

April 6, 1993

The Chairperson: — There are a number of things that we should think about before we begin. And I'm going to raise the possibility of not sitting next Monday as to whether we want to sit on Tuesday in this committee or do we want to postpone the dates one whole week in the scheduling.

I want to think about that because I know that a number of us will have to drive considerable distance on either Monday night or Tuesday morning to be here at 9 o'clock, so think about that. At the conclusion we'll make a decision.

Then, in relationship to the symposium that is going to be held in Ottawa, that is the symposium that you and I talked about, Mr. Cline. And I'm prepared to go. And you mentioned that you would give me leave to go at that point in time, and we can do that at the conclusion of the meeting. And I'd like to be finished at 10 or very close to 10 if we could.

And with that, I will introduce Mr. Ching and, Mr. Ching, you can introduce your guests and we will . . . or your assistant.

Mr. Ching: — This is Mr. Stobbe, who has recently joined our office. He's going to be responsible within CIC (Crown Investment Corporation of Saskatchewan) for our interface with the committees — both this committee and the Public Accounts Committee.

The Chairperson: — We'd like you to begin and go through the role of CIC as you see it and make your presentation and then we'll have questions later on to finish off the morning.

Mr. Ching: — Mr. Chairman, I was requested to come and attend the committee meeting this morning. I wasn't just too sure what precisely the committee wanted of me and so I don't come with any sort of prepared text or prepared presentation,

As I understand it, the committee wants to get a summary description of the responsibility of CIC and how it relates to government in general, and in particular, what its responsibilities are vis-à-vis its holdings, whether those be our equity holding or whether they be our free-standing Crown corporation subsidiaries.

I think it's important to put the issue of Crown corporations in Saskatchewan into a bit of a historical concept. Traditionally there has been an iron rule emanating from the British parliamentary system that governments spend money which is voted by the legislature. And that's a rule which I think all of us subscribe to. And that accounts for the parliamentary system of review of budgets and voting of budgets on a very particularized basis by the legislature before the executive is entitled to spend money through the line departments.

I don't think that the people who initiated the Crown Corporation sector in Saskatchewan in the mid-'40s

appreciated the extent to which they were dabbling with that system when they embarked upon the structure which they put into place. But there's no question in my mind that the creation of the Crown corporation structure in Saskatchewan marked a major deviation from the pattern which had been established throughout the British parliamentary system of dealing with budgets on a very particularized basis by the legislative Assembly in voting monies. When the government in Saskatchewan created the Crown corporation sector, they created a deviation from that fundamental format.

I think what we've been wrestling with over the last 50 years or 45 years, has been how we can have the benefits of a sector of our government which participates in a commercialized setting without the rigorous control over their budgetary activities that is placed upon the shoulders of the formal side of government — the departmental side of government — and at the same time have a high level of public accountability on the affairs and activities of that commercial Crown corporation sector. And therein lies the dilemma, I guess, of the Crown corporation sector and how it relates to government.

You'll be aware that the CIC investment portfolio encompasses two general areas of responsibility. One is our free-standing Crown corporations, and these are all listed as the part II Crown corporations and they include: SaskPower, SaskTel, SGI (Saskatchewan Government Insurance), Forest Products, Transportation, Energy, and most recently SGGF, Saskatchewan Government Growth Fund which heretofore has been sort of floating around ostensibly as a Treasury Board Crown but with CIC keeping one eye on it. And since it is involved in fairly substantial amounts of money in a peculiar sort of way, it's certainly our belief that there ought to be a formalized relationship between that particular entity and the decision-making structure of both the administrative and legislative parts of government. Those are most, if not all, of the free-standing Crown corporations.

And then on the other side of our portfolio is what we call our projects or our investments. And these range all the way from the very small investments, which were rolled into CIC as a result of the dismantling of Saskatchewan Diversification Corporation, all the way through to major investments such as our investment in NewGrade or Bi-Provincial upgraders or our investment in Saskferco.

The two sides of CIC are handled somewhat differently within CIC. Our responsibilities to the free-standing Crown corporations is more in the nature of a holding-company function, and we look upon ourselves as the parent or the holding company for each one of the free-standing Crown corporations. Our responsibilities are to make sure that there is in place an effective management team within that particular subsidiary.

We have a person from our unit, from CIC, sit as the

secretary on each one of the boards of directors of the free-standing Crown corporations. It is therefore the responsibility of that secretary to make sure that the individual board of that Crown corporation functions regularly, routinely, and effectively.

The board's secretary has the responsibility for putting together the agenda, making sure that the chairman of the board of directors is prebriefed on the matters that are going to be handled in the course of the board meeting, so the board meeting can proceed effectively to deal with those matters.

