

Crown Investments Corporation of Saskatchewan

The Chair: — Good morning, members of the committee. I think we'll get under way. If we could have . . . could we have order, please? We'll get under way this morning. I'd first like to just welcome everyone here this morning. You know Provincial Comptroller, Mr. Paton, and his official, Mr. Bayda, the officials of the Crown Investments Corporation. And in one moment I'll allow the Provincial Auditor to introduce his officials that he has with him here this morning and present us with a briefing on chapter 4 of the fall 1996 report concerning the Crown Investments Corporation. So having said that, at this time I will turn the meeting over to Mr. Strelieff.

Mr. Strelieff: — Thank you, Mr. Chair, and members and guests. Good morning. With me today are Brian Atkinson, who leads our work at the Crown Investments Corporation; Bob Black coordinates our work at the Public Accounts Committee; Andrew Martens, senior manager also working at the Crown Investments Corporation for a number of years; as well as Joanne Matchett. Joanne is a new chartered accountant. She's an audit supervisor in our office from Nipawin and she has a bachelor of administration from the University of Regina. Joanne is a chartered accountant as well as a certified management accountant. So that's our group that's here with you today.

With the Crown Investments Corporation here today it is an important opportunity to review and ask questions about how CIC (Crown Investments Corporation of Saskatchewan) administers the public money and responsibilities that are assigned to its sphere of influence.

As you know, the Crown Investments Corporation appears before two committees — the Crown Corporations Committee as well as the Public Accounts Committee. So there's two important opportunities for members to ask questions about how a significant part of government operates. As you know, the Crown Corporations Committee is more future oriented and policy oriented. For that purpose you have the minister there and you can ask him questions about why the policies . . . what are the policies of the Crown Investments Corporation and why are they important? As a Public Accounts Committee the focus is on the administration of policy. To benefit that you have the *Public Accounts* and you have our reports. To bring that to life further, as a Crown Corporations Committee, you may want to ask the minister why particular objectives are set for the Crown Investments Corporation.

For example, one of its important objectives relates to economic development and the creation of jobs. So with the minister present you can ask the minister why that objective has been set for the Crown Investments Corporation, and why is it important.

As the Public Accounts Committee, the issue more is whether the objectives of the Crown Investments Corporation are clearly stated, whether there are measurable performance indicators that are established, and what the status of those indicators are.

As well, you have our reports on the reliability of financial

statements, on whether they're complying with legislative authorities, and on the state of their management systems and practices.

So you have two separate opportunities to discuss issues related to the Crown Investments Corporation at the two standing committees. The Crown Corporations Committee is an opportunity to focus more on the future and policy. The Public Accounts Committee is an opportunity to focus on the administration of policy.

Now with that introduction I'm going to turn it over to Brian Atkinson who's going to lead you through our chapter 4 on the Crown Investments Corporation of Saskatchewan. Brian.

Mr. Atkinson: — Thank you, Wayne. This chapter presents our findings at CIC in five parts. I'll present the first two parts — Crown Corporation Reporting and Corporate Activities. Andrew Martens will present parts C and D — Investments in Commercial Enterprises and Investments in HARO Crown Life. Andrew, as Wayne mentioned, is our senior manager in charge of the audit of CIC.

I'll then conclude the presentation by reviewing the last part, part E — Matters of Continuing Importance.

In part A, the Crown Corporation Reporting, we report on the need for CIC and its subsidiary Crown corporations to give the Assembly essential accountability information. We make three recommendations in this part.

First we recommend that CIC's annual report and the annual reports of its subsidiary Crown corporations include comparisons of planned performance and actual results. I think MLAs (Member of the Legislative Assembly) and the public need this information to evaluate the performance of these Crown corporations.

As you're probably aware, the committee's second report referred a similar recommendation to the Crown Corporations Committee for consideration. We also recommend CIC and its corporations provide the Assembly with a list of persons who receive public money. We think it's important that MLAs and the public see who received public money.

Our third recommendation is that CIC and its Crown corporations should provide the Assembly with financial statements for all their subsidiaries. This committee's second report concurred with our recommendation except when there's confidentiality clauses which prohibit such disclosure. And I believe CIC and its Crown corporations are now starting to comply with this recommendation.

In the second part — part B, Corporate Activities — report on CIC's need to improve its budgeting and interim financial reporting practices. Again we made three recommendations.

The first recommendation is that CIC's board should approve an overall budget and business plan for CIC's activities including those of its subsidiaries, and also for those activities carried out through its subsidiary, CICIII (Crown Investments

Corporation Industrial Interests Inc.). For 1995, CIC started to comply with our recommendation and that's progress in that area.

We also recommend CIC's board needs to receive interim financial statements for the overall activities of CIC and also for the activities carried out through CICI. In 1996, CIC did comply with that recommendation so there is good progress in that area.

Our third recommendation relates to getting proper approval for CIC's investments. In 1995, CIC increased its participation in the Bi-Provincial upgrader, it loaned money to and acquired shares of HARO Financial Corporation, and it did so without the Lieutenant Governor in Council's approval.

Are there any questions to this point?

Andrew, would you please now present part C and part D.

Mr. Martens: — Okay. Thanks, Brian. As the table on page 62 shows, CIC manages many large investments such as the two oil upgraders, Saskferco, and HARO Crown Life. Effective investment management is an important aspect of CIC's responsibilities. Part C of this chapter reports the results of our audit work of CIC's investment management system. To begin our work, we agreed with CIC on the elements that would comprise a good investment management system. We agreed on the five elements or criteria that are noted in paragraph .59.

The first criteria is that CIC should have a clear framework that outlines the methods it uses to manage investments. The second is that CIC should have clear and measurable objectives for each investment. Third, CIC should appropriately monitor the status of each investment. Fourth, CIC should adequately evaluate the progress of each investment and consider if it needs to take further action. And fifth is that CIC should provide adequate reports about each investment to senior management, cabinet, and the Assembly.

We concluded that CIC's systems and practices to manage its investments are adequate, except in the four areas where we make recommendations. Our recommendations are shown in paragraph .53.

Our first recommendation is that CIC should prepare a concise summary of the specific objectives it has for each investment. A summary is needed since the investment reports that CIC prepares are very lengthy and the objectives may appear throughout those reports. The summary should clearly state the specific results that CIC intends to achieve over a definite time period.

The second recommendation is that CIC should have written policies that outline the procedures it uses to manage each investment. We think having written guidance for each investment is useful, especially when there are changes in investment management responsibilities at CIC.

The third recommendation is that CIC should follow its existing policies when making investment decisions. One of those policies is that CIC should take an appropriate equity interest in

an investment when the terms go beyond normal commercial terms. And we think that's an appropriate policy to follow.

The fourth recommendation is that CIC should improve the way it monitors HARO and Crown Life. In 1995 CIC obtained verbal reports from HARO, and we suggest CIC should receive regular written reports and also consider if there's other means that it could use to monitor this investment.

Part D begins on page 70. Here we report whether CIC properly accounts for its investment in HARO and Crown Life. In 1995 there were several changes in the ownership structures of HARO and Crown Life and that required us to pay more attention to this investment.

Those changes are described in paragraph .89. And they are: first, HARO acquired a majority of Crown Life's common shares; second, CIC invested an additional \$150 million in HARO; and third, CIC acquired non-voting common shares in HARO.

According to the accounting standards that CIC follows, investments are accounted for differently depending on whether or not CIC controls them. CIC had been accounting for HARO at cost because it did not control HARO. However it was not clear if this method was still valid after the ownership changes that took place.

After examining this matter in detail, we concluded that CIC does not control HARO, and CIC continues to properly account for this investment by using the cost method. That concludes my comments on part C and D.

Mr. Atkinson: — Thank you, Andrew. Part E, the last part of our chapter on CIC, deals with matters of continuing importance. And this is an update on things that we reported in our 1994 fall report.

It includes two things. The first is that the public policy and business objectives for CIC and its Crown corporations, we recommend they be disclosed. And the reason for this is that we think that the public and MLAs need this information to be able to evaluate the performance of those Crown corporations.

CIC in 1996 made some progress in this area. CIC initiated a Crown review, and I believe that the public policy objectives of the Crown corporations was included in that review. So there is being some progress made.

The last matter deals with standard assumptions for CIC's Crowns when they're calculating their pension costs and obligations. We've recommended that they use standard assumptions where possible. And in 1996 all CIC's pension plans used the same assumptions for inflation, and that's important.

The second assumption that we've keyed in on was the future benefit increases, and all CIC's pension plans used the same assumptions for that except for SaskTel's superannuation plan. So in total there's been some good progress in this area.

That concludes our presentation. If there's any questions?

Mr. Strelloff: — Thank you very much, Brian and Andrew.

The Chair: — Thank you to the Provincial Auditor and his staff. Now if there are no questions right at this point, what I would suggest then is we provide some opportunity here for Mr. Wright to . . . well to first introduce his official with him this morning, and then also to provide us with an overview from your perspective on the chapter. Then we will follow up with a question and answer period, that questions will be addressed both to you and to the Auditor's staff as well. What we will come back and deal with, every recommendation specifically at the end of our agenda. So if you want to keep your specific comments and reserve them for that point, it's up to you.

