



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Public Hearing: Workers' Compensation Board

The Chair: — It's 9 o'clock. We'll get going nice and brisk here on time. I'd like to welcome Mr. Cameron here and ask him to introduce his officials.

Mr. Cameron: — Thank you. On my left is Peter Federko, the chief executive officer of the board. He came to the board five years ago as the vice-president of finance and was promoted two years ago.

The Chair: — And I think our auditor has some officials today that are different as well.

Mr. Strelieff: — Good morning. With me today are Judy Ferguson, who's going to lead the discussion on the Workers' Compensation Board, along with Mobashar Ahmad, who's more recently taking over our work there. Also Jamie Wilson from KPMG, a partner with KPMG which was the public accounting firm involved in the audit of the Workers' Compensation Board in the years under review at this meeting. As well, Kelly Deis from our office sitting over there, a recent CA (chartered accountant) and a new manager in our office, and Bob Black again.

The Chair: — Welcome. Good morning, everyone. I think we'll ask the auditor to go directly into his overview of this chapter.

Mr. Strelieff: — Okay. Thank you, Madam Chair, members and guests. Judy and Bashar are going to share the review of our work today. There's a transfer going on in our office in terms of Judy doing our work for the first year and then Bashar more recently. So Judy, please take it away.

Ms. Ferguson: — Thank you. Good morning. Madam Chair, members. Mobasher and I have the privilege this morning of presenting to you actually two chapters: one chapter 25 in the *1997 Fall Report* and chapter 2 in the *1998 Fall Report*. For the chapter 25 of the *1997 Fall Report*, we're only going to focus on a couple of paragraphs within that report as opposed to the entire report and those paragraphs are dealing with the key issues facing the Workers' Compensation Board.

This morning I'm going to present the key issues and then Bashar's going to follow up with recent events and the audit conclusions and findings. If you have any questions, we'd be pleased to respond to them either during the presentation or at the end of the presentation. So without further ado.

Our office thinks an understanding of an organization, and for this particular session for WCB (Workers' Compensation Board) and its key issues, helps you as legislators and the public understand and assess the performance of the Workers' Compensation Board. We also think it helps put our audit conclusions and findings into perspective for the organization.

In paragraphs .17 to .19 of chapter 25 of our *1997 Fall Report*, we provide a very brief overview of the WCB and some of the key issues that it faces. In this section we acknowledge that the success of the WCB is best measured by the success of the overall compensation program which it manages.

There are two aspects of the compensation program that I want to highlight this morning. The first one is that the program is based on five underlying principles and the second one is that the program involves very many participants. What are the five underlying principles? Well, they are principles that the Saskatchewan compensation program is based upon and so are many other programs across Canada based on now. They are: no-fault compensation; security of benefits; collective employer liability; independence of the board. Those are the five. Very important ones and key. The last one is the exclusive jurisdiction of the board. As members of the Assembly and the public, you can find further information on these principles within various publications of the board. And I encourage you to look at them and further pursue them. These principles are important because they underlie the program itself, and they're also the principles that the board uses to base some of its decisions.

The second aspect of the many program participants — the program participants include workers, employers, health care professionals, counsellors, government-appointed review committees, other parts of government such as Labour which is responsible for occupational health and safety, and others that are involved in injury prevention and disease prevention. As you can appreciate, the needs of each of these groups can be very diverse and to be successful the Workers' Compensation Board must not only recognize their needs but deal with the diversity in an appropriate manner.

I'd like to move on to three key issues that we think are important to appreciate to understand the Workers' Compensation Board. We think these are the issues that the Workers' Compensation Board needs to manage to be successful overall. The three of them are: the relevance of the programs' underlying principles which I just referred to; the need to control costs and explain significant changes in costs; the need for consistent and fair assessments of injuries. I'm going to just briefly deal with each of those issues.

The first one — ensuring the continued relevance of the program's underlying principles. As previously mentioned, these are important to the program itself and the WCB uses them to guide its decisions.

Various stakeholders today are asking questions today about those underlying principles. Do they still continue to be valid? Are they still continuing to be relevant? The WCB must be able to address those types of questions. For example when questions are asked, should employers continue to be collectively liable for the compensation costs? Are the benefits for workers too high? Are they too low? Should the board continue to have exclusive jurisdiction to adjudicate claims?

Those are all very important questions that the Workers' Compensation Board must be able to address fully and so that the public and the communities that they work with understand fully.

The second issue — the need to control costs and explain significant changes. As you are aware, the WCB over time has experienced significant increases in compensation costs. The level of these costs directly affect employers for they effect the

amount that they pay for compensation in terms of WCB rates.

Some employers are concerned that the rates charged for their particular industry may be too high. Are they the right rate? Again, the WCB must explain how it sets its rates, how the rates are appropriate for both the current term and over the longer term, and how it plans to control the costs that impact those rates appropriately. Those are all very key things and important things for the operations of the board.

The last issue is making consistent and fair assessments of injuries. Those assessments are complex. They require a great deal of knowledge, experience, and of course judgment. The advent of new injuries, which I'm sure some of us are aware of — carpal tunnel with the use of computers — the advent of these new injuries increase the complexity of the assessment process.

The WCB must continually identify new injuries and decide and make the determination, do these new injuries fall within a workplace injuries or do they not. Are they not within the scope of the workplace injuries? Do they fall within the compensation program itself?

The WCB, in making the assessment of the injury itself, must work carefully and very closely with health care service providers and the medical community. It must ensure both injured workers and employers understand how the process works, the nature of the injuries that are covered, and how the adjudication of the claims themselves works.

We hope that this brief overview will help you understand the Workers' Compensation Board better. We encourage you to read the publications produced by the board itself which provides you with a little bit of insight into their operation and puts our findings into context.

Bashar will now deal with the audit findings from our last report. Thank you.

Mr. Ahmad: — Thank you, Judy. Good morning, Madam Chair, and members of the committee. I'll be providing comment on chapter 2 of our *1998 Spring Report*. And chapter 2 is on page 15.

In this chapter we describe the resolution of what is the matter — we included in our fall 1997 report, as a result of our audit, for the board's year ending December 1997. In our fall 1997 report we reported matters relating to accountability process for WCB and our ability to determine what we audit.

In May of 1997 your committee made a motion to seek legal arguments and opinions from the Law Clerk, Department of Justice, WCB, and our office pertaining to autonomy of WCB and jurisdiction of our office to audit WCB.

Your committee received a significant amount of information in response to that motion. We were concerned because the arguments and opinions your committee received were inconsistent with previous views taken by the government, Public Accounts Committee, and the legislators.

On February 17, 1998 your committee considered the

arguments and opinions it had received and passed a motion clarifying the accountability process for WCB and the authority of our office to determine what we audit. The motion is copied in paragraph .07 of the chapter on page 16. Madam Chair, and members, we think by passing this motion which your committee has satisfactorily resolved in this matter, be reported in our fall report.

In paragraph .08 to .10 we state our opinion. Our office and KPMG — that's WCB's appointed auditor — formed these opinions. In our opinion, WCB's financial statements for the year ending December 31, 1997 are reliable. WCB had adequate rules and procedures to safeguard and control its assets, except for the matters we report in paragraph .13 to .16 of this chapter. And WCB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

In paragraph .17 to .29 we bring other matters relating to WCB's public accountability to your attention.

In paragraph .13 to .16 we informed you WCB needs to improve its system to determine its compensation costs. WCB recognized this system — its system to estimate and track compensation costs — is not adequate. Therefore WCB has begun to develop a better system that will estimate the total cost for each reported claim. This system will, however, not estimate the cost of claims incurred but not reported. At the time of our report WCB had not started work to establish this process for estimating the cost of claims incurred and not reported.

We continue to recommend that WCB should complete its system to estimate compensation costs it expects to pay for each claim. It should develop a process for estimating claims incurred but not reported.

WCB's annual budget should include estimated compensation costs based on these systems. And the WCB's monthly financial statement should include a comparison of updated estimates of compensation costs, based on these systems, to those in its original budget and explain the significant variance.

In paragraph .17 to .23 we recommend WCB should continue to improve its published annual report by including clear and measurable objectives and comparison of key performance indicators and targets to its actual results, and a discussion and analysis of its success to date in achieving its goals and objectives. Our recommendations resulted from our review of WCB's annual report against the criteria we mention in paragraph 18.

In paragraph 24 to 29, we recommend WCB should publish a list of persons other than injured workers who receive money from it and the amount the person received following your committee's current minimum disclosure amount, or should discuss different public disclosure requirement with your committee.

Madam Chair, we realize the Legislative Assembly has restricted WCB from publishing a list of names of individuals receiving compensation. However, we think WCB should provide the Assembly a list of persons who receive public

money for reason other than compensation.

Where we are now? Madam Chair, for the year ended December 31, 1998 we plan to work with WCB's appointed auditor using the framework recommended by the task force on roles and responsibilities and duties of the auditor. Recently we note Deloitte & Touche were appointed auditors for WCB. That concludes my comment. Thank you.

Mr. Strelloff: — Thank you, Basher and Judy; Madam Chair, it's yours.

The Chair: — Thank you very much. Questions for the auditors? Rod?

Mr. Gantefoer: — Thank you, Madam Chairman. Good morning, Mr. Cameron, Mr. Federko, and welcome.