Frankly it's also the responsibility of the secretary to the board to make sure that the board is not co-opted by the management of the individual Crown corporation, whatever that may mean.

It's important that we as CIC, and in particular the secretary to the board, bears this responsibility to make sure that the board of directors operates as an effective counterbalance to the strength of the management team within the individual Crown corporation. And that it brings to the Crown corporation guidance from the community generally, which, coupled with the influence from government, constitutes the policy direction under which the individual Crown corporation management operates.

I'm sure that anybody who has been close to the Crown corporation sector knows that it's an interesting balancing act to try to on one hand have the individual Crown corporations enjoy a large amount of operating freedom, and at the same time make sure that they are functioning within the general umbrella of policy objectives which the government wishes to pursue. And so there is a constant ebb and flow of involvement on the part of CIC in any individual Crown corporation.

We try to give to the individual Crown corporation as much freedom and flexibility as we possibly can, to make decisions on their own. However, from time to time there are certain matters which we, CIC, feel that have to be brought to the attention of the operating unit with the individual Crown corporation.

It's difficult if not impossible to try and itemize what those matters are, but essentially we see our role as trying to understand what the general policy objectives of the government are, to transmit those through to the Crown corporation, both at its board and its management level, so that they can enjoy a greater degree of freedom, and at the same time have an awareness of generally what the representative of the shareholder wishes to be the policy objectives of the individual Crown corporation.

Going back to the role of the secretary for a moment. It is the obligation of that secretary to make sure that the board of directors insists upon certain things taking place within the Crown corporation itself.

For instance it's up to the secretary to make sure that the board routinely monitors and evaluates the senior management. It's up to the board as to whether or not

that is simply the CEO (chief executive officer), or whether or not it is the CEO and the people who report to the CEO.

But it's up to our secretary to make sure that that board routinely monitors the management team to make sure that they are an effective management team. It's up to the secretary to make sure that the board has in place policies and procedures within which that Crown corporation and management team ought to be functioning.

Essentially what we have done is that we have taken the Provincial Auditor's report on STC (Saskatchewan Transportation Company) and have said to our secretaries, it's your responsibility to make sure that the board of directors of each individual Crown corporation carries out its proper function to make sure that the mistakes that were made in STC aren't repeated in any other Crown corporation.

In addition to the interface with the individual Crown corporations through the board secretary, we also have three of our units within CIC that regularly meet with the representatives or the counterparts in the individual Crown corporations. For instance, I as the CEO of CIC meet about once a month — sometimes it's once every two months — for a half a day with the CEOs of the individual Crown corporations. And we come together and there's a very easy, free-flowing discussion takes place. Any CEO can put an item on the agenda.

We use that forum to acquaint our CEOs with things that are going on within government. For instance, when the budget is coming down we make sure that our CEOs meet on the day that the budget is coming down for a briefing on the contents of the budget and especially as how it affects the Crown corporation sector.

We've had representatives of SPMC (Saskatchewan Property Management Corporation) come in to talk to us about the affairs of SPMC and how the SPMC can assist or service the individual Crowns. We've had people come from the Department of Environment to talk about how the Department of Environment would better relate to the Crown corporation sector.

So what we've done is we've used what I call the CEO council, which is a very informal organization, to allow the individual Crown corporations at their senior-most management level to ask questions or make comments about government activities which we in CIC can absorb and translate back to the people that we report to, and so that we can use it as a method of feeding back to the individual Crown corporations issues and ideas that are going on elsewhere throughout government.

In addition to that, I've found that that CEOs' council had been particularly helpful in the sense that individual Crown corporation CEOs are helping one another. And as a result of that get-together I found that Crown corporation managements from one Crown corporation will invite a CEO from another

Crown corporation to come to them and speak to them about what's going on within that particular Crown corporation.

A good example of that is that SaskEnergy, SaskPower, and some of the bigger Crowns have actually been inviting Peter Glendinning and his team from STC to come in and talk to them about some of the things they're doing within STC. Because they think that what those fellows are doing in there is fairly aggressive in trying to get a handle on some financial issues that plague that particular corporation.

Besides the regular meetings which I have with the CEOs, my CFO (chief financial officer) has regular meetings with the CFOs of the individual Crowns and follows essentially the same type of pattern. But of course, as you can imagine, they focus primarily on the financial issues and auditing issues that relate to the individual Crowns.

And lastly, my director of industrial relations meets regularly with the vice-presidents or directors of industrial relations throughout the Crown corporation sector to talk about IR (industrial relations) matters and collective bargaining matters and to try and, as much as possible, produce some degree of commonality on the general approach taken with regard to personnel matters.