But for good order's sake, I have to read this statement to you with respect to your testimony as witnesses appearing before the committee. And that being that:

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

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

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

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I would ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document.

And you are reminded to please address all of your comments through the Chair. And with that I'll thank you and we'll turn it over to you this morning, Mr. Wright.

Mr. Wright: — Thank you very much, Mr. Chairman. I must admit on a personal basis, those last few comments sound a little bit like the Spanish Inquisition, that one must be careful. However I have been here several times, and I've always enjoyed the dialogue here.

With me today is Patti Beatch, my vice president of finance for Crown Investments Corporation. I'd like to keep my comments very, very short, because I enjoy questions as opposed to a long monologue on my part.

Again it's a pleasure to be here. I was here last October 8, dealing with many of the same issues in different forms. Since that time I've also appeared at the Crown Corporation Committee, answering many of the same questions as per here, and I'm back here again today.

From my perspective I do recall that, on October 8, this committee addressed many of the issues and considered that many of them should be referred to the Crown Corporations Committee for consideration. From my perspective — again, I'm pleased to be here, I have no problems with that — but one could argue that there appears to be a duplication of effort from time to time. Certainly I hear what the Provincial Auditor is saying with respect to the role of the Crown Corps dealing with future and policy-oriented matters. In fact one could argue, Mr. Chairman, that many of these issues are in fact policy matters.

I would appreciate if this committee could provide me with any direction as to which of the committees I should be dealing with — both, or the Crown Corp Committee — on many of these issues. Again, I'm pleased to be here and I'm pleased to answer any of your questions.

The Chair: — With that concluding the opening remarks, questions from committee members?

Ms. Draude: — Good morning and thank you for being here. Actually, when I had the opportunity to look at CIC, it's one part of government spending that has always been interesting to me. And I think as a new member on Public Accounts, I guess you'll have to bear with me if I ask questions that you feel aren't suitable, or if there's something that I should know already but I don't.

When I talked to . . . listen to government members talking about planning, forward planning and accountability and their openness, I'm glad to hear that. People need to hear that because the importance of what the Provincial Auditor does for the people of the province can never be underestimated. I think that when we hear . . . if the government is talking about open and accountable, they of course should be willing to answer questions any time, any place, on anything.

So we hear that there might be some duplication, and I guess maybe that might be annoying for people, but out in the real world, as I like to call it, you can never ask a question too often if people haven't gotten the answers. So I do appreciate the opportunity to ask these questions. I know that 40 per cent of government spending actually comes through the Crowns, so people do have a right to know.

The minister yesterday in the House said that, taxpayers and citizens, we were all shareholders in the Crown entities, and as a shareholder in my own company I know that I have questions to ask, and I ask them of our board fairly often. So this is a good opportunity.

The first thing that I really would like to know is are you expected to give projections for government budgetary estimates early for them to determine what dividend will be given from CIC and to government when they're doing their budget in March, or whenever it comes forward?

Mr. Wright: — Mr. Chairman, indeed there is a highly integrated planning cycle and budgeting cycle. There are ongoing meetings as between Department of Finance and Crown Investments Corporation in formulating not only the

provincial budget *per se*, but of course the level of dividends that could be paid over the course of the year from CIC. Ultimately it's the General Revenue Fund.

Ms. Draude: — The last couple of years it's been the same figure of 50 million. Is that correct?

Mr. Wright: — That's what's been budgeted. That's correct.

Ms. Draude: — So then when we see the buoyant economy that is out there . . . each, the last two years, this is a very positive statement. Then I'm just wondering how you can . . . how 50 million is just a number that happens to be the same number for the last two years in a row that you can give from CIC to the government.

Mr. Wright: — Well there are many considerations into what the dividends should be. Not only the availability of dividends from what I'll consider the four major Crown corporations — SaskTel, SaskEnergy, SGI (Saskatchewan Government Insurance), and SaskPower. In addition it depends upon the state of conditions dealing with many of our large investments.

For example, Millar Western up in the north-west portion of the province. How are the upgraders doing? How is the availability of dividends flowing from Crown Life? How is the investment up in the north-east portion of the province doing? How are a lot of the smaller investments doing, and so on.

All of those things take shape, take form, to determine whether or not a dividend can be zero, 50 million, or potentially a hundred million dollars. Indeed through the budgeting process and on the basis of what was deemed to be fair and reasonable on all sides of the equation, 50 million was budgeted last year. It was in fact delivered, in addition to an incremental \$364 million I believe, 364.7 million dealing with the sale of Cameco shares. And for 1997-98 there is a budget of 50 million again.

Ms. Draude: — One of the recommendations that I noticed is to include comparisons of planned performance to actual results. Is that something that you are doing now?

Mr. Wright: — That we're not doing now?

Ms. Draude: — Are you doing it now?

Mr. Wright: — No.

Ms. Draude: — Again because I am new, I noticed that there was a recommendation for the last two books that I've looked at, is there any . . . are you working on that?

Mr. Wright: — No.

Ms. Draude: — Why?

Mr. Wright: — Let me clear . . . so I understand. We're dealing with paragraph 14, page 57, is that correct?

Ms. Draude: — Yes, we are.

Mr. Wright: — Let me tell you where we're at on this. We do

in fact disagree with the Provincial Auditor on this. If I can read, please:

CIC and its subsidiary Crown corporations adhere to the disclosure requirements for annual reports as contained in The Crown Corporations Act of 1993. And its subsidiaries disclose items such as their corporate mandate, strategic plans, corporate objectives, and evaluation made on achieving those objectives in the annual report. In addition, a detailed report on operations and industry trends is included in each annual report.

CIC believes the performance of Crown corporations can be adequately assessed from the current information contained in the annual reports. CIC is continuing to compare the CIC Crown corporation annual reports to those of our competitors in the private sector and believes that the information contained in these reports meets or exceeds that contained in the reports of our competitors.

CIC and its subsidiary corporations also appear annually before the Crown Corporations Committee, which is a public forum, for the review of financial results as well. CIC has provided in the past and will continue in the future to provide full disclosure of its assets and the directions of its subsidiaries.

Ms. Beatch: — If I could just add to that — having said all that and indeed we believe fully that our annual report has full disclosure — we are trying to move towards at least providing objectives as opposed to quantifying and giving a budget of our forecasts. In 1996, for example, on page 15 of our annual report, we stated our corporate objectives for 1997 and we hope, going forward, to sort of report against objectives.

So while what John just described, we continue to disagree with the auditor in terms of disclosing detailed budget figures, we intend to at least describe our strategies and where we intend to go with the corporation as a whole, going forward.

Mr. Wright: — If I could add to that, Mr. Chairman, just very briefly, I would encourage all members to take a look at CIC's 1996 annual report. I think you'll find it significantly improved over previous annual reports. The degree of disclosure is — I hope the auditor would agree with me on this — is much greater, setting out the corporate objectives, vision statements, mission statements, value statements, and so on. I think our degree of disclosure has improved tremendously and I for one, along with my colleagues at CIC, are very proud of this 1996 annual report.

Ms. Draude: — Well I'm pleased to hear that it's improved. I guess I'm waiting to hear if the Provincial Auditor feels that it's improved. Because again, as a shareholder — because I'm a citizen — I think that I know, in the real world again, when we do a cash-flow projection, we are monthly — at least monthly. We are obligated to show to people that I deal with what I'm actually planning to do each month; what I forecast to do. I have to see how close it's happened in actuality.

If we have to wait a year to see what's actually happened, I don't feel I'm being informed. And as a taxpayer I think that

that's something we have a right to know. So I guess I find this disappointing. If there is a plan that everybody is proud of, then why wouldn't we have the opportunity to see that progression?

Mr. Wright: — I think, Mr. Chairman, if I can try to address . . . (inaudible interjection) . . . I'm sorry?

Ms. Draude: — Go ahead.

Mr. Wright: — If I can try to address this briefly. As you know, SGI CANADA for example, is in competition with approximately 100 other private sector firms in the Saskatchewan market-place. The disclosure of budgeting results or budgets planned for the year, or on a retrospective basis, may in our opinion provide a degree of disclosure which may in fact undermine the competitiveness of SGI CANADA. Similarly, SaskTel *vis-a-vis* AT&T and Sprint and so on. There is a question of competitiveness.

I'm not familiar — again, I believe I stated this on October 8 — I'm not familiar with any private sector corporations that provide their budgeted results. There may be one or two out there, certainly. I think we had a little scratching of the heads last time around to see if anybody here could think of any, and none came immediately to mind.

Again I emphasize that what we are disclosing, relative to our Crown corporations, meets or exceeds that contained in the reports of our competitors. And if there are steps that we can take to improve upon that without undermining the competitive position of the Crowns in the market-place, we will in fact do that.

Ms. Draude: — I was going to go on to another . . . (inaudible) . . . but if somebody wants to go ahead, it's . . .

The Chair: — I had Mr. Thomson next.

Mr. Thomson: — Thank you, Mr. Chair. I want to apologize. Earlier when Andrew was being called on to do part C, I thought the auditor was finally recognizing my expertise in this area. So I apologize for my earlier intervention. I want to thank the auditor for his . . . auditors for their presentation and also want to thank Mr. Wright for appearing before us today.

The issue I guess is contained in paragraph .14 and in several of the other recommendations that are coming forward, really goes back to this debate about to what extent we want this committee involved in the day-to-day management affairs of the corporations.