I would like to touch on some general areas first of all. As we're all aware, the WCB is an employer-funded program and as such the interests of employers and employees at some times are not necessarily at least the same priorities. And you would know that better than we, I am sure.

One of the concerns that has been expressed recently is the rate of premiums, or the premiums paid in the categories that have resulted in fairly significant and large surpluses in the fund. And I wonder if you would comment on that issue of the fairly significant surpluses that have been generated in the past two years.

The Chair: — Pardon me. Before you go forward, I guess I had thought that you were going to ask questions of the auditor right now. So I haven't read the statement to the witnesses yet. So if you have a question to direct to the auditor, otherwise we'll wait until we have a chance to . . .

Mr. Gantefoer: — No.

The Chair: — Does anybody have any questions of the auditor? Okay. Sorry about that. And I guess now before we go into asking Mr. Cameron to give his report, I have a statement to read. I'm sure you've heard it before, but I'll read the testimony of witnesses appearing before the committee.

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 prosecutions 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 ask that 15 copies be submitted to the Clerk who will table the document. And you're asked to remember to address all your questions to the Chair.

Again, I'd like to ask Mr. Cameron to have an opportunity to give information to the committee — anything on these chapters you might like to discuss before we have questions of you.

Mr. Cameron: — Well thank you, Madam Chair, members of the committee, and Provincial Auditor's office.

My remarks this morning will be brief so that the committee can get on with its work and pose the questions so that we might respond.

As we all recall, at the last meeting to which we were invited the atmosphere was perhaps strained to say the least from the perspective of the board, and we look forward today to a very different approach to prior discussion. Consequently, Peter and I have looked forward to for several months now the opportunity to discharge our accountability responsibilities to this committee as we do to other committees of the legislature and as well to our owners or stakeholders, employers and workers.

So speaking on behalf of the board of the WCB, we're pleased to be here to be of some assistance. I believe that we all agree that the bridge-building ability of the former committee, some of which are still present that reflected on those arguments of the day, were instrumental in solving the impasse between the board and has gone a long way to assist the board in its future endeavours.

At the risk of sounding repetitive, you may recall or some of you may recall that during the first term or my first five-year term as the Chair of the board, I also acted for four years of that or three and a half years of that as the chief executive officer and our challenge and our mandate was to stabilize the province's compensation system.

And so between the period of 1993 and 1996 there were major organizational retooling or refitting involving new programs, new initiatives so as to better serve the primary stakeholders which were the employers and workers. Out of this came a new, I don't like the word synergy, a new working relationship, if you will, within the WCB throughout the compensation system with employers, workers, and caregivers.

I think it's fair to say and many of us are more aware than others perhaps that often some of the decisions taken by the board have been a magnet of controversy. But I think it's also fair to say that there is now considerable agreement that what we did was needed to be done and that now it's a matter of taking what we've done, grow on that, and to stabilize what we have enjoyed for 70 years in this province.

The board believes that it has been on the right track, that we took the right path and the 1997 records or annual report of the board is really a demonstration that there has been considerable success in the programming, or the new programming, that we have.

We have with us today a number of copies of the annual report. If you wish to have them distributed, Madam Chair, we would be pleased to do that.

Prior to 1997 I think that there was a threat to the fully funded status of the board and the board took certain initiatives that were to avert that issue. Our service levels to our clients is better today than ever before. There's no doubt in my mind that during the period of 1993 to 1997 that there was considerable need to address the whole issue of our front end with our client service. But we're pleased to report that in fact there's been considerable progress there.

I think too that the board has put considerable focus during this period of time as to how an autonomous, independent board can still be autonomous, independent, but accountable to the stakeholder. We see the current workers' compensation system as being in a period of calm and stability and, barring the unforeseen, we see that as an ongoing lengthy period of stability.

I'm not anticipating any abrupt or radical changes at the WCB in the current year or in fact for the period of 1999. We feel that the reforms that were brought in between '93 and '96 are fundamentally sound, that we have built the flexibility for the system so that it can look to the foreseeable future.

Having said that, all our operations are and continue to be under constant review and search of ways to fine tune the programs and services because the system is not yet perfect. Not only are the ideas coming from the administration and other boards across Canada as we meet regularly with them, but from our stakeholders which are the employers and workers, the real owners of the system, and forums such as this committee and the statutory committee of the Committee of Review which reports once each four-year period.

And just prior to closing, I would like to draw your attention to a most significant undertaking at the WCB — strategic corporate planning. Strategic planning has been on the front burner of the WCB for nearly two years. Earlier this year we published and circulated this document, *Strategic Planning: A Framework for Action*. And, Madam Chair, if you wish, there are copies here and we can circulate that as well.

In the *Framework for Action* we have set out nine strategic priorities that we judge to be vital to the continued success of the WCB and the compensation system. And I would be remiss not to acknowledge Mr. Strelieff's generous praise for our work to date on that strategic planning exercise. And he has quite correctly advised us that assembling a strategic corporate plan is one thing; linking it with good measurement and reporting processes is the hard part, the difficult part, and is the challenge for the future.

This committee has my assurance that Peter and I will nudge aside the obstacles and ensure that our accountability grows alongside the execution of our strategic plan. And so on that note I would like to end and say thank you for having us and we look forward to the discussion this morning.

The Chair: — Thank you. I appreciate your report and I apologize to Rod and ask you to go forward and start again.

Mr. Gantefer: — Thank you, Madam Chair. I won't repeat the whole preamble. Just to ask the question in a general comment on the issue of current rate structure and the surplus that has accumulated in the last couple of operating years.

Mr. Cameron: — Prior to the rate setting of 1998, the board used a system that had been in place for probably the last 25 years in establishing rates, and it had the ability to be manipulated considerably by persons or people as opposed to by technology. And so the board undertook in 1993 and 1994 to develop a new rate-setting model. That new rate-setting model would be based on actuarial principles and we would implement that for the 1998 rate-setting period, with the undertaking that we wanted three years in which to assure the integrity of the system that was built.

And so in 1997 we started the beginning of the process of implementing the system. In 1998 we really used it for the first time. And so as we start to grow the technology and everybody gets comfortable with it, we will have a much better sense as to how those rates ought to be set.

The second thing was to do with surplus. It had to do with the markets, they have been very generous in the last couple of years, and a substantial portion of the surplus is from investment income.

I think too that the board had implemented a significant new programming in its early intervention of competence in its ability to work with caregivers, to design new treatment facilities throughout the province, and develop new assessment of competence in the adjudication of claims. And that led I think to the first time for a consistent application of board policy and therefore a reduction in utilization of the system, not by the number of claims we had but in fact by the length of time workers were on benefits.

All of those things came together much quicker than we had anticipated and therefore had considerable financial success, if you will, quicker than we had thought we might.

Recognizing that in 1997 when we were setting the 1998 rates, the board chose to pass on across the board on average a 15 per cent discount on rates. And we believe that as we set rates in 1998 for the 1999 period that we will again be able to pass on a rate decrease for most of the rate code.

Mr. Gantefer: — Thank you. A couple of questions flowing out of that. When you move to this actuarial rate setting model, does that model take into consideration the strength of your surplus or your assets and the potential for earnings coming from the investment side of your portfolio in determining what appropriate, viable, actuarially sound rate is to be, or does it focus entirely on the action occurring within the claim pool?

Mr. Cameron: — It focuses on both but I will ask Peter to comment on how the investment part of the portfolio impinges on the model.

Mr. Federko: — Thank you, Stan. Not to bore you with any actuarial detail but just to provide you with a bit of understanding of what the actuary is attempting to do. The actuary is attempting to calculate, based on actuarial principles

and standards that the Canadian Institute of Actuaries passes on to all practising actuaries, what the present value, what the value in today's dollars is of all future costs relative to injuries that are in the system as of a particular date.

Our year ends December 31 so what he's trying to tell us is the amount of money required to fully fund all of the claims that are in the system as at December 31 of each year. To do that the actuary makes certain assumptions relative to claims experience. He uses essentially prior claims experience with some averaging provisions to take out the peaks and valleys to project what the future claims experience will be.

He takes into consideration what's happening in the economy relative to payroll growths. We provide him information on all of that so that if indicators are that payrolls are going to decrease, that will mean that because the denominator is decreasing, the rates overall will have to increase, and so on and so forth.

And lastly he takes into account for discounting purposes a rate of return on our investments. The rate of return used for actuarial purposes is 8 per cent. That's the nominal rate, not taking into account inflation. Under our existing practices, after taking inflation into account, the actuary is using a real rate of return of two and three-quarters per cent.

We're told, relative to actuarial standards, that's very, very aggressive. A lot of jurisdictions are using lower rates of return than the two and three-quarters that we are using. And our rate, in fact, under the existing actuarial assumptions will decrease in the Year 2002 to two and a quarter per cent.

Recognizing that current returns on our investment portfolio are substantially greater than the 8 per cent that the actuary is using, that model is naturally generating some surpluses. However actuaries, unlike accountants, are terribly conservative and they tend to take a very, very long time frame . . . tend to take a very, very long time frame in terms of developing their actuarial assumptions.

So they tend to look at a 25-year window for example in establishing what might be a reasonable discount rate for the future, because they're not prone to changing their assumptions from year to year, depending on what actually happens.

Rather, what they do is they take any surpluses or deficits that their model generates in one year into account in the subsequent year in calculating rates for that particular year. I hope I've addressed your question.

