthen their practices.

Mr. Boyd: — Thank you.

The Chair: — Any further questions then of the officials, Mr. Boyd?

Mr. Boyd: — Yes. I think we will be able to move relatively quickly, I would hope, through the questions that we have.

You indicated, Mr. Cameron, that you have set aside in reserve \$13.5 million for the disenfranchised widows. Can you confirm that?

Mr. Cameron: — Yes, that's confirmed. In our 1997 or 1998 annual report, that contingency will be so noted.

Mr. Boyd: — And that is the anticipated liability in this area?

Mr. Cameron: — I'm sorry, but the board has no understanding of what cabinet or government officials may determine that liability to be.

Mr. Boyd: — How did you arrive at the \$13.5 million figure then?

Mr. Cameron: — We arrived at it simply that we had a \$40 million surplus for the year. We wanted to replenish our reserves to 13 million and that in fact we wanted to . . . and plus we wanted to move 13 million back to the employers which was 50 per cent of the balance of the surplus. And so we took . . .

Mr. Boyd: — In addition to the 13 million in reserve?

Mr. Cameron: — Yes, so we took 13 million . . . There was a \$26 million surplus after we'd replenished the reserves. And so as we met with the employer organizations we agreed that it would be prudent to take half of it and set it aside on a contingency because of this issue that's out there.

Mr. Boyd: — So if there is a . . .

Mr. Cameron: — So we don't know if it's going to be 30 million or 60 million at the end of the day. That will be a determination as to what the legislators determine. And then . . . So this is just a contingency. We think it's just prudent practice.

Mr. Boyd: — So if there is a settlement attained, will it come out of WCB's current reserves or will the government be in a position to cover it out of the General Revenue Fund?

Mr. Cameron: — Well, I don't know that. I don't know what . . .

Mr. Boyd: — You expect to be . . . You have received no direction in that area?

Mr. Cameron: — No, I expect that in keeping with past practice when there's legislative change, that the board picks up the cost of legislative change through a levy or assessment with employers.

Mr. Boyd: — So hypothetically speaking, there is potential that the entire reserves and surplus within the board currently could be wiped out if the liability came in at the 60 or 80, or whatever the figure may be, millions of dollars.

Mr. Cameron: — Yes, but I think they're to some opportunity to book the liability and manage the cash requirements and the funding of that liability over a one-, three-, or five-year period. So that may in fact offend the legislation to some degree about the fully funded status but I think there is opportunity to manage that.

Mr. Boyd: — Would that be a recommendation that you would make to the government?

Mr. Cameron: — Yes.

Mr. Boyd: — To look at funding it over a period of time rather than a one-time payout?

Mr. Cameron: — I think once they make the determination as to what liability is there, that we will then be in a position to begin discussions as to how we're going to manage that. Frankly if it was 30 million, if that happened to be the high number, the board could handle that out of the reserves without it negatively impacting on our funding policy.

Mr. Boyd: — Can you handle an \$80 million figure which the minister floated around at one point in time?

Mr. Cameron: — No, that would be more difficult, considerably more difficult. It could cause a push on rates, but my understanding is that there is . . . I don't think there's a lot of will to see a settlement where in fact there's going to be a substantial push on rates.

Mr. Boyd: — A lot of will where?

Mr. Cameron: — I think within the government.

Mr. Boyd: — Have you had discussions with the minister, current minister, with respect to this?

Mr. Cameron: — Nothing more than briefing on the status as to where we were at with the previous minister.

Mr. Boyd: — The status of the previous minister being?

Mr. Cameron: — That we had an actuarial study done and had the estimates of the costs and presented that report to the minister.

Mr. Boyd: — And it was based on the alleged number of 300 claimants?

Mr. Cameron: — Yes. Yes, it was, which was a number of the total injuries or the total deaths if you will, back to 1930, and then actuarially determined based on the averages of how many deaths there might have been during that period.

Mr. Boyd: — Have you done on a case-by-case basis any kind of an analysis as to whether that 300 figure is accurate or is that just based on records of which the . . . several of the people that we have spoken to in the group of disenfranchised widows feels is grossly overestimated?

Mr. Cameron: — No, I think we're satisfied that that is a reasonable number actuarially. Now on a case-by-case basis, to suggest that in fact we have pulled every file historically out of the archives to do a review, to see if that person is still alive, I don't think we can say that. There's a early period of the last 3 or 5 or 7 or 10 years in which we can do that easily. But to go back into the archives of 40 years ago is going to take considerable effort and energy, and as well to try and find these people.

Mr. Boyd: — Following on the minister's statements of this morning earlier, she indicated that they would be in a position to make a decision with respect to this very soon, by the end of the year or — I can't recall her exact words, Madam Chair, but it was something to the effect — or in the very early days of January.

It would seem to me that there is considerable work that needs to be done between now and then to make those determinations. Would that be accurate?

Mr. Cameron: — Well we continue to provide any information that the minister's office requests.

Mr. Boyd: — What kind of time frames would you anticipate being in a position to — once the government has made a decision about going ahead with compensation to the disenfranchised widows, what kind of time frame do you anticipate needing to provide the information to the minister as to the costs and everything associated with this type of settlement?

You've just stated that you will take a considerable effort to go through the records. I assume that considerable effort will take considerable time.

Mr. Cameron: — Well it will take some time, but I think as well it will depend on whether there's legislation that is open-ended or whether the legislation would suggest that there's benefit available upon application. Then we would be waiting until upon receipt of applications. Not unlike we would with any other current worker — we wait until we get the invitation to pay benefits, yes.

Mr. Boyd: — So the process that we may envision here is that the government makes a decision about the time frames associated with this?

Mr. Cameron: — Yes.

Mr. Boyd: — And then from there we would look at some degree of an advertising campaign, I would assume something

of that nature, making claimants or potential claimants aware of their position that they may have an opportunity to make a claim on the WCB with regard to this, and then from there where do we go?

Mr. Cameron: — Well once we have established what the benefit is going to be, whether it's through legislation or executive directive, I'm not sure how that will come to us, but once it arrives at our door, we then will as expediently as possible arrive at the costs and what the communications strategy is as to how we contact those that will receive the benefit.

Mr. Boyd: — Have you or your board or your management team directed any energies towards what kind of time frame we would be looking at then?

Mr. Cameron: — We could . . . I think that we have not but I think that it would be, if we had an application today, I mean within 30 days, I suspect, we would have a cheque out.

Mr. Boyd: — So a reasonable . . .

Mr. Cameron: — But, Mr. Boyd, with respect, I have no sense as to what direction we're going to receive from the legislators.

Mr. Boyd: — Yes. I'm just wondering, from your perspective, how you're viewing this type of process.

Mr. Cameron: — With urgency.

Mr. Boyd: — With urgency. So we may be looking at a situation where the government makes a determination. There may be a requirement for legislative change assuming a legislative calendar of say February, perhaps even late February. From there we would be looking at, as I say, legislative change, difficult as we all know, Madam Chair, to determine what kind of time frames it would take to move through the legislature in a timely fashion.

I'm sure that the opposition would — presumably anyway — have a significant number of questions and concerns that would want to be addressed. And from there when we reach the stage where we have a legislative change, if a legislative change is necessary, appears to be the case, then we'd be looking at perhaps another 30 days before people would be in a position to receive any benefits.

Mr. Cameron: — I think so.

Mr. Boyd: — That's sort of the way we'd envision this thing unfolding?

Mr. Cameron: — Yes, and that would be from the time we received the application, assuming that's the process that the legislature directs, I mean that they would apply by application.

But I do not purport to understand the direction that cabinet may take on this issue.

Mr. Boyd: — I don't suppose very many people do. I'm not looking for a response in this area, just to make the general observation that while the minister in committee here today is

making the observation and commitment to the committee that they'll be in a position to make a decision with respect to this and could be going forward with perhaps legislative changes that would be in need, we are looking at a considerable time frame before the disenfranchised widows will actually be receiving compensation. And I want to be sure that the people across this province don't think that a minister's statement that they may or may not be making in the near term here will automatically result in compensation to them.

I think that would be probably a fairly fair assessment.

Moving to the next area, Mr. Cameron. We have recently . . . and I think again this morning you reiterated that the WCB has reduced its rates for some employers and will be offering a rebate program this year, is that correct?

Mr. Cameron: — That's correct.

Mr. Boyd: — In the amount of reduction of premium or actual cash rebate? Both?