And I appreciate Ms. Draude's questions but I think we need to, we need to remain somewhat focused here in terms of what I believe our purpose is. And that is largely to review the accounts and to ensure that proper financial practices are followed. The larger issues, I feel are better dealt with through Crown Corporations Committee.

I don't want to stifle the debate today and in fact I think that there are some financial issues we should move along to discussing. What I would like to do, Mr. Chairman, is to I guess give notice that I will later on today be moving that we consider

paragraphs .14, .31, .38, .53 and .104 together and that the specific wording at this point is that we note the auditor's recommendations as contained in those paragraphs and ask that these be dealt with, be referred to, the Standing Committee on Crown Corporations for their review and consideration.

The Chair: — Mr. Thomson, if you're providing notice at this point, do you have any other questions of a general nature . . .

Mr. Thomson: — Not on .14.

The Chair: — Other than just providing notice?

Mr. Thomson: — And I understand there may be specific wording we need in terms of asking that committee to deal with . . .

The Chair: — We could address that at that point in time then perhaps.

Mr. Thomson: — So if other members have questions we can certainly proceed that way, but I would appreciate the opportunity to make that motion at the end of those.

The Chair: — Thank you, Mr. Thomson.

Ms. Haverstock: — This is just to follow up on both what June has stated and your comments about the fact that you're now stating objectives, which I'm pleased to hear about. How are you going to measure whether or not you have met your objectives?

Ms. Beatch: — Within CIC every year we have a business planning process whereby we state corporate-wide objectives, which is in fact what are described in the annual report, and then we actually develop divisional objectives to match against the corporate-wide objectives. And our intention is to at the end of the year sort of see how we did on a divisional basis and sizes up against corporate objectives, and then we will presumably disclose against them.

Ms. Haverstock: — You'll presumably disclose against them?

Ms. Beatch: — Well we will. We will describe how in fact we . . . the measures we took to achieve the objectives.

Mr. Wright: — I think, Mr. Chairman, very simply what you'll see in the 1997 annual report — when it comes out — is in the 1996 annual report we stated these were our objectives, here were our results.

Ms. Haverstock: — Good. Isn't that no. 14?

Mr. Wright: — Well I think you'd have to ask the Provincial Auditor that question.

Ms. Haverstock: — Well I guess one of the things I'm trying to figure out here is why this is so complicated. If you're laying down objectives, if you're, as responsible for CIC, determining whether or not you've met those objectives, you are having to employ some method of determining if you've gone from here

to here, and in fact whether or not your planned performance is different from your actual result. If you're already doing it, what's the big deal?

Mr. Wright: — Mr. Chairman, if I can. Our interpretation of this — and maybe the auditor will correct me on this — is quite simple, which is I believe he wants disclosure of budgetary issues and items. If that's not the case, then I'm pleased to report that CIC will be adhering to the recommendation by including our objectives, as it deals with our objectives in measuring our performance relative to our objectives.

Ms. Haverstock: — So the real issue here is what you don't want to do is put down numbers. And the rationale for that is that private sector corporations don't do that and corporations such as SGI have to be competitive with these private sector corporations. Is that the rationale for not using the numbers?

Mr. Wright: — In a summary form.

Ms. Haverstock: — Okay. Well I'll just make one comment before we turn this over to the Provincial Auditor to respond to your question put to him. SGI isn't a private sector corporation?

Mr. Wright: — No, it's not.

Ms. Haverstock: — Period. Okay.

The Chair: — Ms. Haverstock, do wish the auditor to respond?

Ms. Haverstock: — Yes, I'd like him to.

Mr. Strelloff: — Chair, members, Ms. Haverstock. My understanding of the question is . . . and that came from Mr. Wright I think, and that relates to a paragraph .14 where we say that:

CIC should ensure its annual report and the annual reports of its subsidiary Crown corporations include comparisons of planned performance to actual results.

Now in developing planned performance one would expect that the corporation set out clear . . . what it plans to achieve in terms of clear and measurable objectives. What key performance indicators are they looking at to make sure that what they're achieving they actually do achieve. What are the key issues that the corporations have to manage well to make sure that they achieve what they plan to achieve successfully. And then where do legislators and others go for further information about those issues, and objectives, and performance indicators.

So as Mr. Wright has said, the corporation is beginning to identify clearer objectives. And what we're looking for is more specific performance indicators that will bring that to life, and then reports that will tell legislators and members of the public what they plan to do compared to what actually happened.

There has been progress but there certainly is significant progress to go. We think such information is essential to help you, as legislators representing the public, understand and access the performance of any organization including Crown

corporations.

Ms. Haverstock: — And I'm interested in your point of view. And I do recognize the comments made by Mr. Pringle that this is a very simplistic point — that there are private sector corporations and then there are Crown corporations. Obviously we're talking about one's ability to compete. We're also talking about the fact that private sector corporations don't have public money in them.

So if you would make comment, if you wouldn't mind, on how you would see this either endangering the competitive edge, if you will, of Crowns to . . . if they indeed would do what you have suggested in, which your office has suggested in .14?

Mr. Strelloff: — Mr. Chair, Ms. Haverstock, members, .14 focuses on at the end of the year a plan versus actual performance. It doesn't talk about what the planned plans for the future are.

Now so there's . . . I don't know where the arguments would come in terms of how that would impact your competitive interest to show what you plan to do compared to actually what happened at the end of the year, particularly if the degree of aggregation that we're talking about . . . we're not talking specific contracts that a person might enter into.

There may be contracts that corporations may come to standing committees and say, it's not in the best interest of the corporation to disclose. But they are very specific and they would explain why, and the committees would decide whether that was the right thing or not.

So the .14 focuses on the past in terms of planned performance to actual results. If you remember we went through this discussion last spring, and it was in the context of having a complete plan for the government as a whole. And some arguments were presented that said that, well if the government did present a complete plan when it presented the estimates to the Legislative Assembly, that complete plan may have elements that would hinder the competitive advantage of some corporations. And usually the two corporations that are usually cited are SGI — the property and casualty insurance component, not the auto plan — and some aspects of SaskTel.

And in the discussion, you asked me to find out what other corporations and agencies across Canada disclosed in the context of what was already publicly available in planning information, and focusing in on the public utility boards in other jurisdictions. You wanted to know whether those boards required planning information to be presented by Crown corporations or privately held corporations in the utility business or the communication business. And we provided you a wealth of planning information that was already publicly available in Canada, including the CRTC (Canadian Radio-television and Telecommunications Commission) and other aspects of operations that our government has entered into.

So I thought that discussion put to rest the idea that planning information wasn't available in other jurisdictions, but it still does surface. So I think it's important for corporations in an

internal sense to have clear objectives and measurable objectives and performance indicators, and know what the key issues of the day are. But also it's important in an external sense to help legislators and the public understand and assess the performance of corporations.

Now .14 is just one small part of it. It says at the end of the year put in your annual report what you planned to do compared to what you did. And in terms of objectives and performance indicators; and also, no doubt, the total revenues and total expenses and planned net income and planned dividend patterns are also important to parts of a corporation's plans. And I still think it's very valuable information for all legislators.

Ms. Haverstock: — If I may, and I won't proceed with .18 if the comments . . . Are you wanting to comment on .14? Okay. Then I'll just wait.

The Chair: — Well I have Ms. Draude . . .

Ms. Haverstock: — If I may, I think it would be only fair to ask Mr. Wright if he had comments to make following the Provincial Auditor's remarks.

Mr. Wright: — Not extensively, Mr. Chairman. There are situations that do arise. The Provincial Auditor and I have discussed these many years ago. Ongoing discussions that . . . and I'll use one example; it's the sale of an asset. Even if you did what the Provincial Auditor required or asked, in fact the sale of that asset did not occur over the course of the year.

By including that in the information later on, you may be signalling — in spades — to the investment community, to shareholders, to others, what you are planning to do with that investment. And that can alter behaviour out in the market-place.

For example, if we owned shares in XYZ corporation in a significant way — let us say we owned 35 per cent of the shares in XYZ — and over the course of the year we had planned on selling our shares in XYZ, but because market conditions weren't quite right and we chose not to do so, and we disclosed in our annual report that we had anticipated selling the shares in XYZ, that can have a profound impact in the market-place on the value of that corporation; in a negative way, possibly in a positive way.

That is but one example of caution that must be exercised in a lot of this. And I'll let it go at that, Mr. Chairman.

Ms. Haverstock: — Given that the two of you have had this discussion before with each other, is that something that was anticipated in some of the recommendations that you've made? Does that alter any of your recommendations, given the example that was just cited?

Mr. Strelloff: — Mr. Chair, members, Ms. Haverstock, no it doesn't alter my recommendations. There may be specific contemplated transactions that an organization does not signal in its plan. But that's why you have comparisons to actual results. You have variance analyses that will say, well here's what we said we were planning to do, here's what actually

transpired, and here's why the difference happened. And if it has to do with a specific sale of shares, no doubt that would be part of the explanation of what the latest plans or results are of any corporation.