Mr. Gantefer: — Thank you very much, Mr. Federko. You certainly have.

Another issue that Mr. Cameron alluded to in the general sense of the work you've done recently on the board is the whole issue of re-categorizing businesses according to type of business, amount of risk, and that sort of thing. There was a fair bit of complaint and discussion if these new categories were appropriate or not, and indeed if an individual business should be in one category versus another because there was different rate considerations.

I wonder if you'd bring us up to date onto the work that's occurred in that whole area and has that pretty much been stabilized now or what's the status in terms of those things.

Mr. Cameron: — Yes, the reclassification process began in conjunction with the actuarial development of a new model. But the actuaries upon review of the classification system determined that the sectors or rate codes, if you will, were not actuarially sound. They weren't large enough to in fact assure there were not huge swings in the rates from year to year depending on the experience.

And that led the board into an aggressive reclassification system. That process has been completed. I think that we generally have agreement from the employers that it's appropriate. We have an appeal mechanism that's built within the system for employers to appeal if they're not pleased with the rate code within which they have been placed. And I think that in 1997 that we had basically one appeal on the issue of classification. So I think that it's there.

Having said that, it's an ongoing process and that process will continue into the future as we continue to review the impacts that it has on the model or the model has on the classification system.

Mr. Gantefer: — Further on the premium side, I would like you to comment on the rebate program and the safety record program and what emphasis you're placing on that.

Mr. Cameron: — Prior to my arriving at the board, there had been developed within the system a merit program in which employers who had better safety experience or work-safety experience than others received a portion of the premium back to them. That was in the neighbourhood of about \$7 million on average. That system has been strengthened; it's been revisited.

It was taken to 70 employer associations two years ago, redesigned, and that model now drives out, I think, this year it was in excess of \$11 million of rebate to employers that have a better-than-average experience.

The employers brought to us the concept or the idea of a surcharge program as well for those that did not . . . or those that were driving the cost ought to pay more or a bigger portion of the costs to the system. And that led us into the development of a surcharge program where in fact the premium may grow, expand by upwards of 40 per cent more than the discounted rate for those receiving a merit.

And while the employer community accepted the initiative, there were those out there that believed that it was too aggressive. There were others that believed it was not aggressive enough. And so therein lies the conflict. Those that are getting assessed on the surcharge think that it's unfair and it's unreasonable. Those that are receiving their merit rebate think it's the greatest thing that happened. And so we have this conflict within the employer community actually.

I think the board too is sensitive to the issue of surcharge and merit. The sensitivity revolves around the issue of Meredith, one of the five principles that were alluded to earlier this morning, and that is collective liability. And once we start to

manipulate that and start to move the costs around in allocation from one side of the room to the other side within the employer community, we begin to undermine the concept of collective liability.

And if in fact we're going to undermine the concept of collective liability, that then puts all of the other principles of workers' comp on a national basis to the test. And the board, through its strategic planning process, circulated its strategic plan to the employer community and the labour community and frankly had no response and commitment from both sides that the Meredith principles were as appropriate today as they were some 80 years ago when they were designed.

So the board has got to maintain some sensitivity around this idea of rebates versus a surcharge.

It's a long way around to answer your question, but . . .

Mr. Gantefer: — The last comment you made, do I understand you correctly if you're suggesting that you may be strengthening the merit program and that might mean that the surcharge program would be diminished?

Mr. Cameron: — Well the board has committed to the stakeholders that in 1999 they will revisit both concepts with a view to again in late 1999 meeting with some 70 employer associations and labour organizations.

You will appreciate that labour, organized labour is very opposed to the concept of rebate through merit, because they believe that it leads to the non-reporting of claims and the aggressive management of claims versus the care to the worker and the benefit they're entitled to under the legislation.

So there is conflict there. We will continue in 1999 to revisit both programs.

Mr. Gantefer: — Okay, thank you. Turning to the employees, there is comment from time to time. I think any MLA's (Member of the Legislative Assembly) office in the province has probably had calls from time to time from workers who berate the fairness of the claim process, the fairness of the benefit process, and what they feel are undue constraints placed on their right to be protected.

In your opening comments you made some general comments about the changing of the claim process and also regionalizing some of the treatment components. I wonder if you would move into that a little more in depth in terms of the claim process.

What I'm looking for is sort of trends. Are we improving? Is the claim process getting fairer, not only from the board's standpoint but from the injured workers' point? And I'm not looking at specifics, but more are we making progress?

Mr. Cameron: — Yes, we are making progress. Having said that, there need be some appreciation that when the worker is getting the benefit, all is happy. When there's a denial of benefit or a reduction of benefits, of course we have a very different view of the fact and of that world.

And often that world is compromised even more by the

caregiver who sees the injured worker as — I want to be cautious here — but certainly it generates revenue for the caregiver. And they too have an interest here, other than perhaps just care for the worker. And so we have this line that we walk on a claim-by-claim basis.

To try and alleviate some of that or to soften the harshness of the system, we have basically three appeal levels. We have the appeal level back to the original adjudicator by the worker. The worker may go back there, revisit, and go to the manager of the unit and try and find a way, provide more information to get a different determination.

The second one is more formal. And that is a review, a complete file review by a unit that is independent of the front-end adjudicators. It sits off to the side; it reports directly to the CEO (chief executive officer) as opposed to the vice-president responsible for adjudication.

The third review process is the actual final appeal. And that appeal is directly to the board, in which the two respective board members sit and hear the appeal. The evidence is presented by whomever the worker wishes to bring to present information on their behalf. That decision is taken by the employer, a nominee on the board, and by the labour nominee on the board. And if in fact there is no consensus, then they invite the Chair of the board to participate in the process.

And I'm particularly pleased to be able to report that over the last five and a half years that it's seldom that it's been necessary for me to hear the evidence and to vote on the determination, that it is by consensus. So I think there is ample opportunity there.

We appreciate that there are inquiries to elected officials to assist in the claim with the board. In 1997 there were 427 ministerial inquiries that came through the minister's office. And we think that a substantial portion of those come from other MLAs throughout the province fed through the minister's office to the board for consideration.

There is no reporting back to the minister as to the exact detail of the claim. But certainly there is a report back to the minister and then back to whomever raised the question as to the status, what's happening with the claim, is there some action being taken.

So through the board's appeal process, review process, we would have approximately 500 to 600 appeals a year. That has been pretty consistent for the last 15 years, even though there has been an escalation in claims. I mean we have more claims today coming into the system than we had four or five years ago.

Also we had some 23 inquiries of the board and a review of our efforts or our energy by the Ombudsman's office, that also comes and looks at what may have happened in a file. Further to that, there were 160 direct MLA inquiries in 1997.

So we have here a system in which there are some thousand or 1,200 inquiries about what's going on in a claim, and on any given day within the system we have about 60,000 claims that we are actively doing something in — paying medical benefits

or doing something. And so although a thousand inquiries seem to be considerable, when we put it in the perspective of there's some 60,000 in the system, we don't see that as necessarily unreasonable.

Having also . . . I think it's important that we understand that of all of those inquiries, there are about 30 per cent of them that go to the advantage of the worker. Why is there only 30 per cent? Several years ago when I arrived, that number was at about 68 per cent. We believe that the reason for that is that the policies of the board are more consistently applied now at the original adjudication.

Secondly, we know that we have done and spent considerable resources to in fact train and inform our front-line people on the consistent application of policy, plus a different working relationship with the injured worker.

And third and probably as important as the other two is the relationship between the board currently and the primary caregivers. You'll appreciate that prior to 1994 under legislative amendments — in February of '94 — that the board's medical doctors were seen by the general community out there as being the primary adjudicators, and the legislation changed in 1994 and took that authority away from the board's medical doctors to do any adjudication. That moved it back out to the primary caregivers. So the primary caregivers now have a much greater sense of comfort with what goes on at the board. The board still has medical doctors, five on staff, but their role there is to act as consultants or liaise with the medical community that's out there.

So yes, that's still there. I'd like to say that, you know, tomorrow there are not going to be any of those. I don't think that I have the ability to do that or even the expectation to believe that that will happen.

I must say though, in closing to the answer to your question, is that there was a survey conducted in last fall, last winter, that showed that about 93 per cent of the employers in the province were happy with the system and 87 per cent of workers. Now four and a half years ago we would have found something substantially different. In fact the survey of 1994 said that to have a relationship with the Workers' Compensation Board was the worst experience of their life, whether you were an employer or a worker.

So we think we've made some progress here. That doesn't mean to say we're done, but . . .

Mr. Gantefer: — Thank you. I think that indeed you have made considerable progress.

I'm interested in your strategic planning and I'm sure you can appreciate that I haven't had a chance to open it. One of the issues that you alluded to is, it's valuable and good to set out strategic plans but it's much more difficult to put measurable benchmarks, if you like, in terms of being able to determine how successful you are in reaching those plans.

Certainly the Provincial Auditor has very much encouraged entities within government to make that effort, recognizing the difficulty that's inherent in it. Would you perhaps update us

briefly on not only the strategic plans and where you see the board going, but also a report on your efforts to try to put measurable benchmarks in terms of evaluating your success in meeting those strategic objectives.

Mr. Cameron: — I'll make two comments and then turn it over to Peter for some further comment.