I emphasize the word "commonality" rather than consistency or uniformity because I don't think it's possible to expect SaskPower Corporation with all its hugeness to necessarily function exactly the same way as Saskatchewan Forest Products functions.

Forest Products is located, head office, out in Hudson Bay, Saskatchewan; and exists within a different milieu, has different problems, has a different industry that it relates to, has different competitors, and ought not to necessarily be a carbon copy or attempt to be a carbon copy of a corporation like SaskPower which is based in the urban areas in so far as its senior management is concerned and functions within an entirely different milieu. And yet each ought to have a good measure of the other and understand what the other one is all about.

At any rate, those are the coordinating methods that we have that are in place in so far as personnel is concerned.

In addition we have started this year, for the first time — and we intend to do it routinely every year in the fall — causing our board to spend a week with the individual Crown corporations where the Crown corporations come in and have two, three, four, five hours with our board of directors in which they indicate everything that's going on within their corporation which is of a general or a significant proportion, that they have an opportunity to dialogue with our board, which being a committee of cabinet gives them the individual Crown's access to advice or views from the senior executive decision-making body on a routine basis.

We intend to do this in October of each year, focusing primarily upon financial matters. And it will be a build-up to the budgeting process that the government engages in which sees its final steps, of course, being the presentation of the budget in the spring session of the legislature.

That process, as I say, took place for the first time in February of this year. And I think it was a lumpy first start — if I can put it that way — but nevertheless probably a process that we had to go through. We hope to refine that a little better so that the end product will be that once a year in the same way as Treasury Board goes through a fairly intensive examination of the affairs of the line departments in preparation for the build-up of the provincial budget, so CIC board will go through an intensive examination of the affairs of the Crown corporations sector as a build-up to the Crown corporations part of the provincial budgeting process.

Lastly in this area as you know any significant issue which arises in the Crown corporation area which requires cabinet approval must come through the CIC board before it goes to cabinet. And so what we will get is we will get routinely major issues which have been dealt with by the individual Crown corporation and ruled upon by their board will be floating up for a second look at CIC.

We don't try to re-create the in-depth look which the individual Crown corporation management brings to it, but we try to inject into the process a second look to make sure that the individual Crown corporation management has done their homework in properly researching the issue and placing it before their board.

And then we look at it from the point of view of how does this individual decision affect other units of governments and in particular other Crown corporations. And that's essentially the matters which are raised for consideration at our board. And then of course once our board has ruled upon the matter, it goes along up to cabinet for final decision making.

So then in so far as our interrelationship with the individual Crowns, essentially what we've got is we've got the board's secretary monitoring and making sure that the board of directors is performing its function. We have the CEO council where we have regular, routine, informal meetings between the individual Crown CEOs with myself. We have the CFOs' meeting; we have the industrial relations directors' or vice-presidents' meeting; and we have a regular yearly analysis by our board of the Crowns in some depth as part of the budgeting build-up. And then finally we have any major issue which is arising in the individual Crowns finding its way through the decision-making process through to cabinet for final approval.

It's my belief that that, plus the internal monitoring which we do of the individual Crowns, where we expect monthly financial reports to come from those Crowns which they're blended together on a monthly basis and presented to our board of directors as a total

financial picture of the Crown corporation sector, we feel is a reasonably sophisticated and reasonably effective monitoring by the executive arm of government of the affairs of the Crown corporation sector and a major effort to try and make sure that the Crown corporation sector is functioning within the general financial umbrella of the government, and yet at the same time trying to minimize the degree of intrusion which we put into the decision-making process of the individual Crown corporation, and trying to balance those two factors.

Generally that's how we relate to the free-standing Crown corporation side of our portfolio of holdings. On the other side we have our investments which as I indicated range all the way from minutia right up to major investments.

We report . . . I've got to be a little careful here because to some extent some of these things are just now being put into place, but it is our intention to — and we just started the process — of reporting on these investments to our board of directors on a routine basis.

What we've been doing over the last year, year and a half, is we've been doing some in-depth evaluations of each individual major project where we think we have some financial difficulties or potential of financial difficulties, with a view to understanding the operation of those investments in detail, and in some cases to try and make some changes to those business transactions hopefully to improve the position of the government and the taxpayer.

And I may say that those efforts have been consuming a large amount of the manpower hours that we've got within CIC. And you'll be aware that we have attempted to renegotiate a number of the major transactions on our investment portfolio. We have in fact renegotiated a deal with the Wheat Pool, that was called . . . what we call a Canamera deal. We've renegotiated the Weyerhaeuser deal; we've renegotiated the Crown Life deal. We're endeavouring to renegotiate or make some alterations to the NewGrade or Co-op upgrader deal, and you know that there is a bit of a fist fight going on there which involves Mr. Justice Estey and the Estey inquiry.