Mr. Cameron: — Both, but the cash rebate impacts on what the cost of the premium will be. I mean the premium will stay; the average premium will be \$1.78. And from that \$1.78, I mean there will be some 30,000 employers that will receive some rebate. And so that will have the net effect of reducing that average rate to approximately \$1.50. But this is a one-time rebate. The \$1.78 is based on their actual experience within their industry code.

Mr. Boyd: — Do you have a table of rates in other provinces that you could share with the committee members? WCB rates?

Mr. Federko: — I have one. Of course we're not aware of what the other jurisdictions are doing for 1999, but I do have a comparison for previous years.

Mr. Boyd: — Where do we stack up in terms of our rates compared with other jurisdictions?

Mr. Federko: — In 1998, for 1998, we would have the second lowest rate in western Canada and the fourth lowest rate overall.

Mr. Boyd: — You mentioned in your address this morning that as a result of a job growth and a strong employment growth here in Saskatchewan in the last year that it has resulted in a surplus and resulted in rebates that are going to be offered to employers across this province.

As the result now of slowed growth, virtually zero job growth in Saskatchewan, do you anticipate that trend turning the other direction?

Mr. Cameron: — When we set our 1999 rates, which are currently subject to appeal by any employer group for the next 30 days but assuming that the rate that's been set now continues, that is taken into consideration — flat growth in the economy. So we have already considered that. That is based upon reports from the employers to the board as we begin the rate-setting process. On an annual basis, they tell us what their estimated payrolls are going to be.

Mr. Boyd: — How did you decide on the how much to surplus to rebate . . . of the surplus would be directed towards rebate?

Mr. Cameron: — Well for the 1998 fiscal year, as I had indicated earlier, we anticipate a \$40 million surplus. And what, we replenished the reserves by some thirteen and a half million . . . required to replenish the reserves in order to assure the integrity of the funding policy. That left us some 26 million.

Then we prudently, we believe, set aside the contingency of thirteen and a half million, if in fact the widows thing comes to be true. We then said that we would rebate the other thirteen and a half million to employers.

Mr. Boyd: — So it was based just simply on a relatively simple calculation of wanting to replenish reserves, looking at potential liability in the disenfranchised, and whatever was left over we'll rebate.

Mr. Cameron: — Exactly. In addition to that, there were a number of employers . . . or rate codes in the province that over the last several years have grown surpluses with the board. In other words they've paid more in than they took out.

As I had indicated earlier this morning, there were about 30 million owing by a number of codes. So we endorsed a plan to recover that over five years.

We also set the mark then and determined what surpluses many of them had. And we agreed that we would pay that back out over a five-year term. So as well as the thirteen and a half million that they will receive in 1999 from the 1998 surplus, there will be a repayment of 10 million of the surplus that they had grown earlier.

Mr. Boyd: — The CFIB, Canadian Federation of Independent Business, has for some time now put forward the view that there should be a smaller cushion built into the premiums and rather than building reserves, building surpluses as quickly as has been the case. Is there consideration being given to the CFIB's view that surpluses should automatically be rebated? Is that something that you're considering or would consider?

Mr. Cameron: — I agree that the surpluses have grown quickly over the last three years. But as I had indicated earlier this morning, it's as a result of new initiatives and new programs that in fact have had more success than we had anticipated and therefore reducing the costs of benefits on a day-to-day basis.

The second thing had to do with the fact that the markets have been particularly good to us in our investment portfolio, understanding that there's some 600-plus million for future liability that is funded and that is in the marketplace. So that was particularly . . . so the return on the investment was particularly strong.

Mr. Boyd: — With respect to that, what instruments do you use in your investment portfolio?

Mr. Cameron: — Perhaps Peter can bring us up to speed. I sit in on that meeting on a monthly basis but . . . or quarterly basis, I'm sorry.

Mr. Federko: — We use a variety of instruments. We have investments in bonds, equities, short-term investments, non-North American equities, and global equities, and real estate as well.

Mr. Boyd: — And who is the . . . who handles those decisions?

Mr. Federko: — We have three investment managers that we use. Greystone Capital Management is our pooled fund manager. We also have a speciality fund manager for our non-North American equities, and that would be the Templeton group. And we also employ a bond speciality manager, Knight, Bain out of Vancouver, to manage our bond portfolio.

In addition to the money managers, the investment managers, we also contract the services of J.P. Marshall who is an independent investment consultant who helps us in monitoring our investment policies and the performance of the various investment managers.

Mr. Boyd: — Has the WCB criteria as to what investments you can . . . instruments you can look at and what ones you cannot?

Mr. Federko: — I'm sorry?

Mr. Boyd: — Do you have criteria? Does the board set forward criteria as to what investment instruments you can use and which ones you cannot. I would assume that you're not speculating in the commodity markets these days.

Mr. Federko: — Yes, we do. We have an investment policy that's reviewed annually and approved by the board that sets benchmarks within the various portfolios.

Mr. Boyd: — And who approves the board's recommendation in that area? Is the investment policy simply been handed down from cabinet or from CIC or whom? Or you have made the determinations yourselves?

Mr. Cameron: — CIC and cabinet have never, in the history of the board, involved itself in the managing of the portfolio or the day-to-day operations of the board. They assign that and delegate that responsibility to the board. And so the board sets the policy understanding our accountability and our desire to be accountable at least to the employer stakeholder who funds it.

And in fact a percentage on an annual basis of the investment return goes back into assisting, if you will, or subsidizing the rates.

Mr. Boyd: — So we can assume then that there is relatively stringent criteria as to what kind of investments the board or the people handling the investments could make on your behalf.

Mr. Cameron: — Yes, that investment policy is publicly available upon request.

Mr. Boyd: — Thank you. Moving to another area, Madam Chair. We understand earlier this year that the Human Rights Commission has looked into areas surrounding Workers' Compensation Board and there is some dispute I understand as to various levels of jurisdiction.

Can you provide us with an update as to the status of this claim?

Mr. Cameron: — Yes, this is a claim that goes back, 1993, 1994, that for reasons not clear, when the benefit was terminated, the worker chose not to file an appeal with the board and follow the normal appeal processes that are currently there and chose to direct the issue to the Human Rights Commission.

The Human Rights Commission ... the board in fact challenged the Human Rights Commission's jurisdiction to determine eligibility of benefits because of the board's Act which says under 22 of the Act that only the board has that authority.

The Court of Queen's Bench upheld the decision or the desire of the Human Rights Commission to in fact hear this situation and direct the board. That has been now subject to a further appeal to the Court of Appeal which will be held, I believe it's February 17.

Mr. Boyd: — Maybe you can help me understand why the WCB would feel it is not wanting to be in a position that the Human Rights Commission would have to — I'm searching for the right word here — not have to agree with the decisions made of the Human Rights Commission.

Mr. Cameron: — I think this is not a question of a determination of the decision because there has been no determination by the Human Rights Commission on the decision, whether the decision was in fact right or wrong. The question was one of jurisdiction. And they believe their legislation gives them this jurisdiction and the board believes it's their jurisdiction. So it's a question of diluting the board's jurisdiction.

Now if the board does not have the final authority on the benefit, then of course the board is put in the awkward position now of not having control over the financial integrity or the injury fund because someone else is making a determination as to what the cost is and the benefit is as opposed to the board who is charged with the responsibility under the Act to administer the benefit.

Mr. Boyd: — Arguably that is the same position every employer that receives a Human Rights Commission directive is in.

Mr. Cameron: — Exactly, and it was the employer community that assisted the board in its thinking to in fact challenge that jurisdiction that the Human Rights Commission believed it had.

Mr. Boyd: — So just to understand, the WCB would be of the view that they are in a situation where they believe they have a higher jurisdiction than the Human Rights Commission?

Mr. Cameron: — I wouldn't say it's a case of who's got higher jurisdiction. It's a case of determining who has the final authority to make certain decisions, either a board that is charged with the legal judiciary responsibility of managing an Act, or someone else. Like who is the board accountable to? Is it accountable to the Human Rights Commission, or is it accountable to the legislature that gave us an Act and the

framework within which to work? That's really the question, and we don't know that. The board believes it clearly has the jurisdiction and the employer community that's paying the premiums believe that the board has the jurisdiction.

There is also a good case law that would suggest that within a tribunal in which there is an appeal mechanism and someone has chosen not to follow that appeal mechanism, at first the appeal mechanism ought to be followed. And so the board's argument in front of the courts was that there was a mechanism for this claimant to follow and it wasn't followed.