Ms. Haverstock: — I think what was . . . I mean I think what was very legitimately stated is that if in fact part of the plan was to sell certain shares and the decision because of the present state of whatever indicates that it would not be wise to sell those shares even though that was part of the initial plan, and then when you're making the actual results, the very fact that you're signalling that that was part of your initial plan could in fact have an impact. Which I think was a reasonable comment.

I'm wondering how that fits in, how you would in fact recommend that that kind of problem would be addressed while still being able to have what you've suggested here as recommendation .14.

Mr. Strelloff: — Mr. Chair, members, Ms. Haverstock, as you know, the Crown Investments Corporation holds many types of shares and ownership structures. It doesn't have to signal in a specific way which shares might be disposed of or not disposed of. It may signal that it might be looking for possible opportunities to invest or divest — which they discuss right now in a more general way.

So in terms of the level of detail, the specific type of transaction that might be contemplated, there wouldn't be need to disclose that in that detail.

Ms. Haverstock: — Okay. So you're saying that what this really is, is an indication of the overall plan, a method of evaluation, and you're not saying, so disclose to the point where there would be problems in the markets or whatever; that there's not that kind of specificity.

Mr. Strelloff: — Well, Mr. Chair, members, Ms. Haverstock. Well of course. We're not saying to disclose things that would . . . if in those very few examples that may hinder the ability to do the transaction, I mean don't disclose that level of detail.

But that's very . . . the exception. There are very few circumstances like that, and when they do happen, the government and its officials have many opportunities to explain why that happened.

Mr. Wright: — Mr. Chairman, if I may, and let me use an example — a real one — called Cameco Corporation. The Provincial Auditor suggested I do a detailed variance analysis initially. Now he's saying that I don't. How do I explain whether we did or did not do a \$700 million transaction? It sticks out like a sore thumb.

Alternatively, it's not just share corporations. There may be other investments that CIC holds that it may at some point in time decide to divest of its holdings. And some of these transactions can take a long time. You may plan on the transaction taking three months; it can take two years.

You may be signalling very inappropriately to the market-place what you were planning to do after the fact because you didn't

do it. I think that this is extremely problematic. If we were to disclose this, surely the Provincial Auditor would want, and I think you as legislators would want, a full explanation of the variance analysis. This has complications.

The Chair: — Mr. Strelloff, did you want to make any other comment; otherwise I'll ask Ms. Haverstock again to carry on?

Mr. Strelloff: — Well, members, Mr. Chair, and Ms. Haverstock. The key issue I think that we're dealing with is the degree of aggregation that is disclosed.

And also where there are transactions that would . . . that if they disclosed the transaction prior to it happening, would impact the ability to do the transaction in the best interests of the province, I'm sure the officials of government would have ample opportunity to explain why that wasn't in their publicly disclosed plan.

But I mean there's a broader issue, and that is that these transactions aren't the main of what government does. There are activities carried out through the Workers' Compensation . . . (inaudible) . . . through SaskTel, SaskPower, SaskEnergy, the auto fund — all the different organizations that carry on important public business — where I think it's important for legislators and the public to know what those organizations plan to do and actually do in the normal course of their business.

The Chair: — Mr. Wright, if I could allow Mr. Wright. You had another comment you wish to make.

Mr. Wright: — I must take strong exception to what the auditor is raising, for example, and he's referring to CIC should ensure its annual report discloses this.

Let me give you the example. In 1995 the degree of aggregation on revenues was \$170 million. Now if we on the non-consolidated operations and reinvestment earnings pertaining to page 85 of our annual report for 1996, 170 million . . . the sale of the Cameo shares was a \$700 million transaction, which raised it — because we deal with the gain on the sale of the investment — in 1996 to 722 million.

I don't understand how the Provincial Auditor can say, well the degree of aggregation is such that you don't have to be concerned about this — I do.

The sale of the Wascana shares was \$120 million net cash gained to the province — \$56 million in terms of the capital gain. These are significant dollars that you just simply can't brush aside. And the implications of planning to do something but not doing it over the course of the year because of market conditions or because of timing or the complexities of the negotiations, revealing this after the fact, can — I'm not saying will — but can impact on the ultimate value that you may derive from that. And I'm using that as just one example.

Mr. Thomson: — Mr. Chairman, I'm becoming somewhat concerned that we are, by the way that we are conducting the meeting today, forcing our officials into a difficult position, both the auditor and the president of CIC, in that we are essentially asking them to debate the issues.

If I would suggest that perhaps a more civil way to proceed would be to ask specific questions to one or the other, or in the case that there's need for a rebuttal. But I just worry we're putting the officials in a very difficult spot today.

The Chair: — Thank you, Mr. Thomson. And I would remind all officials present again that to address all . . . if there's any comments they wish to make, anything specific, address it through the Chair and I will undertake to make sure that continues to be our procedure that we follow.

But I'd like to turn this back over to Ms. Haverstock if I could. She did have a further question, I believe.

Ms. Haverstock: — Actually I would just like to state that I'm very, very interested in what the officials have had to say. I'm most appreciative that you're here and that you're willing to share your points of view. That's precisely why we have people with expertise here. I wouldn't claim that anyone in this room other than the officials have the expertise to discuss these issues in any detail.

My . . . (inaudible interjection) . . . Well I'm talking about the kind of points of view that they have to offer are very different from anything, Mr. Chair, that any of us would have experienced at this depth.

Mr. Koenker: — That's better.

Ms. Haverstock: — Well I'm sorry that you misinterpreted my previous comment. I wasn't talking about people having no level of expertise here; I'm talking about the level and depth of knowledge that they have that we don't. And I don't know how we could, given that we don't have their experience and their knowledge in their fields.

Just to go back then. It appears that in fact there is much of what you are already doing which is compliant with the recommendation in .14; that in fact it's more even now than it was in the last annual report. And that's, given your citing of specific objectives, that there seems to be where there's a parting here, is when there was some suggestion that this dealt specifically with numbers, okay, and that that's what you had greatest concerns about.

Mr. Wright: — Yes, Mr. Chairman, if I may, that is a large concern. It's also unfortunately the degree to which you specify your corporate objectives. I wouldn't want to specify that my corporate objective in 1997 is to sell ABC corporation. I just simply wouldn't want to say that and measure me at the end of the year.

But we are trying to make efforts to improve the quality of what we're reporting here. Again I believe that this annual report, very much so, is a significant improvement and we're going to try to improve it more and more each and every year. We certainly want feedback from the auditor ultimately at the end of the day on his views. We've received some. I think some have been positive and they've made some suggestions for further improvements and that's constructive. That's very, very positive. So we're always trying.

Ms. Haverstock: — Well what I will do is indicate that I think that there's always, always room for improvement, always room for ensuring that there's greater accountability, and it's one of the great parts about being imperfect, is we can become more perfect each and every day, and that includes accounting methods as well as just living life.

I have actually heard, Mr. Chair, between both the Provincial Auditor's office and the president of CIC and his assistant today, that there's probably greater agreement here than what has been indicated by the discussion. I'm hoping that that will be done even further. And I did not hear from the Provincial Auditor's office that, first of all there was any assumption ever made that there would be disclosure that would put at risk any potential business dealings; and secondly I also heard that information wouldn't be so specific regarding numbers as to create, let's say, a bad impression, if you will, of CIC.

Now if I've ... (inaudible interjection) ... pardon? If I have misinterpreted that, I would just simply like clarification and then I will allow other people to talk about .14.

The Chair: — Mr. Strelloff, if you would make some comment.

Mr. Strelloff: — Mr. Chair, Ms. Haverstock, I think what you've said is a fair reflection. CIC has improved a lot on its performance reporting, particularly internally and now more so externally. And that when you do disclose plans versus actual information, from a historical perspective there's far less risk to impact transactions that have already occurred. From a future-oriented position, certainly corporations wouldn't be expected to disclose transactions that would ... or information about transactions that would negatively impact on those transactions. And that's a very important judgement call, and to me it usually relates to the degree of aggregation that a particular corporation is explaining.

The Chair: — Thank you, Mr. Strelloff. I had next on the order paper, Ms. Draude, but if ... I was given to understand that perhaps your questions were going to be a little more far-ranging, not perhaps dealing specifically with recommendation .14. And I understand Ms. Stanger has some questions in that regard. So if it's all right with you?

Ms. Stanger: — I have a comment, Mr. Chair. Thank you, Mr. Chair. Mr. Wright and Ms. Beatch, I want to commend you on the excellent job that you did on this current CIC report. If you take it ... if you line it up with previous ones, obviously it's an improvement. And not only that, it's obvious to me that you take great pride at CIC in the work that you do. So I want to say thank you for that.

I just want to make one short comment on recommendation .14. I believe that CIC and its subsidiaries disclose items such as their corporate mandate, strategic plans, corporate objectives, and an evaluation made on achieving those objectives in their annual report. A detailed report on operations and industry trend is included in each annual report. CIC appears annually before the Crown Corporations Committee, and I think this is where it should. The Crown Corporations Committee is a public forum for review of financial results.

As long as this government is directing CIC, it will provide, and will continue to provide in the future, full disclosure of its assets and the directions of the subsidiaries. So I just want to say that I think, myself as a shareholder, I would want you to conduct the business of CIC as competitively as you can.