As well we have had some extensive discussions with our partners in Bi-Provincial upgrader and have taken a very strict position with regard to our partners there of not putting further investment dollars into that particular project.

I may say we have, as well, made overtures to a number of other individuals and organizations who we have business relationships with to make changes to the arrangements that we've got with them, in an effort to try and improve the position of the provincial government. And if you wish to have more details of that at some particular point in time, I'd be pleased to do it. But I think that if I do, that should be in camera because those discussions are ongoing at the present time, and I wouldn't want to either prejudice our position within those discussions or embarrass the

people that we're presently dealing with. But that has consumed a lot of our time and effort at the present time.

We monitor our investments in a variety of different ways. On some of the major investments such as Saskferco, Millar Western pulp mill, the two upgraders, the government's exposure is very large. And so we have got senior people, myself and my vice-president and other staff within CIC, sitting on the boards of directors of those particular organizations. We also utilize outside directors. We try as much as we possibly can to put on those boards of directors people who have got high skill levels in the field in which that particular investment is operating. We as well expect the individual investments to report to us regularly and routinely, which is monthly as a general rule, on any financial activities.

We I guess expect all of the things which are prudent . . . member of a board of directors should expect of the corporation, which is monthly statements, monthly analyses of any key issues, and of course immediate contact if there is any special or emergency-type issues such as environmental or employee injury type issues arising.

For instance on the start-up of Saskferco, as you know from the press, there was a number of releases of noxious gases into the atmosphere as part of the start-up process. In each case we were advised literally within minutes of that happening. And of course we monitored those things very closely and made sure that the management on site properly advised all of the governmental authorities and/or the private sector entities that should be advised of any such problem of that nature.

As you are aware, next to the Saskferco plant is the potash operation of Kalium. And of course we insist upon the management people being in touch with the Kalium people immediately upon something of that nature occurring.

So basically what we try to do is monitor the investment, sit on the board of directors, and to make sure that any current or immediate or emergency issue that arises, that we're advised of it immediately and that it's handled in the proper manner.

We of course relate or report to a board of directors, all members of which are members of cabinet. At the present time I believe we have seven members of cabinet which constitute our board of directors. Our board of directors tries to meet once every two weeks. It sometimes meets more often and sometimes a little less often depending upon being able to get a quorum together and what the demands of the legislature are.

In addition to the board of directors of seven cabinet ministers we have two observers on our board of directors. One is the deputy minister to the Premier, and the other is the deputy minister of Finance. And I too sit as an observer on the other major financial board of the government, Treasury Board. So John Wright and I sort of are clones in the sense that we

each have an observer status on the other one's board.

Lastly I guess we and the other free-standing Crowns . . . Oh, just before I leave CIC, we report to our board, or are starting to report to our board would be a better way of putting it, the financial activities as a totality of all of our investment holdings separate from the free-standing Crowns. That is really in the embryonic phases at the present time. And when I say we're doing it I must be a little cautious here because right now we're trying to work out what is the best reporting process to our board of directors.

As you can imagine, reporting in detail on a small investment of a couple of hundred thousand dollars doesn't nearly have the same importance as reporting routinely on a major investment like the Bi-Provincial upgrader or Saskferco. And so we're still trying to work out what is the best way of financially reporting to our board of directors on all of our investment holdings, but it is certainly our intention to make sure that at least quarterly, if not monthly, we have a complete financial report on all of those investments to our board of directors.

In addition, as part of the annual review of the free-standing Crowns before our board of directors . . . Remember I told you that for the first time in February and hereafter routinely in October all of the free-standing Crowns are invited to come before our board of directors in a given week as a build-up to the provincial budget.

But as part of that process as well, CIC will be subjecting itself and its investment holdings to the same process so that at the tail end of the examination of the free-standing Crowns by our board of directors, CIC would present itself to our board of directors with all of our investment holdings and give them a detailed briefing on all of the investment holdings. So that that occurs annually and either quarterly or monthly, depending on how we can put it into place. There will as well be a regular reporting on the financial affairs of the investments that we hold.

The last area that I would talk about is the relationship to the legislature, the reporting to the legislative arm of government. And as you know, that historically has been largely through the Crown Corporations Committee. We are putting together a few thoughts which I hope we can offer to the Crown Corporations Committee as to some ideas as to how they might strengthen their scrutiny of the Crown corporations sector.

I think the Provincial Auditor from time to time has alluded to the fact that the legislative arm of government ought to have an effective means of monitoring the Crown corporations sector. And I think we agree most wholeheartedly with that.