Appreciating that prior to 1993 there was an antiquated IT (information technology) system, a system that had really no competence to provide rapid or aggressive statistics, and when this board arrived in 1993, there had already begun a development of new technology. And that new technology has been grown, put in place, it came into effect in 1995. And one of the invitations of the board to the administration in 1995 was to then begin to develop some benchmarking so that we could measure results.

As we moved into the formal strategic planning process, in 1996 we developed a paper that we submitted to the stakeholders and I think all government officials called *Strategic Directions*, which was the beginning of the strategic planning process. It was a general . . . it was just a generic document and we had invited some feedback to it which then led us in the last two years into moving to this strategic plan.

What the board did, the board met with the administration on a number of meetings and gave the administration nine things or nine strategic points that we wish them to focus on. We handed it off to Mr. Federko and his people and said take it, grow it, bring it back for approval of the board. And so at that point, I want to turn it over to Peter because it's much closer to the administration than it is to policy. But the board has determined its policy through those nine strategic intents.

Mr. Federko: — Thanks, Stan. Just to bring you up to date on where we're at with this strategic planning process and then I'll comment a little bit about goals and objectives and measurables which will probably be our largest challenge of anything.

As Stan indicated, after spending some 13 months off and on with the board, we were given the nine strategic intents as outlined in the strategic planning document, together with objective statements in terms of how those intents would in fact be realized and some measurables, if you will, in terms of how we might know when we got there.

However, the board quite rightly did not pass on the how do you do it to the administration. Rather we were left to sort out how we would actually accomplish that.

Each of the nine strategic intents, by the way, are intended to essentially preserve the compensation system as we know it today and to address several of the service issues that we hear about with regularity.

When the board passed the nine intents back to the administration, we then involved the whole organization. We struck nine planning teams, involved about 180 of our 360 people, and asked them to specifically design action plans that would meet the strategic intents as passed on by the board.

That then followed through a series of consolidations and so on

and so forth. And I'm pleased to report that of the over 180 recommendations, recommended action plans that our staff brought forward to us, we have consolidated half of those, about 90 of them, into 31 specific action plans which are now guiding the organization in preparation of their 1999 budget.

To use our terminology, we are in phase three of the strategic planning process. We've done the scoping, we've done the planning, and now we're into implementation.

Phase four, as we describe it, is the measurement and reporting relative to how successful we are in actually implementing the strategic plan itself. And that's when we get into the difficulty of actually establishing the benchmarks and the measurables. When you get the opportunity and look at our strategic document, you'll see that we have undertaken to create a vision mission in values that are pretty aggressive.

Our vision statement suggests that we will lead in the provision of work-injury insurance and services committed to our principles, values, our staff, and those we serve. We're saying we want to be leaders in the industry when we're compared to other workers' compensation boards and other private insurers.

To know when we've got there is difficult, and phase four in terms of measurement and reporting will focus on reporting back to the board and to our stakeholders how successful we've been in actually implementing those strategic plans.

So as we enter phase four we will actually be developing measurements relative to the 31 action plans that have been specifically set out in terms of guiding the organization through the 1999 and year 2000 budget cycles so that we may report how successful we've been relative to actually implementing those action plans.

To deal with other goals and objectives relative to the operations themselves, we have . . . Since I joined the board some five years ago, the thing that we heard over and over again were three things.

One, we needed to improve the services that were being provided to injured workers and employers. Secondly, we needed to bring stability to the organization financially, if you will, and do that in a manner that would actually preserve benefit levels.

So those three general principles, if you will, or goals, have guided us through the last 4 years, four and a half years, as we've developed the actual strategic planning document.

So we have been criticized in the past of not really having a plan, and that's true. We didn't have anything published until 1997. However, to say that we were without direction really is a bit of a misnomer.

As I indicate in the annual report in my CEO's statement, we will seek to hold the organization accountable internally and to be accountable to the stakeholders externally. I state in my CEO report in the annual report, that:

We expect to be measured in this comparison by the excellence of our service, by the comprehensiveness of our

benefits, and the competitiveness of our rates.

Relative to the programs themselves we have published, talked about, shared with anybody who would listen to us, the trends that we determined were driving the compensation system in 1994. We identified a couple of key indicators, key contributors to compensation costs and poor service to injured workers. Those were duration of claims, the length of time that individuals spent on compensation and secondly, the frequency of claims, the number of claims that were being reported to the board.

The programs that Stan alluded to in terms of early intervention program which has established some 23 assessment centres throughout the province and 12 treatment centres to decentralize the services. When the board charged us with the responsibility of improving benefits, the first thing we looked at was the treatment being provided, the opportunities for treatments being provided to injured workers, we had a good number — over 600 injured workers — sitting on the waiting list simply to receive assessment for their treatment for over a year. Over 52 weeks. Sixty weeks I believe was the average.

The decentralization process, part of our early intervention was to provide those assessment services and treatment services quicker, for two reasons. Number one, the injured worker wasn't happy about sitting at home and developing chronicity of injury. Secondly, it was having a significant strain on the compensation system. It wasn't right to either of our stakeholders.

By decentralizing those services, we have reduced that waiting period to two weeks — from 60 weeks to two weeks — which has had a dramatic effect on the duration of a claim.

So in terms of indicators that we used to determine whether we are being successful in terms of implementation of our programs, we look at average duration of claims. We look at the number of claims per 100 workers, what we call our injury rate to determine whether what we're doing from the prevention safety and return to work side is having an impact.

And I'm happy to report that when we started this process in 1994, that injury rate was in excess of 5 per cent. And it's now around less than four and a half per cent. Relatively insignificant, but in terms of percentage decreases it's a huge decrease for us.

Third thing we look at is our successfulness relative to return to work, or fitness for work. By providing the services to the injured workers early on in the process, we want to know how successful we're being to those, that group of workers that is being put through those assessment and treatment facilities relative to putting them in a position to be fit for work and/or return to work.

In 1996 when we implemented the early intervention program our success rate was 75 per cent. Seventy-five per cent of workers that went through the early intervention program were fit for work or returned to work at the end of that process. In addition, less than one per cent of those workers had a recurrence of injury.

So allegations that we were simply pushing people back to work before they were medically ready to do so, is not upheld by the statistics that we see.

In 1997 when we measured the same outcome relative to our return to work programs, 84 per cent of workers are fit for work or returned to work once they go through our assessment and treatment programs.

From a broad perspective we will continue to monitor durations, frequencies, our successfulness relative to return to work. We will continue to use external surveys to tell us about surveys. We continue to develop benchmarks, hope to be able to report additional benchmarks that make some sense relative to the services that we provide and whether we're in fact getting better at providing the services or those are deteriorating.

I believe the 1997 report relative to the analysis and disclosure is a significant improvement from any other annual report. And we are absolutely committed to improving that reporting and analysis.

We meet with our major stakeholder groups a minimum of two times a year as large groups. We have a mid-year review which we just completed here in September, where we invite all employers and all labour to basically an annual meeting where we go through the prior year's annual report, go through in much more detail the analysis of our trends and the statistics and the results of our programs than is published in the annual report, and answer any questions that they may have relative to the annual report and the first six months of operations for the current year — anything on policy that they want to ask.

We do that again in the fall, beginning in late October and early November, in our rate-setting meetings where, again, we essentially open up the books, give them an update now for three-quarters of the current year, and again will address any questions from a policy or operations point of view. As Stan indicated in his opening comments, we understand whose money we're spending, and we are prepared to be, to be totally accountable.

Much of this I guess is new to us. This organization's never had a strategic plan before. We've had a mission but quite frankly there were only words written on paper. We are absolutely determined and committed to holding our organization accountable for the vision, mission, and values that have been developed through our strategic planning process.

Mr. Gantefoer: — Thank you. One final question. You indicated that part of the reason that you could do some of this actuarial work was because of new informational technology. Obvious question — is it Year 2000 compliant?

Mr. Federko: — Absolutely. We . . .

Mr. Cameron: — I work with the best in-site that we have.

Mr. Federko: — We will be Year 2000 ready. We began the process of rewriting systems in 1993, beginning with our claims system, not so much to deal with the Year 2000 issues but to deal with service issues, and took care of the Year 2000 issue within our largest system. We've subsequently rewritten our

financial systems, our revenue and employer accounts systems so they are also Year 2000 ready and compatible. We've got some software issues yet to deal with from third parties. But we are assured by our information technology services unit that that in fact will be taken care of.

Our larger concern is whether our vendors and the people that we deal with are going to be Year 2000 ready.

Mr. Gantefoer: — Thank you, Madam Chair.

Ms. Stanger: — Thank you. Stan and Peter, I just want to thank you for coming. I think this is a good idea for you to share some of the things that have been happening. I think this is the appropriate place to do it.

I just want to say that from my part I can give you some anecdotal evidence to what you are saying is correct. In 1992, in the city part of my constituency, the majority of my inquiries were WCB. I being an average citizen, a schoolteacher, I was absolutely horrified and didn't know what was happening. Beginning in '93 and '94 I had many inquiries from the business side.

I can attest and tell you that I think we have one file left on WCB in the office. I haven't had anybody from the business inquire in the last two years, and that has been a vast improvement.

When you appeared before our caucus committee — I think about six, eight months ago — I was totally impressed in what you were trying to do to get injured workers into assessment early and into medical help early and then back to work early. Now one thing you didn't give us evidence on today is, and I'd like you to expand on that, what happens to workers when they don't get the help that they need immediately? And it's not only physical, it's psychological. The longer people are not helped to get their lives going, the more chance there is that they will stay and be disabled for the rest of their lives.