When I think of the Bi-Provincial upgrader in my constituency and the amount of money that the taxpayers have in that operation, I want you to continue to do the business. While being honest and as accountable as you can be, you have to be as competitive as you can be. While we hold shares in that business, I do not want ... I want us to be competitive and I want us to be able to ... if we decide some day to sell or improve our shareholding, it is done in a way that we aren't hampered by that. I think the opposition would agree.

After we had our CIC Crown review across this province, the people in this province across party lines want us to conduct the Crowns as businesses. This is what we are trying to do as a government, this is what our ... the president is trying to do.

And the point is, not for one minute would I want to hamper the accountability that we've been able to achieve since 1991. I think I agree ... disagree. I think that this, with the recommendation of the auditor, this should go to CIC ... to Crown Corps, where it belongs. And that's my comment.

The Chair: — Thank you, Ms. Stanger. Given the time, I would like to suggest to the committee if we might take a short break, grab a cup of coffee and reconvene at 20 minutes to the hour. If that would be acceptable?

Mr. Thomson: — Given the time, and the length of questioning and the amount of debate that's going on in this Assembly, I would suggest that we just proceed. I'm anxious for us finish the CIC chapter today and not unduly delay it.

The Chair: — I'm trying to gauge the time that might be required here to get through the business before us and my estimation is that perhaps we aren't going to be able to complete the business before us today. So that was why I suggested that. If it's not the wish of the committee, we can just grab a cup of coffee and we continue.

Mr. Koenker: — Mr. Chair, I think that the people have been enjoying coffee throughout the meeting and I think I would suggest we simply continue. If people want coffee they can continue to get up and get it.

The Chair: — Fine.

A Member: — If you have to go the washroom, Mr. Chair, we'll excuse you.

The Chair: — Very thoughtful. Thank you. Could I then ask Ms. Draude to continue. You had some questioning?

Ms. Draude: — Thank you very much, Mr. Chair. And I will go on because I think we've ... there's been considerable discussion and although I understand that there has been some coming together and some ... that maybe as suggested by Ms. Haverstock, that we aren't as far apart as maybe it looked

between the Provincial Auditor and CIC, that I don't think we're probably going to get any further this morning by lingering on it.

I do want to make a comment as to what Ms. Stanger said when the . . . I think the Public Accounts Committee was something that I had been led to believe was a non-partisan . . . an opportunity for us to have some real discussion, and then I sit and listen to politics again, which is very disappointing when you were actually supposed to be sitting here and we are supposed to be discussing . . . what's it, what where . . . the money and the control that people have of other assets.

So I would like to go on to a specific . . . specifically to HARO and I would like to just ask some very pointed questions on it and the number of questions that I've been asked to . . . that we discussed were part of Public Accounts.

Mr. Thomson: — Point of order, Mr. Chair.

I am interested as to how you wish to proceed. Are we going to discharge each of the recommendations in order? Or do you want to group them? Or how do we want to proceed? Are we now just in a general discussion? Are we going to be back on this as we are considering each recommendation?

The Chair: — Mr. Thomson, I entertained a conversation with you earlier where perhaps there was an expression of interest in dividing up what were the motions that you gave notice on. So it is our intention to deal with these individually at the conclusion of our, I guess what would have been a more general nature in terms of our questions.

But having said that — I mean general in terms of far-ranging — then if people have some more specific questions they want to ask in a particular area, I was prepared to allow that and allow the opportunity for officials to fully explain their positions on it. Now that was what I had intended to do, and so Ms. Draude is allowed to continue, if you would.

Ms. Haverstock: — Because I . . . it relates to Andrew's comment. I know that I had questions about item .18 which is the second recommendation. So are we going to deal with questions in a particular kind of order? Or will we be able to simply come back to the second recommendation after discussion that's more specific to HARO?

The Chair: — Well, Ms. Haverstock, I would suggest I get you back on the order paper here and you can put your questions, as Ms. Draude will be, or any other member of the committee, and at the conclusion of all members having had an opportunity to ask the questions that they have, we will revert back to recommendation .14 was the intention. And we'll deal immediately, recommendation by recommendation, was my intention — as far as what the recommendation of our committee will be with respect to those.

Ms. Haverstock: — Yes, I would understand . . .

The Chair: — So at this point we're allowing a far-ranging question and answer period.

Ms. Haverstock: — Okay, that's all I needed to know. I knew the latter part, I just didn't know the former.

Ms. Draude: — I'm just wondering if you can tell me what the amount of the outstanding loans is that HARO has right now.

Mr. Wright: — I'm sorry, Mr. Chairman, could the hon. member repeat her question, please?

Ms. Draude: — From the Crown Investments Corporation can you tell me what the amount of the outstanding loans is that HARO has.

Mr. Wright: — The outstanding loans are \$203 million plus 150 million.

Ms. Draude: — And loan guarantees?

Mr. Wright: — None.

Ms. Draude: — Okay. I understand that Crown Life has had a couple of good years financially and we're wondering what the amount of the loans . . . has there been any payback of these loans?

Mr. Wright: — No dividends have been paid. With respect to the 203, the 203 has an interest rate attached to it which is BAs (bankers' acceptance) plus one and three-eighths, something like that, in interest shall be paid on available cash flow. Available cash flow has not been sufficient to make payments on that. With respect to the \$150 million — round figures — \$150 million loan, that has an interest rate attached and payments are made quarterly on that? Or . . .

Ms. Beatch: — Semi-annually.

Mr. Wright: — Semi-annually, and have been made regularly and are up to full value right at the moment.

Ms. Beatch: — If I could answer that first point just so that it's understandable, because it is an awkward structure the way there's the government and then there's HARO, and then there's Crown Life.

John referred to available cash flow of HARO on the initial loan, and the way that works is Crown Life is required to pay dividends to HARO. At some point, they will presumably pay dividends to HARO — I should avoid using that word presumably — until such time as HARO receives dividends from Crown Life. That is their only source of cash flow with which to pay us on the initial loan.

And to date Crown Life has not paid dividends to HARO, and so that's why cash has not been available within HARO to pay us on the initial loan.

Ms. Draude: — So the interest from the one and three-eighths is accruing then?

Mr. Wright: — That's correct.

Ms. Draude: — Okay. I'm wondering if there is . . . Do you foresee a day when it won't be necessary for the government to have this investment in HARO?

Mr. Wright: — Mr. Chairman, we're going well, well, well beyond the fall 1996 annual report of the Provincial Auditor here. I'd like to decline comment on that.

Ms. Draude: — Okay.

The Chair: — Ms. Draude, do you have some further questioning, then?

Ms. Draude: — Okay. When CIC made the investment in HARO in '92, it didn't follow its policy to take the ownership interest?

Mr. Wright: — Yes.

Ms. Draude: — Can you comment on that?

Mr. Wright: — Yes. The nature of this investment was such that we had to be guided by the Canada insurance Act, I believe. And the Canada insurance Act prohibits a government entity from owning any portion of the shares of a particular life insurance operation.

As a consequence, this arrangement was structured in a different way for HARO to act as an intermediary. Consequently our normal policies would have us assuming positions on the board of directors. This was impossible in the case of Crown Life, given the Canada insurance Act. And because of the relationship also with HARO, it was impossible.

We've gone a long way to strengthening our financial reporting frameworks with HARO. We've made specific arrangements in that regard and we're going to receive regular financial reports from HARO and Crown Life. And as well, CIC will have a non-voting observer at all HARO board meetings.

Ms. Draude: — I don't have any more questions on HARO.

Ms. Haverstock: — Yes. I'll take you back to page 57. And just to put this in context, it's the statement in no. 16, which has been a recommendation of the Standing Committee on Public Accounts that: "Crown corporations should have the same public reporting requirements as do Government departments unless otherwise stated in the mandate of the corporation".

And I would appreciate if you would simply comment on recommendation 18, that: "CIC and its subsidiary Crown corporations should provide the Assembly with a list of persons who received public money."

Mr. Wright: — Mr. Chairman, we disagree with this recommendation by the Provincial Auditor. We have a clearly understood and intentional model of accountability within the Crowns. We're concerned about the competitive implications of this as well.

I'm not concerned about Bob's coffee cup suppliers. I'm not

concerned about Ben's glasses that may be provided. But there are certain suppliers and certain contractual arrangements that the Crowns enter into. And they're for competitive reasons. For a competitor, AT&T or Sprint or any of the hundred — I'm just using this as an example — hundred other insurers in the province to know that we're dealing with certain suppliers and/or entering into certain contracts may have implications not only for the Crown, but in certain circumstances may also have profound implications for the supplier of that service.

A competitor may find out that, well, gee whiz, they're doing business with SGI CANADA, I'm going to cut them out. And it could have implications.

Again for that reason, for competitive reasons and also to protect suppliers and those who provide contractual services, we are opposed to this recommendation.

Ms. Haverstock: — Well, Mr. Chair, Mr. Provincial Auditor, I'm kind of interested, given that the comment that has been made here is that your belief is that public accountability is strengthened when all government agencies provide a list of payees. Now does this not take place with government departments already?

Mr. Strelieff: — Mr. Chair, members, Ms. Haverstock, yes it does.

Ms. Haverstock: — So it seems as though the differentiation here comes with the fact that these are Crowns, and government departments have to disclose all of this but the view is that Crowns should not have to. I think it's only fair that you have an opportunity to explain your recommendation and why you would see that this is not a concern.