Mr. Boyd: — The contrary argument I suppose, is that the Human Rights Commission can be seen as an independent looking at it from an independent point of view, whereas you have some degree of control over your appeal process.

Mr. Cameron: — That's true. But we would look at that no differently than the Provincial Ombudsman's office who also looks at it claim by claim and will look at claims upon request. And so the real question from the board's perspective is like how many authorities are there to direct the board in its decision making?

Mr. Boyd: — Right. So we're into obviously a jurisdiction question here, and I'm sorry, I either didn't hear you or misunderstood, we're at the court level now.

Mr. Cameron: — The 17th of February, as I understand it, will be a Court of Appeal hearing.

Mr. Boyd: — Thank you. Moving on to another area. Actually a gentleman in my constituency brought this to my attention and it caught me a little bit off guard. And I think it surprised me to learn that he was receiving Workers' Compensation benefits and was in the hospital recovering, receiving physiotherapy and recovering from a heart attack. And because his heart attack precluded him from attending physiotherapy, from attending physiotherapy classes, not classes, what you would call them, physiotherapy sessions, his WCB benefits were immediately terminated.

He called me frantically from his hospital bed wondering what he should do. Hop out of bed and run down to the physiotherapy session, or risk losing his benefits. Frankly it was a bit of an awkward position to be put in, not being a physician or having any idea of what his condition was. I think I referred him and spoke to your people rather quickly as to what would be the view here.

Is that the case that if you are in a position where you are receiving workers' compensation benefits and suffer some sort of further sickness or illness or very unfortunate circumstance, that WCB benefits can be cut off? Terminated in that fashion?

Mr. Cameron: — Yes, that's true. It's the age-old question as to whether WCB is a social program or whether it's an insurance program and what the premiums for the insurance program pay.

Frankly it is a very harsh position. At the encouragement of Minister Mitchell when he was the minister responsible, we invited the board to actually reconsider that sort of a harsh

approach. It's not unlike what other jurisdictions do across Canada but it is a harsh situation. I mean, if you're not available for treatment and if the worker under the Act is required to mitigate the effects of their injury by seeking treatment, and now are not available for it, I mean we're in conflict.

So I'm pleased to say that the board has now a new policy. That new policy has now been circulated to the stakeholder community as of just weeks ago and in fact will . . . it doesn't solve all of the problems but at least what we have done now is establish that there is some opportunity for these persons to seek, with the assistance of the board, some further insurance plans or employer benefits or other opportunities.

You know, this is one of the issues that, are we within the bounds of the legislation or are we offending it? And frankly, I'm not satisfied that our new policy is not going to offend it by being generous.

Now from a purely social point of view, and what my heart would say, I mean this worker certainly should be entitled to something and ought to have opportunity. But . . .

Mr. Boyd: — So the change in the policy is on the first occasion that he doesn't arrive at the door for physiotherapy sessions because he's suffered a heart attack and happens to be laying in a hospital bed, there is the view now that that, by missing one, two . . . What is the policy? Or is it an independent assessment of each case?

Mr. Federko: — To a certain extent it is an independent assessment of each case. But first of all, I ought to make it clear that in no circumstances did we ever terminate benefits. We suspended benefits until such time as the individual could resume participation in a particular treatment program. So benefits were never terminated; they were simply suspended for the period of time that the individual could not participate in the treatment program.

The old policy essentially called for, where there was no good reason for an individual not to attend a treatment session, that benefits would be suspended until the treatment was resumed.

The current policy suggests that prior to suspension, a period of time to a maximum of four weeks will be paid for to allow the individual to make arrangements to receive benefits from some other source. So if you will, it's a bit of a notice period.

So to use your example for the individual who had a non-work related heart attack, we would provide four weeks of benefits over and above or from the time that he was not able to participate in the treatment program, to allow him to make other arrangements between that four-week period and however long it was going to take till he could resume that program.

Mr. Boyd: — It might be helpful in the future to try and address that harshness in terms of how people are approached under those circumstances. When I spoke to him on the phone, he frankly was concerned about further damage. The level of anxiety and state that he appeared to be in at that point caused me great concern that we were in a situation where I don't think he was aware that the benefits were being suspended. I think he was of the view that he had been cut off. At least that seemed to

be the view that he held at that particular time that was, I'm sure, a very unfortunate view.

Mr. Cameron: — Of course. I mean this is an issue that every board across Canada, throughout North America, grapples with. I mean the situation of cancer particularly is one. I mean you're treating a work injury; the premiums are collected for a work injury. There's certain ongoing responsibilities of the board. Now someone, as a result of something not related to the work injury, will never return to work. What is the responsibility then of the board?

And I'm sure that there are members here that will agree that the board tries and has tried very hard in the last few years to try and take some of the sting out of some old bureaucratic processes that were in place. We're not perfect yet, Mr. Boyd, but we're trying to get there.

Mr. Boyd: — What is the average time between the claim being filed and a decision being made as to whether to accept the claim or not?

Mr. Federko: — The average length of time, relative to the actual taking of a decision, I don't have with me. I can certainly get that information and provide it through the Chair for you. I can tell you, however, that on average we are issuing payments to injured workers within . . . at the rate of about 60 per cent within 14 days from the date of injury. So the decision is taken and the cheque goes out 60 per cent of the time within 14 days.

If you require further information, I would be happy to provide that through the Chair.

The Chair: — When you provide that information, will you please table it with the Clerk with 15 copies and she will arrange distribution.

Mr. Boyd: — How many client service representatives are currently on staff and what is their average caseload?

Mr. Federko: — We currently have approximately 45 client service representatives and their average caseload is around 65 claims on a day-to-day basis.

Mr. Boyd: — Is it the client service representatives who makes the initial decision on whether or not to provide compensation?

Mr. Federko: — The client service representative does make the initial determination for benefits.

Mr. Boyd: — And what training do they have? What kind of training program have they gone through to make that determination?

Mr. Federko: — We have two programs in place. One that provides the opportunity for existing staff to qualify for junior positions within the client services department. We call them clerk 4s. They can then gain additional experience relative to the adjudicative process by working with CSRs (client service representative) which would then qualify them to bid into those jobs.

We also have day-to-day educational sessions on particular

topics that would assist all individuals acting in a CSR position to be adjudicators of decisions.

Mr. Boyd: — Are their training programs regularly reviewed and updated?

Mr. Federko: — Yes, they are.

Mr. Boyd: — And just to speak in the last area of concern that I have to the whole process of appeal, can you explain how your appeal process works once a claim has been denied; and what kind of time frame you would normally look at for that appeal process to unfold and anything that the board is looking at to address the speed of which those appeals are undertaken?

Mr. Cameron: — Yes, if I may just take a moment and talk briefly further about the training. Recently, the national association of Workers' Comp Boards have determined that from a national perspective they are going to develop a training program for client service reps across Canada through a university setting and being accredited.

With regard to the appeals, there are basically three levels of appeals. Once the determination has been made that benefits are suspended or terminated, the worker may ask for a review. The review will be then done by the manager or the director of the unit as opposed to just the client service rep.

Failing that, they then may go directly to an appeals committee of the board. This committee does not report to anyone in the client service department. It reports directly to the chief executive officer.

From the date of receiving the application for . . . or notice of the appeal until the appeal is dealt with is approximately 30 days. Three years ago that would have been anywhere upwards of 13 months. And we do have some slippage in that system, usually during the vacation period of July 1 through September 1. But today it would be at about 30 days.

If they're not happy with the determination that's made there, they get one further opportunity of appeal. And that appeal is directly to the board, to three board members. And seldom does the Chair sit on that appeal panel. It is normally the employer representative that is a board member and the labour representative on the board member, and I wouldn't know when they haven't been able to come to a consensus on the determination.

That there currently today is running at somewhere 70 or 80 days. That was running at something of upwards of 20 months a few years ago.

Mr. Boyd: — Within that appeal process frequently there are medical assessments necessary, correct?

Mr. Cameron: — Yes.

Mr. Boyd: — Does the client have opportunity to provide medical information on their own behalf and have a witness speak on their behalf at those appeals?

Mr. Cameron: — They may. It's basically their choice. Often

workers come being represented by someone from the Workers' Advocate's office or their union representative or their clergyperson or their MLA.

Mr. Boyd: — Or their doctor?

Mr. Cameron: — Or their doctor may. There's nothing stopping them from having their doctor present evidence. Some come with lawyers to present their cases. It is an opportunity for the board to gather additional information.

Mr. Boyd: — And whom do you have on your medical assessment team?