We're trying to get together some thoughts now as to what we might suggest that the Crown Corporations Committee would do to strengthen its ability to monitor our activities. Much of this is at the early stages but, for instance, there has been a tradition, as

you know, of the Crown Corporations Committee doing an *ex post facto* examination of the affairs of the Crown corporations. I think there's some reasons for that that are rooted in commercial viability.

On the other hand, I think that major investment decisions made by CIC and perhaps major investment decisions made by the individual Crown corporations perhaps move out of the category of being issues that ought to be examined *ex post facto* in the year under review. Because as you know, if for instance SaskPower makes a decision today, the Crown Corporations Committee may not actually look at that decision for in excess of a year.

I'm not sure that we want to necessarily destroy that concept, but at the same time I'm troubled by the fact that CIC, for instance, might make an investment decision of many millions of dollars. And that is not subjected to any legislative review for maybe a year, maybe 18 months following. And it strikes me that, to put it in hunting terms, the trail's gotten a little cold over that period of time.

So we've been tinkering with the idea of recommending to the Crown Corporations Committee some sort of procedure whereby at least, if we enter into a major transaction or major investment, that in some manner there be an immediate briefing to the Crown Corporations Committee after that investment decision takes place.

Now you can see from the way in which I'm putting the proposition to you that we haven't thought this through as carefully and as fully as we'd like to do so, but it gives you an example of generally some of the areas that we're thinking of to try and make recommendations to the Crown Corporations Committee on how effectively the legislative part of government can scrutinize the Crown corporations sector.

We feel strongly, at least I feel strongly about this issue because I think that while the Crown corporations sector needs to have a certain amount of freedom in how it goes about its business — that was its original, conceptual framework — I think that if we don't do a good job of coming back to the legislative arm of government and telling you what we're doing and giving you a chance to examine whether or not we're going about our business sensibly and fairly, eventually you will either alter the system or you will adjust it in some way so that you can obtain the necessary information and knowledge about what's going on in the Crown corporations sector.

And frankly I think anybody who believes in the democratic process would want the legislative arm of government to have an awareness of what's going on in a major sector of government. I mean if you look at how government has grown in Saskatchewan, the Crown corporations sector is the sector of government that has grown probably more rapidly in numbers and in areas of responsibility than any other area of government. And so to allow it to function without the scrutiny of the legislative arm of government, in my

mind is a very dangerous bit of business. At the same time of course the whole concept of the independence of the commercial Crown corporations sector is to allow it much latitude and not being constrained in the same way as the line departments are by the control by the legislative arm of government.

So somewhere in the middle there's got to be some sort of balance. My own personal feeling is that I think that the balance has tilted too far to allowing the Crown corporation sector latitude from examination. The question is to try and bring that back without necessarily having the pendulum swing all the way to the extreme in the opposite direction, but certainly into some sort of area where I think the average person in Saskatchewan can feel comfortable that a major sector of the government, namely the Crown corporations sector, is being adequately policed by the people that the populace of Saskatchewan elect to look after their governmental affairs.

The Chairperson: — Thank you.

Ms. Crofford: — Okay. Some things that come up in the House, as far as the questions people ask when there's rate increases in the Crowns or whatnot, or even some of the comments that union employees make in terms of, well our Crown did good this year, why can't we have a raise? And when you're looking at the total budgetary package of government, I guess I've got two questions. Is it fair to say that, for the point of view of government budgeting, a dollar in the Crowns equals a dollar in the program area in terms of the choices that are made. And the Crown Corporations Committee, because of the nature of the way it looks at the Crowns individually, does not take that total budgetary overview that Public Accounts might in terms of the whole budget of government, the whole expenditures of government.

I'm wondering if that's a resolvable problem, or if you see any way that even the people in the Crowns might be brought into thinking more about their role in the total budget of government, as opposed to obviously looking at themselves — and the public do too a bit — as separate financial entities.

Mr. Ching: — Well let me separate out two separate things here because I think it assists us if we keep them essentially a little bit separate, although even that separation is a bit artificial.

There is the legislative arm of government and there is the executive arm of government, or the administrative arm of government. By the legislative arm of course we mean the legislature, its committees; and of course the administrative arm is of course cabinet and all the structure that flows down from cabinet.

There's no question that the government has moved very rapidly, I think, to making sure that in so far as the administrative side of government is concerned, that the financial activities on the Crown corporations sector are blended together with the financial

activities within the rest of government so that the left hand isn't doing something that the right hand doesn't know about.

In the last two budgeting processes that the government has engaged in, this has become stronger and stronger, and it will become stronger again next year. I would hope that at some point we're going to feel rather comfortable. We've got the thing sort of right so that we can fix in place a format because the format's been changed a little bit.