And I was very impressed with the work that you are doing in this area. I think that you had more stats where you showed — and the ones that you gave just now are very helpful — but I think you could share with the committee some of the things that are being done.

And also I don't think people realize with the doctors that were employed by WCB before and now what you mean by the primary caregivers. I think some people are puzzled as to that. So could you just expand on how that medical system is working today — because I know in '93, '94, and '92, the WCB doctors were viewed as mouthpieces for the board and the workers were very disturbed — and how they are feeling better about what is being done today.

So if you could just expand on the early intervention program and what it means to getting people back to work. Because a person that is working is healthy and happy and contributing to society. I mean if it is a permanent injury, there's nothing we can do about it, but if it's the system that is preventing a person going back to work, then that was wrong. It's wrong for the person, it's wrong for the business people, it's wrong for everyone.

So if you could just expand on those two points because I . . . And let me just say I think that the board and both Stan and Peter have done . . . you've done a really good job in the last few years.

Mr. Cameron: — Thank you, Vi. Let me just talk briefly about policy and then I'll turn it over to Peter for an administration point of view. An ongoing debate on a national basis — and there are 12 boards across Canada — on an ongoing debate within those boards, and depending on the political atmosphere of the particular jurisdiction in which we hear from, is an age-old question as to whether workers' compensation is a social program or as to whether it is an insurance program.

And so from a policy point of view, we were always in debate at the board level as to what this program is. And that leads of course to a number of questions as to how long somebody is on benefits, what happens after they're fit for employment but there is no employment, what responsibility do we really have in the care process. And so it leads to a number of questions.

I think this board early on accepted the fact that within every injury there is a psychological impact, either on the worker or on the family, and that although the board has had considerable success I think in the last four years of providing benefit and service to injured workers, that the caregiver community has provided considerable success and that the assessment and treatment has been very proactive, I think that we continue to have much work to do with the psychological impact of injuries on families and on workers. And of course that is a question of the resources of the board.

That is a question again that leads us into whether this is a social program or whether it's an insurance program. And during the strategic process, strategic planning process, as we took that issue to our stakeholders, I mean labour said it is clearly a social program, business said it is purely an insurance program. And so therein lies some very vast differences when it comes to policy. But it is there, we know it's there, and the board, basically its position is that it is an insurance program that has to have a heart, I suspect is the easy way to put it.

The board also by policy is absolutely committed to building a relationship with the caregiver community, because without that caregiver community they tend to dilute the service that they're providing, and therefore the reason for early intervention.

The early intervention program was also a means for us, through our assessment teams, to monitor or audit the performance of the caregiver community to the board by their own peers as opposed to a board audit process.

Mr. Federko: — I'd just like to add a couple of things to perhaps help the committee understand what we're talking about relative to early intervention and so on and so forth, and what really drove us to this.

The first thing that drove us to undertake in the development of the early intervention program was, as I indicated earlier, the lack of facilities available to provide assessment and treatment to workers within their communities, resulting in workers sitting on Workers' Compensation benefits for extended periods of time.

As I indicated earlier, and as Stan alluded to just now, that has two results. The first from the worker's point of view. Statistically it's shown, and I'm a little rusty on the actual percentages because it's been three or four years since we actually did the research, but statistically it's shown that the longer an individual is on compensation and not prescribed any kind of treatment, the less likelihood that individual will return to any productive life.

And the stats go something like this. After six months there's less than a 50 per cent chance that an individual will return to work, and after a year there's little chance that the individual will return to work at all, regardless of the initial injury.

What was happening were individuals were simply being sent home with shoulder or back or leg or hand injuries and said, you'd better rest because I don't know what else to do with you. As a result of resting, the psychological impacts of the injury began taking over. Individuals began losing confidence the longer they're away from work and actually being able to return to work and do their jobs because they're not sure that they could do them as effectively as they had before, and so on and so forth, which simply extended the duration of claims.

The second impact, of course, is from a cost point of view. The longer you're on compensation the more you're paying and that has a strain on the system.

In '94 when the legislation changed, the physicians working for the Compensation Board no longer were involved in any adjudication process of the claim. They could not by legislation determine medical readiness to return to work. As a result that was left in the hands of the family physician that we refer to as the primary caregiver, which can in fact be the family physician, the specialist, the chiropractor, whoever the primary treater is, whoever the initial referrer was on that particular client.

The caregivers were not, first of all, accepting that they had any responsibility to the compensation system, and therefore we launched the early intervention task force which was a task force made up of caregivers from all walks of life — chiropractors, physiotherapists, psychologists, physicians, the list goes on — explained to them that they had a responsibility for the care of the patient which in turn had made them responsible for certain aspects of the compensation system and asked them to help us establish protocols that they were comfortable with that allowed them to do two things.

Number one, remain the advocate of the injured person, first and foremost. They always had to be acting in the best interests of that person. And secondly, that they would provide us with the information that we could use to facilitate quick recovery from the injury and a quick return to work.

The goal of our task force as published in our task force report, the goal of our intervention program is, number one, to make the person better; and number two, to return them to productive life.

So we use return to work. We are accused oftentimes of having return to work as our goal. It is not our goal. Return to work is the outcome that we measure. Our goal is to restore that

individual to productive life which first of all has to be dealt with from a health point of view — getting the assessment and treatment appropriate for the individual.

As a result of that and keeping with that focus, the decisions relative to the diagnosis and treatment of the injured individual are left to the primary caregiver, to the family physician. So the individual may go to an assessment centre. The assessment team is only making a recommendation back to the primary caregiver who can say yes or no.

Now if . . . We also receive those reports from the assessment team, and if our client service representatives cannot find scientific reasons to justify why the primary caregiver is not following the recommendations, we will then get our physicians to speak to the treating physician to find out why they're taking this approach and try to come to some resolution.

So the decision relative . . . However, if at the end of the day the family physician says, absolutely not, I am not prescribing that treatment to the injured worker, the Workers' Compensation Board cannot force that individual to undergo that prescribed treatment modality.

So the decision has ultimately . . . rests in the hands of the caregiver. We have established reporting mechanisms, renegotiated fees with all of the caregivers to provide reports that will allow us to make informed decisions relative to the management of all our claims.

Ms. Stanger: — That's all I have.

Mr. Osika: — Thank you, Madam Chair. Gentlemen, thank you for your explanation of how the board works and operates, and some of the concerns or questions that I had have already been addressed.

There's one issue that was brought to the board's attention earlier in the year, and that was the request for reinstatement of Workers' Comp benefits to widows who remarried prior to September 1, '85. Can you update us on where that's at, please.

Mr. Cameron: — As a result of an initiative in British Columbia some three, four, five years back, disenfranchised widows made an approach to the B.C. (British Columbia) court. There was a decision taken at the first level of court, a decision that had never been appealed, and the B.C. board undertook to accept the liability.

That liability then moved on to other jurisdictions, and slowly it's made the circle and it comes to Saskatchewan. In this case, we're not leading the way. It's unusual. But this has been led through an initiative out of British Columbia.

In 1985, when the federal charter came in to be, the Saskatchewan government of the day amended the legislation. So the charter came in in 1985, and the legislation was amended in September of '85. And in effect what the legislation says from that day forward that these disenfranchised persons would in fact, in keeping with the charter, receive benefits. So those widows, since 1985, have received the benefits. So what we are talking about are those prior to 1985. And based on best legal opinion, the suggestion is that there is no liability. However,

having said that, it continues to be debated.

The minister asked for a report as to what the board was going to do about this. And as we continue to analyze and think about this and talk about it, what we concluded was that we have no legislated authority to in fact correct a wrong, if in fact there was one. There was no authority within the board's powers to grant a benefit on the current legislation. It didn't matter whether it was the right thing to do or not. The legislative authority was not there in our view.

In the report to the minister, what we advised was that there was, with best legal counsel, that there was no liability. That was moved to the minister some months ago. There was some further inquiry as to cost estimates; the actuaries were involved. They based their costing on how many we had in the system; how many deaths there had been over the history of the board in the 70 years. How many of them may still be alive and that's where we are.

And in fact, only in the last 10 days has the minister's office again invited some further statistical analysis of the cost of this and some recommendations from the board. So that's where we're at. We wait with interest too.

And so when it's alluded to the fact that the board has these huge, unallocated surpluses . . . I mean, one of our concerns currently is if in fact this liability comes home, so we give this a rebate in 1998 for 1999 rates and then in 1999 find out, as an act of the legislature or the courts, that in fact there is this huge liability which then puts us back 12 months from now to being in a situation that we were in 1995 of huge rate increases and no ability to manage it.

The board has some sympathy to finding a solution to the problem without the courts because once we go to court we've lost control of the situation. I mean, we have no ability then to influence the outcome other than our legal arguments.

Mr. Osika: — Any idea of what the other provinces were faced with when they decided to accept the liability.

Mr. Cameron: — Yes. The province of British Columbia anticipated the liability would be somewhere about 250 million. And at last count, in June, when we last met with the national boards they were at something in half a million, 500 million tracking to 700 million of costs. And a like number for Ontario.