Mr. Cameron: — The medical assessment team, well basically . . . prior to 1993 the board's medical doctors involved themselves in the adjudication of claims. In other words, at every opportunity the medical doctor of the board said: oh, you're eligible for our benefits; you're not eligible for benefits; or you've been on long enough, we're suspending your benefits, you should have recovered by this point in time.

In 1994 that was changed. There is still a staff of medical doctors at the board. Their job is to act as consultants or provide information to the client service reps or to the appeal committee upon request or to the board upon request.

But the managing of the claim and the treatment for the worker lies totally with the primary caregiver. If in fact there are differences between our medical people and the primary caregiver, there is dialogue and discussion between them. There are times that there are differences that they can't seem to come to a common understanding, but for the most part they do.

If in fact our people believe or even the primary caregiver may believe that we're not getting all the right information or they need someone with more knowledge to take a look at it, there are throughout the province 27 assessment units and those assessment units are made up of medical doctors, chiropractors, physios, occupational therapists, psychologists, and the primary caregiver and the worker may present themselves to that at every opportunity.

Mr. Boyd: — Do you have a list of the medical assessment team that you can share with us?

Mr. Cameron: — Which community?

Mr. Boyd: — No, the in-house medical team that you use.

Mr. Cameron: — Well this is actually not an in-house medical team. We went through a process of going to each of those professional organizations and asking them to credential and to assist us in providing a list of people.

When we're ready or the primary caregiver wants to refer to assessment or we want to refer to assessment, we invite them then to set up their team and to do a . . . with opportunity to recommend a treatment.

Mr. Boyd: — So it's not a part of the normal process of appeal unless requested?

Mr. Cameron: — It is not a part of the Workers' Compensation Board.

Mr. Boyd: — Unless requested by the claimant to have the medical assessment team review this further?

Mr. Cameron: — Or the board asks an assessment team to in fact review.

Mr. Boyd: — Is it something that the claimant can ask for — an independent assessment by the medical team?

Mr. Cameron: — Oh sure. The primary caregiver may, the chiro may.

Mr. Boyd: — No, supposing ... supposing I had a work-related injury and I was assessed and I was turned down. From there, I wanted to appeal the process. At that point, as a claimant I could say that I only ... I do not only want to be looked at from the Workers' Compensation management team, I want an independent medical assessment of my condition. Is that allowable?

Mr. Cameron: — Well there's a medical, there's an opportunity within the Act called a medical panel. A medical panel is, the board is required to appoint a Chair. On an annual basis we appoint two people — one in Regina, one in Saskatoon — that are Chairs of these panels.

Then the workers get the opportunity. We then went to the Saskatchewan Medical Association and asked them to find for us a group of individuals that would in fact agree to sit on these panels. That list is then provided to the worker. The worker then picks two people from that list to sit on the panel.

The board then presents the information that was available in the file from previous medical reports. The worker attends and a report is given to the board. That decision may very well be that the worker is fit for employment and therefore there are no further benefits. It may in fact suggest to us that this worker ought to receive certain types of rehabilitation or that this worker cannot do this job, this job, and this job, but can do this, this, and this.

Mr. Boyd: — Who sits on the panel currently then?

Mr. Cameron: — Well each panel would change, but the two Chairs are consistent. And you know I could provide that to you, Madam Chair, and would be happy to.

Mr. Boyd: — Thank you. At this point that concludes all of my questions.

Mr. Cameron: — Now just before we leave the panel thing, seldom is it used. Seldom is there a request from a worker to use the panel. And yet in our letters going to them they know that it's available to them.

The Chair: — Thank you. I would now ask the government members if they have any questions.

Mr. Kasperski: — Thank you, Madam Chair. Yes, there's a couple of areas I'd like to raise on behalf of my colleagues.

First of all, Mr. Cameron, you talked a little bit in your opening remarks about, and we made a couple of comparisons about, where the Workers' Compensation Board of Saskatchewan stacks up against other compensation boards, and I was happy to hear that we're certainly in the lower, second lowest ... we're certainly in the low range in rates across the country.

If I'm not mistaken, you said in your opening remarks in 1994 the 12 boards collectively across Canada had about a \$16 billion unfunded liability ...

Mr. Cameron: — Yes.

Mr. Kasperski: — I'd just like you to elaborate a little bit more on the situation of Saskatchewan's Workers' Compensation Board in this and where we stand in comparison to other jurisdictions.

Mr. Cameron: — According to the balance sheet of the financial statements of the Workers' Compensation Board, that the board has not had a deficit position since I wouldn't know when — the '70s I guess, the early '70s or late '60s.

Mr. Kasperski: — Thank you. So in other words whereas other compensation boards are in a deficit, ours is a free-standing one not using any funds from general revenue and actuarially sound as reported?

Mr. Cameron: — To the best of my knowledge that the Saskatchewan board has never received a dollar from general revenues.

Mr. Kasperski: — And I was just wondering, in comparison, Madam Chair, to other provinces, there are out there others that have significant liabilities to their general revenue funds in this country?

Mr. Cameron: — That's true. The province of Ontario, some 12 to 15 billion or 13 billion. They were the biggest part of that liability. The province of Nova Scotia that we look to because there's kind of an affinity between the size of their board and our board, and their staff and our staff, and their legislation and our legislation, they have about a \$400 million liability. They just reported to us two weeks ago that in fact is they're going to try and manage that liability out of the way over the next 35 years.

So in effect when we're comparing our rates and we say our average rate is \$1.70 and they report that their average rate is ... I can't remember what the number was — two thirteen in Nova Scotia? Two fifty-four. That's two fifty-four without consideration of the 400 million. So if you take the 400 million and say well we're going to amortize the repayment of that over a five-year period, what is the rate really?

Mr. Kasperski: — Yes. Thank you, I ...

Mr. Cameron: — Five years ago now the province of Manitoba was in a deficit position, the province of British Columbia nearly a billion, Alberta had lots of trouble going, the Maritimes clearly, up until just the last few years. I think most boards have moved to get their house in order over the last few years. And I think that clearly that Saskatchewan was the only

fully-funded board on a national basis.

However that has changed now. The Northwest Territories is now fully funded, Alberta is fully funded, Manitoba is fully funded, so there's lots of houses are coming into order.

Mr. Kasperski: — Thank you, Mr. Cameron. Madam Chair, I just wanted to also touch on a couple of areas that were raised by my colleagues opposite.

Now in terms of client services rep, and I just wanted to make sure I heard this right, you have basically . . . the response was that there's 45 client service reps now handling 65 claims per day that are coming in. These are new claims per day coming in? Roughly? Is that . . .

Mr. Federko: — They would be new and/or old. That would be the number of claims that they would be actively managing at any particular point in time.

Mr. Kasperski: — But having said that, there were about 50 . . . Now was it between 40 and 50,000 claims a year coming in now?

Mr. Federko: — Between 30 and 40.

Mr. Kasperski: — Between 30 and 40, okay. And 45 client service reps. Okay.

I guess, you know, from the point I know I share it myself and a lot of us as MLAs in constituency offices, as in a number of things, we only hear when there's problems, unfortunately. We don't hear when there's . . . so much the good side of things.

And I know certainly in my office, and I'm likely to speak on behalf of colleagues from all parties, I mean we have constituents that get involved in the process. They have problems with appeals. I appreciate the questions that were brought up on the appeal process because this is something that, you know, does come to my attention quite often as well.

I guess from my perspective too, it would seem that there has been a lot more emphasis . . . and having sat through these Crown Corporations meetings for three years that you've been coming, there seems to be a lot more effort taken by the board in, I guess, with its staff in the way they deal with people. Customer relations, I guess. For lack of a better term, the way people are handled, I think.

And it would be fair to say I think, Madam Chair, that at times you know this has been a source of some complaint. I was just wondering if you might want to take . . . if I could get a couple of comments in that regard and what, from your perspective, and I'm sure this is something that does come to your attention, what you do in this area in terms of what your goals and objectives are in a broad sense.

Mr. Cameron: — Well I think if you revisit our strategic plan that's available, I mean customer service is clearly one of the big initiatives.

I'd like to be able to report that every injured worker gets treated exactly the same way and there's absolute respect for

every worker and every claim that comes through the system, but frankly there are times in which we wonder how much respect there is on a particular case.

But I mean we strive to try and find means and ways to ensure that everybody is treated equally. And I know that Peter works with his vice-president responsible for that division to try and ensure that.