I mean you obviously see this as something that should . . . they should be treated the same. This committee has stated in the past that this should be treated the same way. And there seems to be some disagreement here between what the committee has recommended in the past and what your department is recommending.

Do you see any legitimate concern being raised here?

Mr. Strelieff: — Mr. Chair, Ms. Haverstock, the recommendation that we have is consistent with the committee's recommendation in the past.

Ms. Haverstock: — I know.

Mr. Strelieff: — So far the government has moved to disclose lists of persons who receive public money in departments and in most what's called Treasury Board corporations. And the last segment that has not moved that way are those that are called CIC-related corporations.

My understanding of the main argument for not disclosing who receives public money relates to the confidentiality of some transactions. And even when asked about that in the past, I've answered and I still hold this answer, and that is if there are specific transactions that shouldn't be disclosed for competitive or confidentiality reasons, well then the corporation involved should be able to explain why. But that should be the exception

rather than the rule.

The rule is, in my point of view, should be to disclose. The exception should be when there's a specific reason why a transaction would . . . should not be disclosed. And that could be brought to your attention and explained why. And life can go on from there.

Ms. Haverstock: — Mr. Chairman, Mr. Wright, I know that having been part of the committee since 1991, I, in reading this, recall when this was brought forward by the Standing Committee on Public Accounts and there was lengthy discussion that transpired. And I think that what has been recommended is reasonable if in fact people and business can be protected by simply having the exceptions to the rule explained in more general terms.

On an overall kind of recommendation like this, could you see CIC being able to accept the recommendation with a proviso that exceptions can be explained to the committee when necessary?

Mr. Wright: — Mr. Chairman, this comes . . .

Mr. Thomson: — Point of order.

Mr. Wright: — Sorry.

Mr. Thomson: — Are we on general questions? Or are we dealing with recommendation .18?

The Chair: — Mr. Thomson, what I will advise you and the rest of the committee is I'm going to afford an opportunity at this point for Mr. Wright to respond. Also, Mr. Paton has indicated he would like to make some comment. We will at that point proceed recommendation by recommendation definitely, as the questions have become very specific. So we will at that point move and deal recommendation by recommendation.

Mr. Wright: — Mr. Chairman, very briefly the recommendation that the Provincial Auditor is making in his fall annual report is not what he's suggested now. I'm addressing here this recommendation. I disagree with this recommendation. If the Provincial Auditor has other recommendations or suggestions to make, we're more than pleased to discuss these issues with him.

We have, I think, a very positive relationship with the Provincial Auditor. We don't always agree. We can agree to disagree. But it's a positive one. We do listen. And if he has alternate recommendations, let's have that dialogue and let's see what comes out in the next year's annual report.

Mr. Paton: — Yes, Mr. Chairman, if I just might add some comment here. As Ms. Haverstock stated, this issue was discussed at length in the past, and I'm just going to try to reflect on my memory of what the discussion was at that point.

I think the committee was very understanding and sympathetic of the point that Mr. Wright's making this morning — disclosing contracts that might be of a competitive nature — and they understood what he was getting at. And I'm not sure if

it was John who made the comments at that point, but the committee seemed to be very sympathetic to the point that was being made by CIC at the time.

The recommendation that came out from the committee after that though, I think, is worded a little bit differently than what my understanding of what the discussion was.

And the recommendation says that the Crown corporations have to state in their mandate that they're in a competitive nature, and I think that's where the auditor is kind of going directly with the wording of your recommendation in the past. In fact I don't think you'd ever find that type of a comment in a mandate of an organization, that they're in a competitive nature and they're not going to disclose that.

So I think what Mr. Wright's saying today is consistent. I think the committee understood that in the past, and perhaps the recommendation that the committee made doesn't — I don't want to say this — but perhaps doesn't really reflect what the intentions were a few years ago.

The Chair: — Thank you, Mr. Paton.

I will now have the committee move to specific recommendations. We're dealing with recommendation .14. I recognize Mr. Thomson — you had given notice earlier of wanting to introduce a motion, I think, which was specific to recommendation .14. Am I correct?

Mr. Thomson: — Correct.

The Chair: — I'm sorry, Mr. Pringle. I'm sorry, Mr. Pringle, if I've neglected to recognize you in here. And if it would be permissible to allow Mr. Pringle . . .

Mr. Pringle: — Well in view of what Mr. Paton said, I'm not sure my question is as relevant, but I'd like to put it on the record anyway to give the auditor an opportunity to respond. If he wants to, that's great.

I've been listening carefully to the Provincial Auditor and to the president of CIC and the discussion regarding the whole competitiveness issue and the concern of the president of CIC regarding the, sort of, the market-place and the signals and I think much of the line of discussion that Ms. Haverstock was addressing here.

And I've heard the Provincial Auditor say we're really just concerned about some general aggregate numbers, and that in doing that, this is not really a factor influencing the market-place, and even a sense that this worry of Mr. Wright's is not even valid. I mean I've got respect for both offices and both of these individuals personally.

So I guess . . . I mean my bias tends to be towards the view that Mr. Wright is expressing — that there are some signals that could undermine the competitiveness of the Crown corporations and all the transactions of the investments. And so I wanted to sort of give the auditor a chance to give me a clearer picture as to why this doesn't seem to be a problem or a reasonable thing to be worried about.

And I'm not convinced yet that I've heard, maybe through an example, from the auditor as to how this worry that Mr. Wright has isn't valid. And I guess I'm just feeling that I share Mr. Wright's view on this, but I respect the auditor's office too. And I just haven't been convinced that his unconcern about the competitiveness in the whole market-place is being appreciated or understood.

Now I don't know if that's . . . I don't want necessarily to open up the debate again because then Mr. Wright should have a chance to respond. But I'm just feeling uneasy that we still haven't . . . With all the improvements that have occurred, in terms of the accounting and the disclosure and so on, to me that is sort of the outstanding difference today.

And maybe that's not resolvable and we just sort of proceed from here. But I just feel that the Provincial Auditor's office hasn't convinced me yet that this is not a concern of any consideration.

The Chair: — Thank you, Mr. Pringle, and I would allow the Provincial Auditor to make some remarks.

Mr. Streliaff: — Thank you, Mr. Chair, members, Mr. Pringle. The most recent discussion that we had here had to do with lists of payees. And as I said earlier, if there are payments that would somehow be . . . should be confidential, I'm sure any of the corporations could come forward to explain why that's the case and therefore not disclose it. But I do think the rule should be to disclose and the exception should be to explain why.

In our earlier discussions, I talked about the importance of setting out the plans and the planned performance and actual results of CIC and each of its Crown corporations. And I think it's important, and I still think it's important, that legislators know, for example, what the planned revenues, expenses, net income, and key performance indicators are of SaskEnergy, of SaskPower, of SaskTel.

And CIC through its leadership is encouraging each of the Crown corporations to provide more information in their reports about their performance. But I do think that in those major corporations, which is . . . I mean, when you look at CIC's financial statements, a big part of what's going on is going on through SaskEnergy and SaskPower and SaskTel. And I think it's useful for legislators to know what those corporations plan to do compared to what they actually did.

Now we also discussed the plans related to specific investments. And I agree with Mr. Wright, that you can't . . . management would have to exercise careful judgement in disclosing very specific plans about specific investments. That would be an important thing for management to consider, and whether disclosure would be appropriate.

But in the broader context, the activities of . . . the main activities that CICs are responsible for, like SaskEnergy, SaskPower, SaskTel, STC (Saskatchewan Transportation Company), I think that what they plan to do compared to what they actually did is important information. And I also recognize that in the annual reports of those corporations they're

beginning to provide that information.

And being the auditor, I always think that it could be provided a little bit more clearly, a little bit more specific, to help all those who are interested in the activities of government to have a better understanding of the plans and the performance undertaken by them.

The Chair: — Thank you, Mr. Streliaff. Mr. Pringle, does that satisfy your concerns?

Mr. Pringle: — Well I don't feel it addressed the concern I raised, and maybe I didn't do it very clearly, about Mr. Wright's concern about the competitiveness and the market-place influence. Any maybe, maybe it's just . . . that's where there would be an agreement to disagree. I don't know.

But I just . . . I didn't hear the answer that I . . . I didn't hear a sensitivity around why Mr. Wright would be concerned as he is about the competitiveness. And anyway, that's . . . I've had my . . .

The Chair: — Mr. Pringle, well would you wish that the Provincial Auditor provide some further clarification?

Mr. Pringle: — Well maybe this is something that we could chat about, you know, so I could understand. I still don't feel that I understand why the Provincial Auditor's office does not have the sensitivity to this concern about the whole market-place influence as indicated by Mr. Wright.

Now maybe I'm missing something in what you're saying and so I . . . You know, I'm not asking to take up more committee time but . . .

The Chair: — Well I think it deserves a further comment of the auditor if it's left you with not being satisfied with what you've heard. We'd allow one further remark.

Mr. Streliaff: — Mr. Chair, members, Mr. Pringle. My understanding from your question is that Mr. Wright is sensitive about disclosing any information about what the plans of corporations are because it may impact their competitive advantage or disadvantage.

Mr. Pringle: — Plans or certain parts of the plans?

Mr. Streliaff: — Plans or certain parts of the plans.

Mr. Pringle: — And the degree of disclosure.