Manitoba is currently in a situation in which they have only begun discussions now with the disenfranchised widows group and so they have no sense at all, politically, legislatively, or at the board level, where they're going to end up on this except we know that they're talking to our people from time to time to find out what we're doing and where we're going. Because the Saskatchewan and the Manitoba board over the last five years have spent considerable time often consoling each other, but also finding ways in which to solve some of our common issues that are much closer to Manitoba and Saskatchewan than they are to Alberta.

Alberta, as I understand it, has not made a determination on this. Alberta's position is that there is no liability; there will not be liability. They would defend it to the highest level of the

court. That was the position that they had taken when we last met.

Nova Scotia, you'll appreciate, is a province with a board about the same size as Saskatchewan, population about the same, and injury rate about the same, and so we draw some analogies as to what they do from time to time. The Nova Scotia board, to begin with, has an unfunded liability of something in excess of 400 million and so, although their published rates may show that they are number seven in the cost on a national basis of rates, if we were to take the liability, fold that in, manage it over a five-year period, I mean their rates would be huge.

So Nova Scotia is very, very concerned about this issue, as is Newfoundland, P.E.I. (Prince Edward Island). And Quebec is currently in discussions on it. So I guess, other than British Columbia, it's currently either a legislative, a political, or a court situation.

And this board is particularly concerned. For example, if we're generating a surplus of some 40 million this year, and the legislative cost, for example, or a court decision is a hundred million and we pass on now to those employers, 50 million when our total levy to them is something . . . 170 million. I mean we're looking at huge increases in rates to fund that.

I guess the next question then is does the government have a responsibility to pick up the tab for that. I mean that's been suggested out there. I think the board's perspective is, is that Workers' Compensation has been designed and developed to be paid for by employers and for that labour gave up its right of suit. And so for us to now start to accept the fact that executive government or the public purse has a responsibility to Workers' Compensation starts to again undermine one more principle of Workers' Comp. And brings back us now to the whole question as to do workers have the right of suit, which concerns us immensely.

There are a large number of employers out there that do not believe that they would expect the province to fund this liability. Labour's position is that it is the responsibility of employers, not executive government at all. And so there is lots of debate going on in this issue. It's not off of the table; it's not been lost or shuffled or set aside. I mean it is just an issue of such significance and magnitude.

One of the things that we will talk to employers about this fall as we go into the rate setting process is taking some of the surplus and allocating it to the, to the . . . a contingency liability. There are some of us at the board that believes that that is just eminent good sense is to take that and set it aside. If, in fact, the decision is taken at some point in the future that there is no liability, then of course the question of rebating or merit adjustment or rate adjustments then will become a part of the debate.

Prior to January of 1997, we would of had no ability to consider establishing a rate other than on January 1 of each year because the technology would not allow us to do it for 34,000 employers. We now have the competence to in fact review rates more than once a year. And so we wait to see where this goes.

Mr. Osika: — So I take it that since it's been requested to

review this issue once again, that there is some work being done to determine what in fact a liability may be. Over the last 70 years, as you said, the numbers that have passed on and those widows that may still be alive. So it . . . until that's determined, it's just a guess at what the liability could be. Considering when you talk about British Columbia, the population difference . . .

Mr. Cameron: — Understand that since 1979 when we went to a wage-loss system, there has been something in the neighbourhood of 750 to a million claims in the system since 1979. We have technology that can provide from the archives some of that information. But lots of this is manual to arrive at this and when we go back to 1930 and perhaps the first death in 1931 or whenever that may have been, I mean this is all manual retrieval of old systems warehoused forever. To us to . . . where it is.

But we believe that there are approximately some 300 deaths that there may be eligibility. The actuaries have looked at it; they have estimated cost; they have taken national death statistics as to what might be anticipated over that 50-year period as to the number of deaths. The other question is, will be, are estates entitled to now come back to the board. Should it only be upon application versus . . . versus being decreed. I mean it's a huge question.

Mr. Osika: — Well, I would have suspected that our present very caring government for peoples would encourage that something be done in that kind of an initiative. However, I thank you for that and I can appreciate the implications of determining whether or not that's a direction to take.

Just very briefly on a more people's perspective issue, your explanation of the appeal processes that are in place, beyond that and you talked about . . . Mr. Gantefoer talked about the calls from constituents and people that were having problems. Do those people have anywhere other than the Ombudsman's office to receive any assistance? I guess what I'm thinking of, when people get into difficulty and they don't have the means or the wherewithal to hire an attorney, the government provides a legal aid lawyer. And that's right off the bat whether the person's caught in the act or not.

With people that are in situations where they feel they're entitled to some compensation but for whatever reason because of processes continue to be denied, do they have an ultimate advocate that can help. And particularly when they're out of work and they've run out of income and they have to sustain their living accommodation, their power bills and so on, but are cut off during the course of a lengthy appeal process, do they have access to any advocates or any help?

Mr. Cameron: — In 1973, I then was a younger guy with more of everything and worked in the Department of Labour and came about then a new service called the workers' advocate. This was one person that came on staff. Their job was to in fact advocate on behalf of an injured worker that was in a situation such as you suggest. That advocate's office over these many years has grown; I think they now have six or seven people.

And at some point in the wisdom of someone other than I, the board was invited to provide the funding for that. So the board provides approximately 250 or 300,000 . . . \$400,000 a year to

the provincial Department of Labour, in which there are five, six, or seven advocates. That money is allocated specifically for that purpose. They then will receive an allegation, complaint, or whatever from the worker and then process it and act as the advocate in front of the board during the appeal process.

Mr. Osika: — Is that not viewed by some people as a conflict . . . folks that are working . . . yes, conflict. They're working for the department, so . . .

Mr. Cameron: — Yes, yes it is.

Mr. Osika: — So I guess my question was: is there anybody outside of the board's environment.

Mr. Cameron: — Other than the Ombudsman's office, there is not. But if I may, there are other jurisdictions that have appeal tribunals outside of the board. And if we were to solicit information from them what we would find is that on average they will be 12 to 30 months from the time they would receive the appeal until it is managed there.

Here we are on average, you know, 30 days to the getting a decision. Whether that decision is right or wrong in the eyes of the person on which the decision is made is another question. But at least the process has worked in a very quick period of time and they can get on with their life and know what's going on with it.

There has been considerable discussion through the committee of review, which is a legislative committee, that sits every four years with equal representation of business and labour and a Chair. This question has presented to every committee of review since 1982, I believe. And they have yet to bring a recommendation in their report to the Minister or to the legislature to suggest an outside tribunal to . . . as a final appeal process. Recently in the mid-year review, in Saskatoon, an employer raised this exact issue, thought that it was . . . that there was a conflict of interest, not only with the board having an appeal mechanism but the workers' advocate office being paid for by the board, even though there's no reporting relationship. That question is there.

Frankly, each time I'm asked about it, I just believe that we have the best mousetrap we can build, compared to other jurisdictions. Doesn't mean to say it's appropriate.

Now one of the things the board has recently invited the administration to give some consideration to is a concept of mediation before appeal. And we look forward to see what opportunities are there.

Mr. Osika: — Okay, thank you for that. It has to be impressive. You indicated earlier the waiting period went from 60 weeks to 2 weeks.

Mr. Cameron: — A worker waiting for assessment to determine the degree of their injury was on average 60 weeks in 1993. That's just to get the assessment. So they had been getting benefits for 60 weeks. Now they get a medical assessment before they begin treatment. So there might have been another 6, 8, 12, or 16 weeks there after the 60 weeks waiting to get now the treatment as a result of the assessment.

And then they were to be in treatment thereafter for another 4, 6, or 8 weeks. So I mean we were into something 20 months.

We now have 2 weeks from the time there's a determination for assessment until the assessment is complete. The report is given to the worker's primary caregiver as to a recommendation on treatment or treatment that the caregiver may consider and then they're away.

Mr. Osika: — That probably came about as a result of your decision to do some strategic planning and long-term planning. It's just a plug.

Mr. Cameron: — Well thank you very much, but it actually came about because of the concerns of the costs that were driving the system and the attack in which the institution was under in those days.

Mr. Osika: — Thank you for that.

Mr. Koenker: — The problem that has come to the attention of my office has to do with what I would call provincial jurisdiction. Namely the problem occurs when an injury occurs in another province. It's been Alberta on two occasions. The worker relocates to Saskatchewan. The injury reoccurs and the worker is left caught between the jurisdictions.

I can appreciate the difficulty that either of the provinces might have in coming to terms with this, but I guess the problem that concerns me in some respects is the delay or the difficulty in getting the two boards to communicate with one another. Maybe you could comment.

Mr. Cameron: — Well often it isn't the two boards communicating with one another. It's often who's going to accept the liability. And . . .

Mr. Koenker: — But in some respects, I dare say that there's been some delays. And I don't want to attribute . . .

Mr. Cameron: — And that's exactly right. There are delays in those systems. We have under our legislation the right to enter into an inter-jurisdictional or interprovincial agreement. So on a national basis all 12 boards have entered into an inter-jurisdictional agreement. And for the most parts, all boards participate in every section of that agreement, including the Saskatchewan board and the Alberta board.

In that agreement, the worker has . . . if they are hurt in the province of Alberta but they are a resident of Saskatchewan, have an opportunity to take benefits from either jurisdiction, where they choose. And if they in fact choose to take their benefits in Alberta and then later relocate to the province of Saskatchewan, the primary liability lies with the province of Alberta. Now that's a short answer to the question.