There are situations that just plain fall through the cracks and, frankly, we handle them very badly. But I think what's telling is the fact that almost 90 per cent of workers reported in a survey last fall that went to everybody that was in the system, that they were mostly pleased with the system.

There are some out there that have claims going back to the '60s that have been through the appeal process. Every time an administration or a minister has changed, they will file one more time. And they're the same people with the same claim without any new medical information. It's the same situation. And frankly we have a percentage of those of the overall claims a year.

In a system that has more than a million claims in it over the last number of years, that has on average 40,000 new claims a year, 35,000 new claims a year, and when we think that we actually have at the board level, which is the final place of appeal, some 5- to 600 appeals a year, we think that the system actually works reasonably well.

Now those that get denied benefits, there is no doubt that they continue to advocate that we do not handle things very well. I learned long ago that it's easy not to have a chip on your shoulder when you're getting your own way. And it's when we're not getting our own way that sometimes things are right.

But having said that, there are those that in fact have a reason to feel aggrieved. And some person sitting at this table from time to time will bring those directly to my attention and I will directly try and see if we can be helpful.

Mr. Kasperski: — Well, thank you very much. Madam Chair, I guess I'd just like to say that, Madam Chair, I was pleased to hear about the strategic report and I very much look forward to reading that report. I think it reflects very much, having sat through a number of these meetings now with the Provincial Auditors and the external audit reports, this is certainly something that the Provincial Auditor has been stressing a lot with the various Crown corporations.

And I certainly . . . I do and I can speak on behalf of all my colleagues that we look forward to reading that report over and seeing in future years how you're assessed against those goals and objectives. So with that as the case, if there's nothing from my other colleague, that concludes what I'd like to say for now.

The Chair: — Are there any other members that wish to address questions?

Mr. Toth: — Just a few questions here. And I'm going to come back to something that my colleague said and maybe I'll make it in a statement more than anything other because I think we've gone around the horn on some of this.

Certainly the appeal process. I believe, Mr. Cameron, you indicated that certain individual physicians or specialists, the results that are compiled by a claimant from their own physician are certainly looked at very carefully.

We've had this discussion with Mr. Mitchell certainly in estimates in the legislature. Mr. Mitchell did indeed indicate that there would be more of a move to, I think they were at one time . . . and I certainly would suggest that I've had a lot of . . . The complaints that have come to me have basically said: went to see my physician, was sent to a specialist, then I made my claim and I was sent then . . . said I now must see a doctor recommended by WCB.

Now that was a while back and some of the concerns raised there, and wondering why the runaround. If I've understand from what you've said this morning there certainly has been a major recognition and that's the process that is now followed?

Mr. Cameron: — To the best of my knowledge the board or CSRs do not refer people for a medical assessment or treatment unless they want to refer it to an assessment unit to get another opinion.

Mr. Toth: — I think that's important to know so that when we're dealing with claims that come into the office, and I think as other colleagues have indicated, there's two areas I find very frustrating, Workers' Comp and EI (Employment Insurance) — and I get enough of those — that, and it's . . .

Mr. Cameron: — Less than Workers' Comp these days though, we hope.

Mr. Toth: — Well especially when Mr. Martin suggests he's going to give you this big write back, but he can't do more because he needs the money to show that he's doing a good job of managing the economy.

But that aside. The other thing, the case before you with the Human Rights Commission, and here's another issue I've raised with the minister. The appeal process as we have it right now is basically an appeal mechanism from within the board rather than outside. And maybe that's why someone at the end of the day would choose to go to the Human Rights Commission as it's the appeal mechanism named, may not be seen as totally independent from board interests.

And I'm not sure if there's a way of addressing this to make it appear that it is more independent rather than tied to. I think as you indicated we cannot afford it, and nor am I going to advocate it. One of the reasons for the changes in SGI was the fact of the outrageous settlements that were being forced upon the company.

But I think we need to have a mechanism whereby people who do find themselves falling between the cracks at least can feel that they've had a real independent assessment and opportunity to appeal rather than a controlled one.

Mr. Cameron: — If I may, there has been a committee of review which is made up of labour and business and a Chair under the Saskatchewan legislation for over 40 years. This issue of an outside tribunal to move your appeals to, have come up I

suspect in every single one of those.

To date yet labour and business have not supported a tribunal outside of the board as a final appeal mechanism. In fact the most recent one of 1996 . . . or 1992, and the most recent one confirmed in 1996 that in fact they still do not favour having another tribunal to look at appeals.

I can tell you though that the board is not actively involved in any day-to-day part of managing the claim. And the board itself would never know anything or be privy to anything in the file until it reaches the appeal process at their level. Only then would they ever look at a file.

Mr. Toth: — Okay. Another comment. You mentioned, going back to this situation raised by my own colleague from Kindersley, that there comes a point, say a worker's injured and they end up in a situation where they . . . whether it's directly related to the job site or maybe other circumstances that may arise, where that worker may not go back to work.

I gather from your comments that there's a point where Workers' Comp actually . . . they cover any benefits and then you move on to another area. It would seem to me probably the only other area left then is CPP (Canada Pension Plan) disability benefits.

Mr. Cameron: — Perhaps CPP, but also perhaps their own employer's sickness and accident insurance plan that they may access.

But the whole underlying principle of workers' compensation is benefit if you're not fit for employment as the result of a work injury. And so if someone has determined that you are fit for employment, I mean should we continue the benefit?

I mean we're often challenged on the fact that we will spend and pay benefits for one, two, or three months after rehabilitation or treatment for job search. I mean we've been challenged on that over and over and over again. But we believe that it's appropriate.

So there are other opportunities. I mean there are other jurisdictions. If you break your treatment, you go back on unemployment insurance because of the seasonal nature of your job. In other words if you're a bricklayer you can only draw benefits until the first of October. At the first of October, if you're still not fit for employment, you go on UI (unemployment insurance) until the first of April when you can lay bricks again, and then you can come back on workers' comp if you're still not fit.

And we do not want to get into that sort of a philosophy here.

Mr. Toth: — Right. What I'm suggesting though is if there is . . . if indeed workers' comp is basically work related to the point where you can receive compensation until you can fully be back in . . . or gainfully employed. If indeed you were to get to a point where that employee or worker doesn't have that opportunity, then this is where I think maybe information needs to be given to that employee.

We're dealing . . . we're basically . . . here's the area that

Workers' Comp is responsible for. Now it's either the employer's insurance policy or CPP disability, if it turns out to be long-term disability. What I'm hearing is that . . .

Mr. Cameron: — We would not disagree with you.

Mr. Toth: — And what I am suggesting is we need a mechanism that says, this is our mandate. We've gone to our mandate. Unfortunately you're in a position where it's beyond the mandate; here's the process that needs to be followed because . . .

I've got three cases that are sitting on my desk that are unfortunately, they're not 40 years old but they're 4 years old, and maybe they're at the point . . . And of course I've been tackling on the basis of Workers' Comp problems. But from what I'm hearing this morning maybe they've gone beyond that . . . what the mandate of Workers' Comp is.

And we need a mechanism that says, okay here's the process we follow. We go beyond this to step two, and maybe that's where Workers' Comp needs to come in and say, here's how we deal with this or give some assistance in going beyond that, to make sure that the work-injured worker now is dealt with fairly on the other end so we don't have this ongoing basis of coming back to the board to appeal processes that are beyond your control.

Mr. Cameron: — I think it's fair to say that most workers and most employers do not understand what Workers' Comp is until they have to use the system. And the board, through its strategic plan that was built in consultation with employers and workers, agree that we have a large education and information process to go through. And in 1999 budgets, monies have been allocated to advise the public what Workers' Comp is and what it isn't. And so we think we're . . . we wouldn't disagree.

Mr. Toth: — One further and last question, Madam Chair. In regards to an injury that may result in the death of a worker, and I certainly relate to one that just came to my attention, happened in the oil patch service industry.

What would be the normal process? What would a widow receive from that . . . an injury that results in death? Is that an area that Workers' Comp would be paying out some benefits or are they then to be looking at another form of compensation for the loss of that wage earner?

Mr. Cameron: — If the spouse has been killed as a result of a work-related injury, the spouse is entitled to wage-loss benefits the same as the injured worker, had they not died, would have received — in other words, full benefits — for a period of five years.

At the end of five years, the board will in consultation with the spouse build a rehabilitation plan to assist her to in fact find alternate opportunities for employment. In addition to that, the board funds all the educational requirements for any children as a result of that death and an allowance for funeral costs.