But everything that is happening on the Crown corporations side is blended in with the financial activities on the departmental side now. I think that there are people out there that have this belief that somewhere out there, there is a whole bunch of decisions being made on Crown corporation activities and financial affairs which isn't taken into account when the government is going about its budgeting process. That's simply not the case.

The individual Crowns are expected to put together their operating budgets and their capital budgets early on in the process, essentially at the same time that the line departments are putting together their individual budgets. We seek to bring those together into a consolidated picture with CIC — of all the financial affairs of CIC and the Crown corporations sector — to provide an overall picture of the capital needs of the Crown corporation side of government and the operating activities of the Crown corporation sector. That's brought together annually, not as early on in the budget process as we should be doing it, but this year we're going to try and get it at the proper phase of the budgeting process.

It's out of that particular analysis that comes the three main issues that relate to the rest of the government budgeting process. Number one, we can look at the total capital needs of the Crown side. We then, CIC then, appears in front of Treasury Board — sometimes with the individual Crown corporations in tow, but sometimes by ourselves — and we present to Treasury Board the capital budget of the Crown corporation sector in its totality.

So that the dollar which is being spent in SaskPower on improving a line from Weyburn to Estevan is balanced against the dollars that are being spent in STC to buy a new bus as compared to any other dollars that are being spent on the Crown side. And that is then brought to Treasury Board and Treasury Board looks at the total capital needs of the province. We then have each one of the Crowns bring forward their operating budgets, and out of that springs two issues: rate increases and the issue of either a dividend or a subsidy paid to or needed from the Consolidated Fund to keep the Crown corporation whole or to provide whatever monies that it can back to the public treasury.

And again all those operating budgets are brought together and we have a total grasp of the operating needs of both CIC as the equity investor and the subsidiary Crowns. And again that's brought through

to Treasury Board and Treasury Board, when it looks at the operating affairs of the government in general, has before it all of the operating affairs of the Crown corporation sector.

So when you look at the administrative arm of government, from the cabinet down, I think we've got a fairly good handle — although some improvements are still being made on this — we've got a pretty good handle on making sure that the operating activities and the capital needs of the Crown corporation sector are borne in mind when the overall financial planning of the province takes place. And in that respect a dollar over here is the same as a dollar over there, okay?

Now whether the legislative sector of government has got as good of an overall mechanism for bringing together the financial approvals is a tricky bit of business. Because — and here's where I think the Provincial Auditor and I start to get into a bit of a debate over how we should go about our affairs — because the exclusion of the commercial Crowns from the close financial scrutiny of the legislative arm of government is wherein some of the accountability and/or total picture awareness, if I can put it that way, of the legislature for the financial affairs of government starts to get lost a little bit.

And on this point the Provincial Auditor I think makes a good point and that is that the legislative arm of government does not get presented to it the same total, coherent, cohesive picture of the financial affairs of government as perhaps does the administrative arm of government. And the reason for that essentially is because in the case of the commercial Crown corporation sector the legislative scrutiny through the Crown Corporations Committee has been on an *ex post facto* basis. But bear in mind that in so far as the administrative side of government, that's not true. We expect each one of the Crowns to engage in a very sophisticated and very detailed budgeting process; we expect that budgeting process to be brought together into a cohesive unit by CIC, and Treasury Board expects us to come to them with a fairly sophisticated overall financial picture of what the Crown corporation sector needs and is going to do financially over the ensuing year. The difference comes is when the legislative arm looks at things *ex post facto*. They don't get that advance look at the internal affairs of the individual Crown corporations in advance.

Have I offended some machinery with my elongated explanations?

And I may say that that's proving to be a difficult problem to unravel because I think that both the Provincial Auditor's office and CIC both believe in public accountability by the Crown corporation sector. The trick is how to capture that without necessarily wounding the beast that was created in the mid-'40s to give the commercial Crown corporation sector some latitude and some freedom from the exigencies of the in-depth legislative scrutiny of the financial affairs of the Crown corporation sector.

Mr. Van Mulligen: — Can I just do a follow-up to that? Recognizing what you say, would one way of dealing that then might be to provide the legislature with more regular updates, i.e., quarterly reports of the activities of CIC in all its holdings?

Mr. Ching: — We appeared yesterday, both the Provincial Auditor and I, in front of the provincial audit committee. And one of the issues that was discussed at that time was whether or not the provision of more information was the nub of the problem, or whether or not there was a lack of effectiveness in the operations of the appendage of the legislature, which is the Crown Corporations Committee, in how it takes upon itself the examination and understanding of the Crown corporation sector.