Mr. Streliaff: — I think the best way to handle that is it has to be a particular issue. What part of SaskEnergy's operations should not be disclosed to legislators because of competitive interests?

I mean to me, if management believes that certain parts of their activities or their plans should not be disclosed to the legislators and the public, that should be the exception rather than the rule. And there should be reasons brought forward to explain why some aspect of a corporation's activities shouldn't be disclosed.

And if that makes sense to you, I mean, then you agree. But in general I think that should be the exception rather than the rule.

And I'm sure there are investment transactions that Mr. Wright could come to the table with and explain that it's not in the best interests to disclose the nature of that activity. And after discussion, you may agree with them.

But just in the . . . the general position that I have is that the rules should be to inform legislators as to what the planned performance of particular organizations are compared to their actual performance. And the exception should be where a corporation would come to the table and say, this part of our activity, because of the sensitive nature of it — and it's sensitive for these reasons — we're not planning to discuss in public. And that's a reasonable . . . just a general position I think.

Mr. Pringle: — Mr. Chair, I'll just close on this note and give, if I could ask Mr. Wright a chance just to sort of have one comment. And that is, I heard Mr. Wright say that there would be times, if you explained it after the fact, that that in fact is disclosure or potentially disclosure, and that that also has an influence in the market-place.

So I don't know. Maybe it can't be taken any further than that today, but I thought I heard Mr. Wright say that, explaining it after the fact can also be like disclosure and could potentially influence the market-place and undermine the competitiveness of the corporation, or CIC. So I'll maybe ask if he's going to comment on that and just leave it.

The Chair: — Well, Mr. Wright, would you care to elaborate on that point?

Mr. Wright: — Mr. Chairman, I look forward to the discussion to continue at Crown Corporations Committee, where perhaps this broader base should in fact occur. I don't agree with the auditor how he got that.

The Chair: — Now essentially we're dealing for some time now with recommendation .14, and I think we've heard from Mr. Wright that you've been afforded whatever comments you wanted to make with respect to that recommendation.

Now I did receive a notice of motion from Mr. Thomson and I had him next but, Ms. Stanger, you had some . . .

Ms. Stanger: — I have a very short comment.

Mr. Thomson: — No I don't surrender my posting, sorry. I think we should move along. Unless you're going to be really short.

Ms. Stanger: — You know I'm always really short.

Mr. Thomson: — You're going to punish me with extra house duty aren't you? Okay, go ahead.

The Chair: — Thank you, Mr. Thomson . . .

Mr. Thomson: — Oh no, another night sitting.

The Chair: — . . . your understanding. Ms. Stanger, would you keep your comments . . .

Ms. Stanger: — My comment is very short, Mr. Chair. It suddenly struck me this is a much larger issue than just this recommendation, Mr. Chair. The bottom line is, who is going to make the decisions on how government is run? I believe totally in parliamentary democracy and I believe in government running the government. It's very clear to me that I do not believe in an extended bureaucracy making the decisions that elected people should be making, because I'm totally accountable to my constituents and I can be removed from office. And I think we are moving to having other people make the decisions that government should be making. And this bothers me a great deal, Mr. Chair.

I believe in total accountability but I believe in government. I do not believe in the approach that there should be no government because I believe in democracy foremost, before I believe even in my party philosophy. And I've been watching for the last two years, and it seems to me that in some ways we are moving beyond the accountability of governments.

What we are moving to is the diminishing of government role and the other agendas that there are in our societies taking over. I don't believe in having less parliamentary participation and having bureaucratic . . . I was just looking at what the auditor was . . . listening to the auditor as he was speaking and I thought, who is going to be accountable and who is going to make all these decisions? As long as I'm a legislator I believe the legislators are going to make the decisions.

The Chair: — Thank you, Ms. Stanger. I think we've already sort of proceeded into the debate that I had assumed would follow Mr. Thomson's motion with respect to recommendation .14. Mr. Thomson, my apologies for the delay in getting to you.

Mr. Thomson: — Thank you, Mr. Chair. My apologies for my frustration with the way that this debate has gone this morning. Perhaps I shouldn't have given notice earlier and we should have simply proceeded with truly general questions and then specifically into recommendations. Which is probably a lesson learned for all of us for next round.

As such I move:

That PAC notes the auditor's recommendations contained in paragraph .14 and ask that the Legislative Assembly refer this recommendation to the Standing Committee on Crown Corporations for their review and consideration.

Seconded by the member for Lloydminster.

A Member: — You don't need a seconder.

Mr. Thomson: — Oh okay, then it's just moved.

The Chair: — The motion before us by Mr. Thomson is one that reads as follows:

That the Public Accounts Committee notes this auditor's recommendation as contained in paragraph .14 and asks that the Legislative Assembly refer this recommendation to the Standing Committee on Crown Corporations for their review and consideration.

Is the committee ready for the question? Is the wish of the committee to adopt this motion? Those opposed? The motion is carried.

We're dealing now with recommendation .18, if we could move a little bit more quickly here. Mr. Wright, do you have any further comments that you wanted to make?

Mr. Wright: — No, Mr. Chairman.

The Chair: — So recommendation .18, being that "CIC and its subsidiary Crown corporations should provide the Assembly with a list of persons who received public money."

Mr. Thomson: — Well I want to go . . . now that we're onto the specific recommendation of .18, I wouldn't mind returning to the comments Mr. Pringle has made earlier, because I'm not sure I have a very clear understanding as to where the saw-off is in terms of the competitive nature of these Crown corporations and how the auditor would treat a competitive Crown corporation versus one operating in a monopoly situation. Is there a different standard?

Mr. Strelloff: — Mr. Chair, members, Mr. Thomson, as I said earlier, I advocate that legislators know who receives public money and that the rule would be that organizations of government disclose a list of persons who receive public money. And where there are circumstances where a corporation believes that some of its suppliers or others should not be disclosed, that information would come to this committee and you would decide whether that's the right thing to do or not the right thing to do.

Mr. Thomson: — Well with respect, I'm not sure that completely answers my question. Is there a different . . . shouldn't there be a different . . . perhaps more sensitivity, as Mr. Pringle says, to those corporations operating in a directly competitive environment versus those which operate as a monopoly in the province.

Mr. Strelloff: — Mr. Chair, members, again I think the general rule should be that all organizations that manage public money should explain, disclose who receives public money, whether . . . And then if there are corporations or parts of corporations that management believes some of the payments should not be disclosed, that should be brought forward and explained to your committee and you decide.

But I think in general, the general rule should be to disclose regardless of what the nature of the corporation is doing, since it is government corporations. And the exception should be explained to you.

Mr. Thomson: — Mr. Chair, I'm interested as to the rationale for why corporations involved in a competitive environment should potentially disadvantage themselves by disclosing all of

this information?

And I am secondarily interested in knowing what the industry standard is for corporations operating in a competitive environment in terms of disclosure of payment?

The Chair: — Mr. Thomson, do you want to continue addressing this to the auditor only, or did you wish some comment after from Mr. Wright?

Mr. Thomson: — This is the auditor's investigation.

Mr. Strelloff: — Mr. Chair, members, Mr. Thomson, where there is a transaction or type of activity that management believes disclosures would hinder their competitive nature of the organization, I would expect management would bring those cases to your attention and you would discuss whether in fact that was the case and then decide whether the more specific disclosure should be made.

But in general I do think the use of public money should be public, and that where it's not, that should be the exception. But then you ask management to explain why that's an important exception, have the discussion, and then decide.

Mr. Thomson: — If I may, I'm interested to know whether the auditor believes that it's possible to meet the standards and tests laid out in section 11 of his Act in terms of the audit of these corporations without the disclosure?

Mr. Strelloff: — Yes, Mr. Chair, members. Could you just repeat that question?

Mr. Thomson: — Section 11 of The Provincial Auditor Act lays out the various responsibilities that the auditor has in terms of auditing a corporation and auditing government entities to make sure that they meet the standards. I'm interested as to whether it's possible to meet those tests as laid out in 11 without the public disclosure.

Mr. Strelloff: — Mr. Chair, members, Mr. Thomson, I'm not sure of the nature of the question. As you know in past years, we have recommended that government organizations provide lists of persons who receive public money. And over time, the government has responded by increasing the disclosure. And part of my responsibilities is to provide that kind of advice to management as well as legislators. And it's just part of the work of our office.

Mr. Thomson: — Mr. Chairman, I don't want to debate with the auditor, but it would seem to me, having read section 11 that specifically says the auditor has four very specific responsibilities to ensure the safe keeping of public monies, that it is possible for him to undertake an effective and efficient audit of these corporations that operate in a competitive environment and for them not to necessarily disclose who the payments have been made to; that the tests that the Legislative Assembly wants set out, that the auditing that they want undertaken can be done without us unduly risking the investments that people have made in these Crown corporations.

And I think that this is an issue that as Mr. Koenker has said — or I'm sorry, actually Mr. Wright has said — really probably should be dealt with at some length by Crown Corporations Committee because this is of some great concern to me, that we are prepared to risk the millions, probably billions of dollars that we have invested in Crown assets that are moving into a competitive environment simply to satisfy some . . . what I would consider a secondary concern about reporting and accountability.