Now if you happen to be a single person that gets killed, then the board's responsibility get much thinner there, because what we do is basically pick up the cost of the funeral.

Mr. Toth: — Okay, thank you, Mr. Cameron. Madam Chair.

The Chair: — Just further to that, that's common-law spouse as well.

Mr. Cameron: — Yes, and that's a change in the last three years.

The Chair: — Yes, I thought it was a recent change. Are there any further questions by any members? There being none . . .

Mr. Trew: — Thank you, Madam Chair, with thanks to Mr. Cameron and Mr. Federko and of course the minister. I move:

That the Standing Committee on Crown Corporations conclude its review of the annual reports and financial statements of Workers' Compensation Board for the years ended December 31, 1996 and 1997.

I so move.

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

Mr. Federko, Mr. Cameron, I would like to thank you for coming to the committee. And I would like to add a personal comment that I certainly have noticed over the years that my office's dealings with the Workers' Compensation Board have become significantly easier and less frequent. And it is my impression that the board and its staff are conducting their activities in a much more humane, sensitive and respectful manner. And I do appreciate that. I think that both employers and employees appreciate that.

I would also like to thank the Provincial Auditor, specifically Mr. Strelloff, for attending at short notice.

We will now stand adjourned until . . . recessed rather, I'm sorry, until the hour of 1:30.

Mr. Boyd, did you have a final comment?

Mr. Boyd: — Just to relay on behalf of the official opposition our appreciation to the Workers' Compensation Board representatives, Mr. Cameron and Mr. Federko, appreciating their forthright answers here this morning. And to the Provincial Auditor and his staff for their assistance as well.

The Chair: — Thank you. We will be back here at 1:30 to consider the 1997 annual report of the Saskatchewan Water Corporation.

The committee recessed for a period of time.

The Chair: — If committee members would please take their places we will start the Crown Corporations Committee meeting.

I would like to welcome Mr. Ron Styles, the president of Sask Water, and his officials. We will be considering the 1997 annual report of Sask Water this afternoon.

Mr. Styles, I would ask you to make a brief introductory statement and then I will call on your external auditor, Mr. Drayton, and then the Provincial Auditor to make comments as well.

Saskatchewan Water Corporation

Mr. Styles: — Madam Chair, and hon. members of the committee, we are pleased to meet with you today to discuss the Saskatchewan Water Corporation's financial and operating performance in 1997.

I'd like to first introduce my staff. Immediately beside me, Wayne Phillips, vice-president of finance and corporate services division; to my far right is Wayne Dybvig, vice-president, water resource management division; to my left is Bryan Ireland, director of corporate development; and behind me, immediately behind me is Dave Schiman, manager of financial planning.

Sask Water was — I thought I'd cover a bit about the corporation's mandate and line of business and then we can move to questions — Sask Water was formed in 1984 to provide public accountability, financial stability, and authority over all provincial water management activities; in effect, to be the one window for the public to access water management activities and water programs.

To fulfil its mandate, Sask Water has three main lines of business: water management and protection, water supply and services, and water-based economic development.

Our water management and protection activities include: operation and maintenance of provincial water structures such as Gardiner Dam; maintenance of the provincial surface, water and ground water resource inventory; development and implementation of watershed basin and aquifer management plans; operation of water supply and flood forecasting services; provision of water quality treatment advice to rural residents; interprovincial and international water flow regulation, monitoring and apportionment; as well as investigation and resolution of water disputes.

Under the water supply and services activities, we do a number of things as well: development and operation of water and waste water facilities to meet municipal, agricultural, industrial, recreational, and wildlife needs. Our utility operations presently supply water to approximately 3 per cent of the population in the province. Systems are located in the Saskatoon area, Melfort, Wakaw, Humboldt, Gravelbourg, and Nipawin.

We also operate a number of water transmission systems to supply irrigation districts. We train water and sewer treatment plant operators for northern communities. We provide project management services to develop water and sewer facilities for northern communities.

Our water-based development activities include: identification and implementation of water-based agricultural and industrial projects and programs which effectively utilize water resources to diversify and strengthen the provincial economy.

We provide engineering, agronomic, and administration advice to individuals and groups to operate, maintain, and construct

irrigation works.

We facilitate irrigation crop research and demonstration in partnership with the federal government.

And finally, we manage the Canada-Saskatchewan Partnership Agreement in Water Based Economic Development called PAWBED and provide technical support to project proponents.

So with that brief overview, Madam Chair, we look forward to discussing our operations with members of the committee today.

The Chair: — Thank you very much. That was brief, concise, and quick. I would now ask Mr. Drayton of Pricewaterhouse Coopers to provide a comment.

Mr. Drayton: — Thank you very much, Madam Chair. Again a pleasure to be here this afternoon.

Our audit report is presented in the corporation's annual report on page 21 and is a standard auditor's report, reported without reservation, addressed to the members of Legislative Assembly, and dated January 28, 1998. Our audit was conducted in accordance with generally accepted auditing standards, and in our opinion these financial statements do present fairly in all material respects the financial position of the company at December 31, 1997.

Our audit was conducted primarily in two field visits to the company in addition to several communiqués and conversations with management during the course of the year, but our two main visits are conducted, one in early December and one in mid-to-late January. During the course of our audit, we did in fact agree with management's assessments and judgments regarding accounting estimates required.

Our audit was also conducted in accordance with the requirements of The Provincial Auditor Act and the recommendations of the task force regarding roles and responsibilities of auditors.

In accordance with these Acts and recommendations, our audit also included examination of the company's internal controls and procedures to safeguard the company's assets as well as the company's compliance with legislative authority. Those audits too were reported without reservation to the Provincial Auditor's office.

And finally, throughout our involvement we did receive full co-operation from management and their staff, and were given open access to all the books and records and any other information which we required from time to time.

That, Madam Chairperson, would be the extent of my comments today and would be available for questions.

The Chair: — Thank you, Mr. Drayton. Mr. Black now, from the Provincial Auditor.

Mr. Black: — Thank you, Madam Chair. Madam Chair, members, officials of the corporation, in carrying out our work at Sask Water, we worked together with

PricewaterhouseCoopers using the framework recommended by the report of the task force on the roles, responsibilities, and duties of auditors. I'd like to acknowledge the co-operation that we received from PricewaterhouseCoopers and from the management and staff of Sask Water during the course of the audit.

As Brian mentioned, PricewaterhouseCoopers and our office formed three opinions on Sask Water, an opinion on its financial statements, its internal control systems, and on its compliance with laws, regulations, and related authorities.

We agree with PricewaterhouseCoopers's opinion that the financial statements you are considering are reliable. We also agree with their opinion that Sask Water's system of internal control is adequate, and we also agree that their opinion that Sask Water complied with the law with respect to revenue, borrowing, lending, spending, and investing activities.

As the committee knows, there are two areas in which our office is encouraging all organizations to improve on their public accountability and these are reporting on their performance and publishing lists of those who receive public money.

In February of 1998, the Public Accounts Committee passed a motion to ask the Assembly to refer CIC Crowns to this committee and for your committee to consider these public accountability matters. The Public Accounts Committee has not reported yet to the Assembly on these matters but I provide them to you for your information as they relate to Sask Water.

In its 1997 annual report, Sask Water does a good job of setting out what the corporation has done during the year under review. And in their management discussion and analysis section they also provide some information on their outlook for 1998.

However, we believe that to assess the performance of Crown corporations, MLAs and the public need adequate summary information about the plans of those agencies and about the achievement of those plans.

We think all public sector agencies should provide their vision, long-range goals, specific objectives, key performance targets, and main strategies for achieving those objectives. They should also report on the extent to which they achieve those targets. We encourage Sask Water to publicly report on their key plans, performance targets, and the degree of its achievement of those plans and targets.

The second area in which we encourage Crown corporations to approve public accountability is related to disclosure of those who receive public money. In regards to this point, the Public Accounts Committee has also requested that all Crown corporations should provide this information unless otherwise stated in their mandate. And we encourage Crowns such as Sask Water to provide the Assembly with information on who has received public money and the amounts received. And we ask the Crown Corporations Committee to consider how this requirement fits in the Crown corporations sector.

And, Madam Chair, that concludes my remarks.

The Chair: — Thank you, Mr. Black. I would now ask if any members of the committee have questions of either the external auditor or the Provincial Auditor. There being none, I would ask the members of the opposition if they have questions of the officials from Sask Water.

Mr. Boyd: — Thank you, Madam Chair. Welcome to the officials from Sask Water here this afternoon.