I subscribe to the belief that more information may be valuable. But before that's done perhaps one should turn their attention to whether or not there isn't some ways of making the Crown Corporations Committee more effective in absorbing and making use of the information that's already available. For instance, if in fact one can make the argument that the commercial Crown corporation sector needs some degree of freedom from public examination of their activities in advance, maybe that doesn't necessarily lead to the conclusion that they ought to keep that information to themselves.

Maybe it leads to the conclusion that one of the committees of the legislature ought to function more in camera so that a portion of the Legislative Assembly can be given in detail advance information about our activities, on the understanding that on one hand you've got more people in the legislature knowing, but at the same time you haven't yet built in a structure which means that the whole world knows what the Crown corporations are going to do in advance of them doing it.

Now I don't know. This is an interesting, fascinating area because anybody who is a student of government in general can see that the potential of the Crown corporations sector going off on a tangent and the legislative arm of government losing control over it is very, very easy to happen. To some extent it did happen. To some extent I think the thing that worries the Provincial Auditor is the potential still exists for that to happen despite the best intentions of the government of the day.

The trick is, I think, to build some sort of mechanisms that as much as possible can keep that from happening and at the same time not lose what the government of the day in 1944-45 tried to create — and every government since then incidentally has perpetuated, regardless of its political beliefs — which is that they want a commercial Crown corporation sector that is going to be able to function within that commercial sphere in an effective way that isn't hampered by an overly public examination of its activities in advance. The trick is to try and have a bit of each piece of cake, if I can put it that way.

Mr. Sonntag: — I had three really quick questions. Thank you, Mr. Chairman. First of all, you referred to the CIC board and the committee back and forth interchangeably. I'm assuming that . . . or I understood it to be that way. The committee you're referring to is the legislative committee?

Mr. Ching: — Yes, the Crown Corporations Committee I'm referring to.

Mr. Sonntag: — Okay, good. Secondly then, the position that you sit on with respect to the board with Millar Western and those sorts, is that in observer status? And also if it is or even if it isn't, is that a new thing that has just happened or has that been going on for years already?

Mr. Ching: — No. Right from the commencement of that project there has been initially what they called a management committee. The management committee was made up of representatives of CIC and representatives of Millar Western. That management committee has in the last number of months evolved into a board of directors. The truth of the matter is that there's no difference between a management committee and a board of directors under these circumstances. It's just a bit of nomenclature. And I think that the management committee was perceived of as something which would meet irregularly as needed, but no less than once a month whereas the board of directors is perhaps going to distance itself just a little bit from the day-to-day management of the affairs, leaving that more to management, but perhaps meet once every two months.

So we're in that phase. But there's always been a management committee/board of directors. CIC has always participated in that as full members. And we're not simply as observers. Under the contractual arrangements that create that particular project there are certain issues that we have a virtual veto over. There are certain issues which are simply subject to a majority decision-making process. So far, since I've been involved with it, that management decision-making process has never been exercised. We always fight and squabble about things until we finally come to some sort of a *détente* and a decision is made by the board.

But there are certain items which, if that process failed, Millar Western, since they have a majority interest on the project, would be entitled to have their way. There are certain items which we, by virtue of the agreements, have a veto on even though we happen to be the minority interest in that particular project.

Mr. Sonntag: — My question wasn't necessarily specifics of Millar Western, but by your explanation you're suggesting that this structure is unique to Millar Western? Is this applicable to all . . . (inaudible) . . .

Mr. Ching: — No, essentially the same situation occurs with regard to Saskferco. The previous government had a philosophical bent to hold no more

than 49 per cent of any of the projects that they engaged in on the investment side of CIC. And so we have a number of projects where we have 49 per cent. And that naturally suggests that the other party in the project has a majority control over it.

But then within the management agreements or within the unanimous shareholders' agreements there are provisions which say that these items can only be decided by 75 per cent, or this item can only be decided with the approval of CIC, and then there's a bunch of other decisions that are simply left there and the majority rules. But as you can imagine, since we have to get along with one another, everybody tries to work these problems out without having to force them to a vote.

And the structure in that respect varies from entity to entity. And at some point if this committee or Crown Corporations Committee wants to go into that in somewhat more detail, we can give you a briefing on the difference between the management structure of Millar Western as compared to Saskferco as compared to the Co-op upgrader as compared to, for instance, our involvement in something like Cameco where we don't enjoy anything other than a shareholder status. And between us and the other major shareholder, which is the federal government, we dialogue on who should be on the board of directors and then people are appointed to the board of directors, but not necessarily from CIC.