Mr. Koenker: — But I guess my follow-up question would be then, what kind of club do you have to ensure that Alberta then honours that obligation to that Saskatchewan resident?

Mr. Cameron: — Under the Saskatchewan constitution act — or whatever we call it — we have no authority to reach outside of the four corners of the province. We have no jurisdiction out

there. All we can do is invite, encourage, cajole, try and get the other jurisdiction to appropriately manage it, because we have no jurisdiction there.

The second part of the problem is that there will be workers from time to time will come into the province or our people will leave the province and go out, and it's what we would refer to in the trade as an incidental incursion, where an employer is coming into another jurisdiction. They don't have a registered office; they don't have any employees here; they don't have any managers here; they have never registered with the Workers' Comp Board; they're not registered with the corporations branch. We don't even know they exist.

And so they are in fact . . . Now the worker in that situation is entitled to benefit and we would pay the benefit without question, as long as we're satisfied there was a work-related injury. And only in that situation would we have the right then of suit, to sue that employer from the other jurisdiction. So that's the only hope we've really got. But we try and we keep trying.

And yes, there are several of those in the system in the overall scheme of some 60,000 on a given day. They're not a lot but they are there, which leads us then to another very important part of the whole equation, and that is Saskatchewan workers going out of country to work. What liability does the Saskatchewan board have when workers go out of country?

That's a policy issue that's currently under debate. I think that at the end of the day we end up accepting liability, providing they have some relationship yet to the province — their family is here or their employer is here or, you know, they're doing their banking here or they haven't been outside of the province for more than 6, 8, 10 months or whatever that number might be.

Mr. Koenker: — You're working on policy though.

Mr. Cameron: — We're working on policy currently and we expect to have that done before the end of December. That's a commitment.

Mr. Koenker: — Thank you very much.

Mr. Thomson: — Madam Chair, I was going to suggest that we give the officials a break, and I would be quite happy to defer my question until after that.

The Chair: — Okay. Mr. Goohsen has questions as well so we'll take about a 15-minute break. We'll be back just after 11.

The committee recessed for a period of time.

The Chair: — Call the meeting back to order. And I think that Mr. Thomson had agreed to wait to do his questioning until there was a break, so having our break now we'll go ahead with Mr. Thomson.

Mr. Thomson: — Thank you, Madam Chair. I simply wanted to follow up on the line of questioning Mr. Osika had pursued, just to clarify the numbers that were brought out this morning. This is on the disenfranchised widows issue.

At this point, from your testimony this morning, I understand that we are talking about roughly 300 widows who would be classified as disenfranchised at this point. And the current estimates from the board are that to cover the cost of that liability would be \$100 million. Is that roughly accurate?

Mr. Cameron: — Yes, the number of 300 is the best information we have today and we continue to try and mature that information. The actuaries have estimated approximately 89 million of costs. However with interest over that period of time and as the dollars move forward into the future, we will find that that could in fact grow to 134 million.

Mr. Thomson: — I appreciate that. I think that that helps put this issue into perspective.

I want to address very specifically, Mr. Osika's comments about this being an issue of compassion or apparent lack of compassion on the part of this government.

This line, an approach that my friend opposite uses, is similar to the approach they used in the House of course this spring on the health care issues, where were so heartless and uncaring supposedly according to them, at least while the House was in session. Of course once the members took vacation we never heard from them again on the health care issue.

This is a very similar approach and I think shows how this issue, certainly from a Liberal perspective, is one that is largely politically motivated. I think that we on this side have a responsibility clearly as government to weigh out the extent of the compassion arguments, and certainly there are some, with also the cost and the liability issues.

I think that it is important that Workers' Compensation Board nail down these numbers and certainly that we move that into the public debate so we have a better understanding as to what these potential liabilities are. I'm particularly interested in the question, and it's one I hadn't considered until this morning, which was the question of estate eligibility, which obviously would have some impact in terms of the size of that liability. So with that I would conclude my remarks.

The Vice-Chair: — Thank you, very much. The Chair recognizes the member from Maple Creek.

Mr. Goohsen: — Thank you, Mr. Chairman. I wanted first of all to just go back to the case that Mark brought up because we've got a similar case. And the problem that I see there, that I think if we expand on this a little bit more, is that not only do we get Alberta's worker that's injured into Saskatchewan working at a job that then later on disappears, we also have then have that person involved with our medical system, and of course the Saskatchewan taxpayer ends up paying for that Alberta injury indirectly. There's that side effect.

And of course once his job has gone that person ends up in the social welfare hands, and we as Saskatchewan taxpayers again end up taking on the responsibility. And I know that you've alluded to the fact that this goes on back and forth, that you probably place some workers from Saskatchewan in Alberta on jobs, that are partially injured or have a percentage.

I guess my question is twofold. Is there anything that we can do for the workers themselves that are caught up in this dilemma of the cross-border thing on individual cases, and I think you've alluded to the fact that you maybe don't, but if you could expand on that.

The other thing I want to know in a more general sense is that does this sort of balance out between our two provinces? Have you kept some records, I guess, to see whether or not we as taxpayers in Saskatchewan are getting caught with more of the bill than Alberta is, or is there sort of a fair exchange over time?

Mr. Cameron: — Yes there is a balancing of the costs, the books so to speak. And there is recourse. Each jurisdiction has the ability to seek recourse from another jurisdiction.

So in fact in a situation with Alberta, we would seek recourse from the Alberta board. It does not mean to say that the worker would not receive the benefit. What it does mean is that we would pay the benefit and then we would seek costs from the Alberta board.

However the one that was referred to earlier was a situation in which I read differently than that. And that was a situation of an Alberta worker coming into the province and where the coverage might be there.

Medical costs are not paid for by taxpayers of the province as we would think in general terms of what a taxpayer is. Medical costs are paid by the Workers' Compensation system from employer assessments.

So every time a caregiver, whether it is a doctor, a general practitioner, a specialist, a chiro, an occupational therapist, has a reason to treat the injured worker, and if in fact it is a compensation claim, those costs are moved to the board out of the provincial health care system and are allocated to the board, and the board picks up those costs.

Mr. Goohsen: — So then if this fellow goes to a doctor say in Maple Creek and he's under the jurisdiction of the Alberta Workers' Compensation Board, the doctor would sort of identify that so that that cost then could be transferred through the system.

Mr. Cameron: — We would pay the invoice from the caregiver. We would then try and recover that from the Alberta board.

Mr. Goohsen: — Oh, good, I'm glad to hear that.

The other case of course that you're mentioning with Mark, your understanding being of workers that go back and forth and whether or not they're covered, and of course that brings up the subject of the Saskatchewan students that were working in the gas plants at Burstall and places like that which are Alberta jurisdiction, and under the apprenticeship programs. And we talked about that last year to some extent.

But at that point there was no coverage for Saskatchewan students going in that direction, but Alberta in fact did cover their students coming to Saskatchewan, which created an unfair playing field for students from Saskatchewan.

Has there been anything corrected in that area?

Mr. Federko: — Agreements have now been negotiated — actually it was all community colleges — to provide coverage for all students crossing borders on either side.

Mr. Goohsen: — That's good to hear. We can pass that information on then, I'm sure. Maybe they already know.

My next question is that back a few years ago when you changed the program in Workers' Compensation so that the individual employer groups paid different premiums, I guess for lack of a better word, and I guess you've called it an insurance program so premium is basically what they're paying, I had a case where a lawyer showed me documented evidence of one group paying up to 300 per cent increases and he said that was unjustified.

Now those same people are indicating to me that the fact that you have a surplus indicates that their arguments at that time was right. And their question that they are presenting through me to you is, will you be giving a reduction in premiums to reflect the overcharging that you've done in order to develop this surplus.

Mr. Cameron: — Well the first point, the 300 per cent increase, actually that's not quite accurate. It was in excess of 500 per cent. And the reason for that was that the parties in that particular rate code came to the board and wanted to clear their liability on a one-time basis with the board as opposed to handling it over a long time period of debt management.

And so because of the implementation of a one-time application of what they needed to clear their books, it was a 500 per cent increase. That never came out, incidentally, in any media coverage of the issue, but that is the real story.

With regard to the surpluses and assuming that part of the argument that is raised by employers that we have charged them too much, as I had indicated earlier, that prior to 1997, there was no actuarial method of calculating what the premiums ought to be. That prior to 1997, that there were some 70 rate codes in which employers could be fitted into. But as a result of the actuarial model that was designed, that those rate codes came down to some 60 in effect creating bigger pools, and so less fluctuation in highs and lows of cost.

I think the other thing that's often not recognized by some of the sectors is the fact that the board has no ability, other than statistically from previous experience, to see what the future costs are going to be. And so the board sets its rate based on what it would anticipate actuarial costs of the coming year will be.

The Act requires that the board . . . that today's employers pay for today's costs. And so therefore, we always want to assure that in fact we have collected enough revenue to assure that today's employers have paid for that cost.

In the situation of the last year or two, partially because of the markets, partially because of fast tracking or getting a better bang for our buck with the new programming, there has been some significant growth in surplus. As I had indicated earlier,

we had passed on or rebated much of that or a portion of that back through a better merit program. We had passed it back in the . . . by reducing rates on average 15 per cent last year. Some sectors got as much as 25 per cent rebate. And we will look for that opportunity again this year for 1999 rates.