I don't want to go through and read the Assembly the . . . read the committee the sections of the Act because I think members are sufficiently well briefed on the Act. But this is of grave concern to me. And perhaps I'll just leave it at that. I don't want to get into a further argument.

The Chair: — Well, Mr. Thomson, whether the Provincial Auditor wants to make any further comment at this time . . . I've got Mr. Koenker and I know Mr. Paton . . . I was going to allow him to make some comment with respect to the discussion that's taking place here too.

Mr. Thomson: — I would welcome that.

The Chair: — But I'll allow the auditor, if you wish, to make some further response.

Mr. Strelieff: — Mr. Chair, members, Mr. Thomson, I don't have any further comments on it. Paragraph .11 sets out the scope of our work, and then we make conclusion; we provide advice and make recommendations based on that work. And one of the recommendations pertains to paragraph .18.

Mr. Thomson: — Could I just ask him . . . sorry, given the auditor's comments, may I just ask . . .

The Chair: — One more.

Mr. Thomson: — May I just ask then very specifically four quick questions? With regard to CIC and the Crown corporations, have the accounts been faithfully and properly kept?

Mr. Strelieff: — Mr. Chair, members, the results of our work is in chapter 4 of our fall report, so you can — for the year ended March . . . or December 31, '95 — so in our opinion, CIC's financial . . . Paragraph .05 of chapter 4 we give a starting point in terms of the results of our work. We say CIC's financial statements are reliable. CIC had adequate procedures, rules and procedures to safeguard and control its assets, except where we bring to your attention other matters in the chapter. And CIC complied with the key financial legislative authorities, except where we bring matters to your attention in chapter 4.

So the question . . . I think the question that you asked pertains to the contents of chapter 4 of our fall report.

Mr. Thomson: — Which is the issue under discussion.

Mr. Strelieff: — Yes.

Mr. Thomson: — So the answer to the question then is yes, that the accounts have been faithfully and properly kept? Your audit would point to that?

Mr. Strelieff: — Mr. Chair, members, if you mean are the financial statements reliable — that's one part of our audit. Yes, the financial statements of CIC for the year ended December 31, 1995 and December 31, 1996 are reliable.

Mr. Thomson: — So the answer is then in accordance with section 11(1)(a), that the accounts have been faithfully and properly kept, which is one of the audit tests you're supposed to do.

Mr. Strelieff: — Mr. Chair, members, Mr. Thomson. Brian Atkinson was just going through the Act with me. Paragraph 11 or section 11 of the Act deals with the scope of our examination, and section 12 deals with the matters that we're to bring to your attention.

So in section 11, it says: here, Provincial Auditor, is what we'd like you to examine. And in section 12, it says: here's the kinds of issues or matters that we would want you to bring to our attention. And in fulfilling that responsibility, we prepare chapter 4 in terms of the results of the work that we did and what we are bringing to your attention. And then there's . . . well, period.

Mr. Thomson: — Okay, I accept the auditor's argument that it's not section 11 we should be worrying about but section 12. And we can go through the series of tests (a) through (g) that are laid out in terms of what is to be provided for. And I'm interested . . . perhaps the auditor I can just ask generally then: has CIC complied with the various pieces laid out in section 12 of your Act? Are you noting any exemptions or exceptions?

Mr. Strelieff: — Mr. Chair, members, Mr. Thomson, yes, we are noting exceptions.

Mr. Thomson: — If I may ask, with which specific . . . with reference to which specific section of the Act are you noting the exception?

Mr. Atkinson: — Mr. Chair, members, I believe what you're asking is how have we formulated our chapter to comply with what we're required to do in the Act. Is that what you're asking? Okay.

The matters that we bring to your attention in section B of our report, corporation activities, what we're talking about here is that CIC's boards lacked essential information at that point in time with regards to budgets and interim financial reporting.

In our opinion, that lack of information was sufficient for us to form the opinion that those things needed to be done and should be done by the corporation to safeguard and control public money.

Mr. Thomson: — Mr. Chair, I appreciate Mr. Atkinson's argument, but I'm dealing specifically with recommendation .18.

Mr. Atkinson: — Oh, with recommendation .18 in part A? We talk about essential accountability information that should be brought to the Assembly's attention. And you're wondering where that is in our Act?

Mr. Thomson: — Yes. I'm just wanting to make sure that . . . I mean my concern obviously is that we are ensuring that the Act is met and tests are performed, and that these statements conform with the Assembly's desire.

Mr. Atkinson: — Yes. I think if you read section 12(1) it goes: at the end of each fiscal year the Provincial Auditor shall report — and I'm going to paraphrase it — and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Assembly.

So when we're talking about accountability information, I mean, those are significant issues that we feel should be brought to the attention of the Assembly. And then it goes through a number of specific items, and then at the end, it says we could comment on any other matter that we feel is necessary.

I think that you would agree that accountability information is something that we should be commenting on.

Mr. Thomson: — Could I have the specific reference?

Mr. Atkinson: — Okay, in section 12, it reads . . . Do you want me to read the entire paragraph.

Mr. Thomson: — 12(3)?

Mr. Atkinson: — No, just in 12, 12(1).

Mr. Thomson: — I see (1).

Mr. Atkinson: — It tells us that we should bring the details of any reservation of opinion made in an auditor's report and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Assembly. And then it goes on including — which means not, not, this is not exclusive — it says including the matters in (a) to (f) . . . or (g), I'm sorry.

Mr. Thomson: — So the reservation then is that these issues are not . . . that these expenditures are not provided publicly? That's the specific reservation?

Mr. Atkinson: — Pardon me? Well if I can go on, it also says that in 12(2) we can comment on the financial statements of any department of the Government of Saskatchewan, Crown agency, or Crown-controlled corporation.

So this is a comment of when we say essential accountability information is missing. I mean this is definitely a comment on the annual report and financial statements of these corporations.

Mr. Thomson: — I simply want to note, Mr. Chair, not to debate with Mr. Atkinson, but it would seem to me that the significant items that are outlined in 12(1) include various things in terms of wilful and negligent conduct on the part of

officials: lack of accounting, lack of record keeping, lack of authority for expenditures, specific reference to fraud, lack of special warrants being authorized. And those would seem to be of significant nature. These other comments appear to be incidental.

Mr. Atkinson: — Pardon me?

Mr. Thomson: — These other comments concerning reporting are incidental.

The Chair: — Mr. Thomson, I'll allow the auditor's office one further comment on that and then we had some other individuals here on the order paper.

Mr. Atkinson: — I think it depends on your point of view what's incidental and what's not incidental. I think that we have reported some very important matters dealing with, in our opinion, whether or not internal controls were adequate. We deal with very important matters concerning whether or not we feel that CIC has complied with all legislative authorities.

And accountability issues back from government corporations to this Assembly and to this committee, in our view and I believe from the direction that's been given to us in the past by these committees, is that they also consider those things to be important. So in other words they want us to bring back to these committees issues regarding accountability by government corporations to the Legislative Assembly.

And this deals with — the first part, part A — deals with essential information that we feel that Crown corporations' annual reports should include so that members can hold these corporations accountable.

Mr. Thomson: — Mr. Chair, would you like me to conclude my remarks now, or would you prefer to have Mr. Paton comment?

The Chair: — Well I would just point out to all the members of the committee, given the time that it is right now, there is one housekeeping matter that I wanted to attend to. Now I've got record of all the individuals who wanted some opportunity to speak still concerning recommendation .18, which I'm proposing that we leave off on and continue on at a future date.

And, Mr. Thomson, I'd put you on that agenda definitely if that is satisfactory. And then if that be the wishes of the committee I'd like to get on with this housekeeping matter, which is simply that we are in the following week going to be, in terms of the Monday, will be the holiday, and given that, many of the members will no doubt be travelling on the Tuesday. And I would suggest as a result of that that there wouldn't be a Public Accounts meeting held on May 20 for that reason.

Now given that, I'd also like to suggest and entertain a motion from a member of the committee that the next date for a meeting of the Public Accounts be left to the call of the Chair, if that would be acceptable. And if it is, then would somebody so move it.

Mr. Sonntag: — In consultation with the Vice-Chair.

The Chair: — In consultation with the Vice-Chair, certainly.

Mr. Pringle: — I so move.

The Chair: — Mr. Pringle moves.

Mr. Sonntag: — I have one question on other business as well. I'm just curious, when we get into other chapters just further down, what process do we want to follow as a committee?

There's the chapter on Standing Committee for Public Accounts for instance. Are we just going to have a 5- or 10-minute overview by the original auditor and then carry on? Because there are no recommendations in it, and I think there's a couple of chapters just a little further down that are the same thing. Probably Crown Corporations as well.

The Chair: — Well if I might suggest, Mr. Sonntag, we could have that discussion aside.

Mr. Sonntag: — Well except that if it's just you and I talking about that, I don't know . . . I'm not clear on direction.

The Chair: — Well if there's no specific recommendations to deal with, then certainly I would assume that it would be the wishes of the committee that there just be provided a general overview and some general questions, and that would conclude it.

Mr. Sonntag: — Okay, that's fine. Is that what normally would happen?

Mr. Strelloff: — That has happened in the past, yes.

Mr. Sonntag: — Okay, good enough. That's fine, thank you.

The Chair: — This meeting is adjourned.

The committee adjourned at 11:30 a.m.