So these things vary all over the place and there's no set pattern that you can say, this is the pattern and all of CIC's investments follow that. There's a variety of mechanisms used to involve us in the decision-making process.

The Chairperson: — There's no more speakers on the list, so I will assume then that that's concluded.

I did have some observations that I was going to make. I'm going to let that go for when you are here in committee as representing CIC, and we'll talk about it then.

I want to thank you for your time and your presentation. It seems to me that you've put a lot of thought into what you perceive to be the right way to go. And I want to thank you for coming with those thoughts to the committee.

I have two items that we need to deal with. One is the symposium and one is the next meeting of the committee.

Mr. Cline: — With respect to this symposium, Mr. Chairman, I signed a motion which I gave to the Clerk, and I don't have a copy of it in front of me, Thank you. I would move:

That Mr. Martens represent the Standing Committee on Public Accounts at a symposium sponsored by the Canadian Study of Parliament Group on the subject of accountability committees and parliament, to be held on May

19, 1993 in Ottawa.

The Chairperson: — Any discussion? Are you going to call the question, Mr. Cline?

Mr. Cline: — I'll call the question.

The Chairperson: — Go ahead,

Mr. Cline: — Question.

The Chairperson: — Those in favour? That's carried. Thank you. I was really going to ask you to run it from your seat there.

Mr. Cline: — Oh, I'm sorry.

The Chairperson: — That's okay. We did it anyway.

Mr. Cline: — On the item of the meeting next Tuesday, I would suggest if we don't sit Monday — and I guess that's up in the air right now — that we not meet at 9 o'clock Tuesday morning.

The Chairperson: — Okay. Then just defer that one to the end or just slide them all forward? Have you made appointments for the other people?

Mr. Vaive: — The other two presenters are here today, Mr. Kraus and Mr. Strelieff.

Mr. Van Mulligen: — Don't you guys talk about the same thing anyway? I mean, couldn't you make a joint . . .

What was the length of the presentations in each case?

The Chairperson: — Mr. Kraus would be moving to the 20th and Mr. Strelieff to April 27.

Mr. Strelieff: — I'm willing to combine with Gerry on the 20th if you'd like that.

Mr. Kraus: — I guess we could. I've been amazed at how short these presentations are. I don't know, you may not want to hear from me for more than an hour at any event.

Ms. Haverstock: — I don't have to look to actually absorb. I mean, this is perfect amount of time you can actually take it all in. I don't know about the rest of you, but I don't want to get overloaded.

The Chairperson: — Well I'm at the committee's discretion here.

Mr. Cline: — I think there's something to be said for that. Having one at a time.

The Chairperson: — I think so too.

Mr. Kraus: — If I can, I would hope I could elicit more questions. Would you like me to spend a little bit of time on the information in the *Public Accounts*? It's changing so rapidly. The financial statements that you've received for '91-92 won't be exactly the same

as you're going to get for '92-93. We made changes in the '93-94 estimates and maybe I should spend a little bit of time on some of those things.

The Chairperson: — I think on your area of expertise and the Provincial Auditor's there's more of the accountability with less philosophy. And we can discuss philosophy here forever between the three political parties. But in your case there might be the kinds of things about methodology on control of spending, and all of those kinds that you want to deal with, that will be of interest in how you manage that side of the government and the same with the Provincial Auditor. Those are far more with specifics, how do you do the Social Services, sort of thing.

Mr. Strelieff: — Our next annual report will be out about April 20 which is the day we're talking about. It may be the 19th, it may be the 21st, depending on how the printers do their job. But that will be available at that time.

The Chairperson: — Okay, do I have a consensus here that we would run with the Provincial Comptroller for the 20th and then have Mr. Strelieff with the Provincial Auditor on April 27 . . . (inaudible interjection) . . . Oh I'm sorry. I didn't write it down so I omitted it.

Ms. Haverstock: — Well actually I was just going to speak to that. I find the exercise on Tuesday mornings very valuable and I guess although these are all related because we're dealing with *Public Accounts* they're still mutually exclusive in some ways. And I would very much appreciate the opportunity that if Mr. Kraus requires taking more time than an hour and Mr. Strelieff similarly, that we have that flexibility of time.

I would like for them to use as much time as they require to bring us up to standard.

The Chairperson: — Okay. I think then that that's in agreement. We'll just kind of take it by consensus and we'll make a decision next week. We will not sit if there is Monday off, and we'll just push everything forward one week.

Mr. Cline: — If we sit Monday, then we will meet Tuesday.

The Chairperson: — Right, yes. That's fine. All in agreement? Thank you. I'll take a motion for adjournment then. Don't need one? Thanks for your attention and your observation of time.

The committee adjourned at 10:10 a.m.