We have a number of questions not which I think you won't have any trouble with. We want to move through them relatively quickly.

Could you provide us with an update as to the status of the drainage project in the Langenburg area, the Assiniboine project?

Mr. Dybvig: — You're referring to the Langenburg East project that was initiated a number of years ago?

Mr. Boyd: — Yes.

Mr. Dybvig: — An assessment was made under The Environmental Assessment Act requirements for approval under that Act for that project a couple of years ago. It was determined that environmental assessment would be required. It was decided that two years ago the Assiniboine basin study was started. It's a study that the Governments of Manitoba and Saskatchewan and Canada have initiated to look at the issues of drainage in that part of the province. And basically that project has been put in abeyance until the completion of the Assiniboine basin study which is expected to be completed early in 2000.

Mr. Boyd: — In 1997 Sask Water had a loss of nearly \$2 million compared with the earnings of 2.3 million the year before. This isn't a large corporation so that is a significant negative turnaround. What happened in the operations of Sask Water?

Mr. Phillips: — Perhaps I'll refer you to page 18 in the annual report. The loss occurred essentially in two areas. We had a start-up of the SPUDCO (Saskatchewan Potato Utility Development Company) operations in an attempt to provide some economic start-up support to the potato industry. That loss was in the order of about \$560,000.

And in our utility operations as well, we had the first full year of operation of the Wakaw-Humboldt water supply system. That system is kind of uniquely funded. What we essentially have is a partnership arrangement with the municipal users on the system where the users have essentially signed water supply agreements with us agreeing to pay all of the debt, debt servicing, operating costs of the system over a 30-year period.

The pricing mechanism that's used on that system is essentially a ramp-up pricing mechanism where we hope to keep the costs for water essentially constant in real-dollar terms. Using that system means that because it's such a capital-intensive project that it will incur losses in the early years of the system but those will be compensated by gains in the latter years of the system.

So in '97, there was a net loss on that system about \$2.2

million. Those two, with the SPUDCO losses, essentially have driven the loss. Otherwise we would have had net income of about \$1.5 million, pretty much in line with what we had in previous years.

Mr. Boyd: — We're almost at the end of '98. Can you give us an estimate of what your profit or loss will be for the current year?

Mr. Phillips: — The analysis on the potato operations is still in abeyance. The crop is just basically in and we've had some appraisal of the quality and quantity of it. But the utility is actually looking quite good this year. We're going to be above our target on the utility.

Mr. Boyd: — Your grant from the General Revenue Fund was down significantly in '97. Is it the eventual goal of the corporation and the government that there be no need for the General Revenue Fund grant and if so, how far down the line do you see that occurring?

Mr. Phillips: — Essentially, as Mr. Styles has mentioned, we have three main lines of business. The utility does operate on a break-even basis as does the SPUDCO operations; classic utilities over the life of the projects, they are paid for by the users and the users get all of the value out of those projects. So those do now operate on a break-even basis over the long term.

The utility operations of the corporation for the operating side of it are essentially funded by two main revenue sources: The Water Power Act revenue which is a charge to Sask Water for the water that they put through the hydro-generating facilities; and then an industrial water use charge.

Those essentially fund all of the operating costs of Sask Water's managing the water across the province as well as some minor costs of rehabilitation and maintenance of the major works.

The funding dilemma that we have on the water management side is the cost for building in the case of new works, or rehabilitating major works. That has traditionally been the responsibility of the General Revenue Fund, and for example, with the Rafferty-Alameda project, it was funded by the province with contributions from SaskPower for their use, and the United States government and the state of Montana.

It's an issue that I think that has certainly been raised since our inception as to how we can either develop a revenue stream so that the jolts to the province for those kind of expenditures . . . As you can experience . . . or appreciate, if we had a major rehabilitation of Gardiner dam for example, it could easily be several tens of millions of dollars. So we've evaluated various ways of looking at constant revenue streams so you don't have those shocks.

We've done some work with Finance and with the Crown Investments Corporation in the last couple of years, and that project is going forward again. So I would say I hope that in the near future there'll be a way of allotting us to essentially operate on a self-sufficient basis in that area.

The other area of business is water-based economic development, and the essential principle there is that we deliver

those services for the province on a fee-for-service basis. So although we get a grant for those activities, those activities are really directed by the province.

We have, you know, probably the major technical and engineering capability in the province, so we have the ability to deliver many of those activities most efficiently rather than going outside to get it done.

So I'd say that essentially we do operate on a break-even basis for those activities. I guess the analogy would be if Treasury Board hired an outside consultant to do that, the cost would be hopefully essentially the same as Sask Water doing it.

Mr. Boyd: — But late last year the government announced a rural water quality program. Do you have information regarding the suitability of drinking water in different areas of the province?

Mr. Dybvig: — I guess in general the program was initiated to look at the issue of rural water quality and groundwater sources, and also dugout sources of water on farms.

We've done a . . . under the program we will go out and analyze a person's water supply and provide an analysis of about 20 parameters. And then we provide some advice to the rural client on treatment options to try and improve the quality of water.

For the most part, the biggest problem with a lot of the water that . . . For instance in dugouts there's a high organic content. Dissolved organics makes it difficult for disinfection and provides taste and odour problems but really isn't a safety or a health problem.

We do have instances where there's arsenic and selenium has been detected in some of these samples. But for the most part I'd say the biggest problem with the water is the aesthetics, and taste and odour problems, high total dissolved solids.

But for the most part, treatment options are available to make the water suitable for consumption on a health basis.

Mr. Boyd: — Are there any financial assistance programs available to people who have poor water quality problems?

Mr. Dybvig: — We have no direct financial assistance programs available.

Mr. Boyd: — How many rural users have taken advantage of the advisory program in '98? And is it your opinion that it's being used to good effect?

Mr. Dybvig: — I believe to date we've had 250 clients in 1998. We targeted for about 300. We think there's been that's a pretty good uptake. For the most part the response has been very supportive and very welcomed on the part of real clients and they find that it's been a very useful service to them.

Mr. Boyd: — Turning our attention now to SPUDCO. This spring we heard that the Lake Diefenbaker Potato Corporation will be in construction of a flaking dehydration plant. Does SPUDCO have any relationship to this project?

Mr. Styles: — . . . any relationship to the project that they started in the spring. At the present point in time our understanding is actually they put it on hold due to some change in the market conditions around dehy plants.

Mr. Boyd: — So SPUDCO isn't involved in any financing aspect of it?

Mr. Styles: — No.

Mr. Boyd: — SPUDCO is involved in paying for the construction of storage facilities at the site to avoid charges of unfair government subsidization by our competitors under the Free Trade Agreement. Is this more or less the case and have you been able to avoid such challenges?

Mr. Styles: — Yes, to date it hasn't proven to be a problem. Everything is set up on a commercial basis and it has had some scrutiny we understand by a couple of organizations in the States, and no particular claims of unfair labour practice have been laid at this point in time.

Mr. Boyd: — Members of the potato growers' association of Saskatchewan are certainly wary of that. I'm sure you're aware of that, and we want to certainly be on the record of supporting the concern in that area, that we don't want to have government involvement to the point where we are going to be involved in some sort of countervail program problem. I'm sure you're aware of all of the difficulties surrounding that.

Mr. Styles: — To date again our involvement is strictly on a commercial basis and the discussions we've had with the growers in the area and most of them do market down into the States, okay, is that the set up is such that it shouldn't cause problems from a trade perspective. So we're relatively confident in that.

Over the long-term we hope, I mean our exit strategy is that these growers, okay, will continue to buy us out in terms of our participation and the industry will grow, strengthen, mature and take off on its own effectively.

Mr. Boyd: — So you say you're involvement is a commercial transaction. So it's essentially lending money against storage facilities and that would be the extent of the activity?

Mr. Styles: — That's right.

Mr. Boyd: — Is the project on track in your view, in its entirety?

Mr. Styles: — I think the growers in the area are on a steep part of the learning curve right now. They've got lots to learn. The number of acres has ramped up by about 400 per cent in two years; and that kind of growth in and of itself creates some challenges I believe for the growers that are there.

They seem to be managing the issues quite well. The harvest this year was exceptional by all accounts. Both the volume of the product as well as the quality of the product seems to be quite good and prices right now are very encouraging. So we're encouraged that the industry over time will continue to mature and I think you'll tend to see a period of consolidation at the

present time.

They need to ensure that they have a very solid financial base, that they've managed the growth that's occurred to date. The flaking plant that was put together and is being operated by LDPC (Lake Diefenbaker Potato Corporation) right now is doing very well and they're actually selling into markets all the way from Ontario through Alberta. So large parts of it look very successful at this point in time.

Mr. Boyd: — Has cabinet authorized Sask Water to spend up to \$2 million to purchase shares in two potato companies in the area?

Mr. Styles: — These are the storage operations, so the purchase was tied to our ownership share of the storage operations.

Mr. Boyd: — So you have actual shares within these companies?

Mr. Styles: — That's right.

Mr. Boyd: — Is there a board of directors involved in those companies?

Mr. Styles: — Yes there is.

Mr. Boyd: — You have representation on the board?

Mr. Styles: — That's right.

Mr. Boyd: — How many shares do you have?

Mr. Styles: — We have 49 per cent.

Mr. Boyd: — Forty-nine per cent. Is it necessary to make straight equity investments in order to assist these companies or would loans not be the route to go?

Mr. Styles: — You could structure it I think in different ways, okay. You mention one of the options. What it really comes back to is you need a suitable balance of equity, okay, versus debt. And so our participation was structured in such a way as to allow the rest of the partners in the area — both the growers as well as the two financial institutions that are in there in a big way — to feel comfortable that the structure works for them as well.

Mr. Boyd: — Is it the government's intention to hold on to its shares in these companies or to get out as soon as possible to leave the private sector to do its work in that area?

Mr. Styles: — Our hope is . . . We've clearly articulated that we have an exit strategy that will see us sell off our shares and our participation. And over time our role, hopefully, will move to being that of a, I don't know, a facilitator around sort of the regulatory part, the crop agronomics, the parts that government traditionally has been more involved in.

Mr. Boyd: — So the exit strategy would be to sell to the remaining partners of the arrangement or to whomever?

Mr. Styles: — Potential could be quite . . . Well potential could

be quite wide. Obviously we'd hope it would be the local growers, but if not the growers, potentially there could be other investors in the area. Again the options I think are quite wide and we'd be exploring all of them.

Mr. Boyd: — Do they have first right of refusal?

Mr. Styles: — We have an arrangement with LDPC on three of the buildings at the present point in time. And they have an option to exercise those I think beginning in the year 2000. I believe the first one's in the year 2000 and then there's one after that.

Mr. Boyd: — The potato production has expanded fairly significantly in the area. Can you tell us what kind of increases we've seen?

Mr. Styles: — In two years, about a 400 per cent increase in the Lake Diefenbaker development area. So it has been quite substantial, grown from about a little under 2,000 acres in 1996 to about 8,400 acres, I believe, this year.

Mr. Boyd: — What kind of production is necessary to support a dehydration facility or a chipping facility?

Mr. Styles: — We haven't done a business plan or looked at a business plan around a dehyd facility, so we really don't have the numbers that go with that.

Mr. Boyd: — That was an initiative separate and apart from any involvement of Sask Water?

Mr. Styles: — That's right. That's right. It was being done by Lake Diefenbaker Potato Corporation.

Mr. Boyd: — What levels of production does this put us into in relation to neighbouring provinces and states?

Mr. Styles: — Relatively small production. While it's a very large increase, I think comparative to Alberta for instance, we wouldn't be ... maybe in around 15 to 20 per cent of the number of acres that they have right now, or will have in the coming years. They're ramping up quite aggressively right now to supply two french fry plants that have been announced in Alberta, one by Lamb-Weston, the other by McCain's I believe.

Mr. Boyd: — Thank you, Madam Chair. That concludes my questions.

Mr. Toth: — Thank you, Madam Chair. Just a question. Just coming back to SPUDCO, on page 32 you're got a note in your financial statements, and I guess I'm looking for an explanation of the dollar figures.

Is this dollar figure you have here on the ... about the middle of the page, is that funds that are coming into your possession as a result of lease agreements? And I note it goes up to, it says 2003 and subsequent 3.5 ... Is that 3.5 million? These are in millions of dollars, I take it.

Is this what Sask Water's going to be receiving from the operators? Or what does the number mean here?

Mr. Phillips: — The way the facilities are structured — and again getting back to the question about trying to keep everything on a commercial basis and we have had quite a bit of advice around that so we don't step off the line — the buildings are owned by separate corporations. Then they're leased to Sask Water on a head lease basis, and these we sublease to the individual growers.

And these payments are essentially a flow-through payment. It's a payment that we make as holding the head lease and then approximately the same amount we would charge to the individual growers.

Mr. Toth: — So what you're saying is then like for 1998, 859 million, that's ... (inaudible interjection) ... Or thousand dollars. Thousand, yes. Thousands of dollars. Right.

You pay that to the ... and then you then charge the potato growers that amount, so it's ... as their figure.

Mr. Phillips: — It's actually a bit of a profit to Sask Water because we don't want it to appear as a subsidy. So our participation is grossed up a bit, so it's handled on a commercial basis. So, you know, we're sort of the leasing agent I guess you could say. So there's some risk in that obviously, you know somebody may not pay. So we want to have some cushion there so that we can come out whole.

Mr. Toth: — Just under those figures there we've got the short paragraph:

Under the terms of a unanimous shareholder's agreement, SPUDCO is also committed to acquire the remaining 51 per cent interest ...

And what you're saying there, you're going to buy the rest of the storage?

Mr. Phillips: — That's a sort of a fall-back position after 10 years. But I think as Mr. Styles has mentioned, we already have commitments to purchase by the private sector two of the three buildings that were built in '97. We actually have some negotiation around purchasing the third one as well. So we certainly are targeting being out of there well ahead of the 10 years.

Mr. Toth: — Well I guess that was the question I had because that's what I was ... the indication I was catching is that you were looking at moving out of your participation in this project within a period of time. And this line here kind of had me, you know, how are you moving away if you're going to ... with the interest to purchase.

Mr. Styles: — Part of the challenge for the industry and the growers is the fact that it's a very capital-intensive industry. I think the — if I remember correctly — on the production side, it's about \$2,000 an acre, you know, per year for your inputs. And then on the storage side, the buildings themselves, if you looked at them on a per acre basis is around 3,000 or \$3,500. I mean their problem is quite simple. You need a lot of equity basically to get into the game and to move forward.

So we've structured things in such a way to support their

gradual involvements in all aspects of the operations, so they can kind of grow into it and again let the industry mature from that point of view.

Mr. Toth: — Thank you, Madam Chair.

Mr. Johnson: — On the page 28, under the capital assets, it says, in according with policy the corporation recorded federal assistance against its asset cost.

Does that mean the cost of facility, that everybody received a federal assistant grant, is reduced by that grant? Or is the accumulated amortization accelerated or what occurs there?

Mr. Phillips: — It's netted out so it's reduced by that amount.

Mr. Johnson: — So the cost is reduced by that amount. You build a \$100,000 pipeline and there's a \$10,000 grant, then the pipeline is listed in the books at 90 . . .

Mr. Phillips: — Yes.

Mr. Johnson: — Thank you.

The Chair: — Thank you. Are there any further questions from committee members? If not, Mr. Trew?

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

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

I so move.

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

Mr. Styles, I would like to thank you and your officials for attending upon the committee and we look forward to seeing you next year or the year after or whenever.

Mr. Styles: — Thank you, Madam Chair.

The Chair: — And before we leave, committee members will be aware that I have circulated a draft report that would go to the House when the legislature resumes its sitting next spring. I would ask for approval for this draft report but I do want to emphasize again that if committee members find that it is necessary for us to have a Crown Corporations meeting between now and when the legislature resumes its sitting in the spring, please contact me and I will arrange a meeting.

Mr. Boyd: — Thank you, Madam Chair. Certainly to the officials, Mr. Styles and your officials, from Sask Water we thank for your answers this afternoon to our questions and inquiries from people across the province; certainly to the external auditor and to the Provincial Auditor, we appreciate their assistance in the matters as well.

The Chair: — Thank you very much. Could I have a motion

with respect to the draft report?

Mr. Trew: —

I move that this committee accept the draft report for presentation to the Legislative Assembly at the earliest reasonable opportunity.

The Chair: — Thank you. All those in favour, please indicate. Thank you. Hands down. Opposed? There being none, that passes unanimously.

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

Mr. Trew: — And if we don't, we sit here and gaze at each other's navel.

The Chair: — We get to wish each other Merry Christmas several different ways.

Mr. Trew: — Thank you, Madam Chair. I move that this committee adjourn.

The Chair: — Thank you.

The committed adjourned at 2:09 p.m.