Now if we're talking about the fact that the board has a surplus of 200 million — prior to 1998, the fiscal year of 1998, there had never been within the board a funding policy as to what the funding requirements were. And so the board prepared a paper on a funding policy proposed, submitted that to some 70 employer associations and all the labour unions and asked for some response to it.

The result of that was as a debate of last November. As of January 1 a new funding policy came in. The funding policy required a surplus in effect or of allocated funds of approximately 114 million. So there is on deposit 114 million of allocated reserves for latent diseases — that's diseases that may have been created in the last three, five, seven, or twenty-five years. Asbestos being one of the significant ones. That in fact is, that there is money there to pay for those latent diseases as they may come about.

On a national basis, there was a study undertaken, an actuarial report of boards nationally called the Doane Raymond report and one of their recommendations in that report was is that all boards across Canada ought to provide for the future administration costs to be allocated. And so we actuarially had it determined what those costs would be and included that in the funding policy.

And so there are a number of allocated portions or funds in the 114 million for specific purpose. In addition to that . . . So there is an additional surplus now above that 114 million of allocated, and that may very well be 50 million . . . 40 million in 1998.

If the suggestion is what are we going to do with that other than through merit rebating or program initiatives to make the system more convenient or more competent, are we going to sit and cut a cheque back to every employer. Well there are a number of employers out of the 34,000 employers in the province that actually still owe the board money. In 1997 . . . '96, we implemented a debt management program and amortized their debt over a five-year period.

So part of the question now is who's going to receive surplus — globally all 34,000 employers or only those that have surplus within the board? And if in fact we did it globally and paid out \$104 for every employer in the province. What would they in fact do with this \$104 . . . not necessarily once it goes back to them is it any of our business, but is it going to create a safer workplace?

And so as we move forward to debate what we might do on surpluses and how we might manage surpluses, one of the things we will want to talk about is prevention because the more prevention there is and the less injuries there are, there are less costs in the system which will then generate more surplus again. And so that's kind of a long about way of answering the question.

Mr. Goohsen: — Well it does raise some possibilities for you

though. In the preamble that you just went through, by going to a direction of repayments, of course you can say that an employer who is delinquent has money coming back and you simply take that off the bill that he owes and then he doesn't get it back and that way you square up your books and you get your deadbeats off your books at least and clear up some of your bookkeeping. So that's a possibility you might consider as well, I suppose.

But the thing I guess that I want to get back to is the original question which was that employers felt that the premiums were too high and were not justified by the risk that they posed to Workers' Compensation and their argument seems to have been won by the fact that you now have surpluses.

So in that context, instead of giving rebates, I think what they're saying is that their premiums should be reduced for future years. And I haven't heard any of them say they want rebates really for the past but they would like to have, from this point on, a reduction in their costs to reflect the fact that they haven't been costing the systems as much money as you had anticipated. So, is there any thought on that?

Mr. Cameron: — All of those points, of course, are in fact true and are all points that in fact that the board currently has on its agenda to deal with before we meet with 70 employer associations in the month of November as to what we're going to do with rates. And in fact in sometime mid-October we will bring in 12 of the major sectors of the province and bring them in to share with them the trends of what's happening, where it's going, and invite them to give us some feedback as to things that we might think about.

As I indicated earlier, we would anticipate that all these surpluses should be reflected in the rates. But part of the argument from employers is that Saskatchewan rates are higher than the neighbouring jurisdiction of Alberta and there are reasons for that.

There is a larger labour pool and therefore a larger pool within which to move the costs over. They have . . . Take one example, oil and gas in Saskatchewan are all basically field workers. In Alberta, oil and gas, the majority of the people in that rate code are office workers. And so the experience is very, very different from jurisdiction to jurisdiction.

We are not immune to rebating surplus for good experience.

Mr. Goohsen: — Well you've alluded to the merit program and, you know, I guess as an individual person I would say I like the idea of rewarding people for not costing the system. But at the same time I do have to say that your other thoughts and comments about the workers' point of view have also come across our desks, and I'm sure the other MLAs as well, in that the workers of course do feel that occasionally they are encouraged by employers not to report injuries.

In fact, I have a case just recently where the employer actually offered a hourly increase in wages if the worker would continue to work in an injured state and not report it and that, in fact, one eye would be closed if the work couldn't be done quite right and that sort of thing. And that is going on.

I don't know if that's right or wrong or if it really helps maybe the system to weed out people that say they can't work and maybe could work. I don't know how that really works but it is a factor out there and I just wanted to let you know that that's also happening across my desk. You can comment on that further if you want but I do have a question of the auditor if you would like to comment on that first.

Mr. Cameron: — There is a suggestion out there by labour that in fact is non-reporting of accidents because of the merit rebate program. And I frankly am always surprised by that argument. And the fact is this morning is the first time I have ever heard that there is in fact a case on point. Because up to this point we have never been able to substantiate that that is actually a real situation.

And I think that there's a vast difference between claims management managing the claim, which is a responsibility of the employer under the Act, and deterring workers from filing a claim. I mean I do not see claims management as deterring workers to file a claim. And if that's happening out there, if in fact we're aware of that, I can assure you that we will begin to investigate and we will correct that situation. Because workers have the right of a benefit.

Mr. Goohsen: — You won't be able to substantiate this one either, just to correct the thought. Because these people came to me in confidence and only would share with me their experience on the condition that I kept it in confidence and not share their name. And I don't want to cost anybody their job so I'll respect that.

But there was one other question. I was just thumbing through your '97 Workers' Compensation Board report here And on the investments and securities and you've alluded a few times to the fact that you've got some surpluses because of your investments, and I noted that the voice appeared to have some pride in it as to the amount of monies that you are making.

I'd like to know who in your department authorizes the purchases of the investments that you invest your money in with Workers' Compensation Board; and a secondary question to it, how are you going to be affected in 1998 by the equity positions that you now have?

Mr. Cameron: — When I arrived at the board in 1993, the board of the day was responsible for managing the fund — I mean the board itself accepted that responsibility even though it may have allocated some of the responsibility to the administration. The current board has continued to in fact accept that responsibility of the investment portfolio.

In 1993 there would have been one investment manager, being the Saskatchewan Investment Corporation that later changed its name to Greystone. In 1996 the board chose to in fact to split that investment management into three investment managers. And so the board currently has three investment managers and that they administer those funds based on policy of the board, that is part of the public record. And the board develops that policy in consultation with a group called J.P. Marshall. And they are an independent third party that acts on behalf as a consultant to many boards nationally and other funds as well in Saskatchewan.

With regard to what the future holds on the investment portfolio and how we manage the capital gains on those portfolios, Peter will respond to how we do that over a smoothing process.

Mr. Federko: — To be brief and address your question, we don't anticipate a dramatic impact on our equity returns despite the less than average performance by the markets. Part of the reason for that is consistent with accepted accounting practice, we amortize on realized and realized gains and losses over a five-year period, which really has the effect of taking out the significant peaks and valleys in the system.

The last estimate, even given the downturn in the markets, is that our returns will be more or less equal to what our returns were in 1997. So we are fairly well insulated from any of the volatility.

Ms. Stanger: — In the three groups, Greystone and what else?

Mr. Federko: — Knight Bain is our speciality bond manager and Templeton is our specialty global investment manager, our non-North American stocks.

Mr. Goohsen: — I'm surprised that your government hasn't put your fund into general fund and treated it the way they did the teachers' pensions that we were listening to yesterday. But hang on to the money because it could be at some risk here. I'm glad you're managing to hang on to it for the people that deserve to have it.

Madam Chair, I wanted to ask a question of the auditor before I finished earlier. You talked about the public accountability section, and we're to be asked, I guess, to decide on your recommendation. So I was wondering if you could give us some examples of the persons other than injured workers who receive public monies that you're asking should be recorded or that there should be record of. What are some examples of those people that are getting the public monies that we apparently don't know about, or aren't listed?

Mr. Strelieff: — Madam Chair, members, it would be primarily related to the cost of administration.

Mr. Goohsen: — Okay. That's all I have, thanks.

Mr. Jess: — Yes, I just wanted to mention that we do get calls from individuals that claim to have been mistreated initially as well as by the appeal process. And on some of these discussions — like I'm not qualified to give medical opinions — and unfortunately we often find we as government are criticized and WCB is criticized when in fact what is lacking are the necessary medical statements. And the doctors on occasion have been reluctant to fill out the necessary forms.

It seems to be, at our level anyway, that we often get this stuff, well you guys won't do anything, and then when we dig into it we find out that you have not done anything at all because you have wanted to have a medical statement and the doctors just tend to — not all of them — but they tend to shove it off in a corner and say, oh well they . . . no, no, I gave them all that information. Maybe they did nine months before but you want an update.

And from a political point of view and from your position, we're often condemned by the individual that's trying to get through this system. I don't know how we can . . . maybe you've got some suggestions on how we can activate these medical people to be a little more co-operative at times.

Mr. Cameron: — Prior to, if I may, Madam Chair, prior to 1995, we would have paid medical doctors or caregivers a 10 per cent premium for the completion of forms and providing information to the board.

And as we moved into the early-intervention, return-to-work concepts, we negotiated a new fee schedule with all caregivers. So that in effect since 1996 doctors that will provide information to us upon request on a fee-for-service basis so that we pay them a fee for every report that we ask. And so I think that it is not fair to suggest that the caregivers currently are not responding to board requests.

Prior to 1996, I think that there was some reason to believe that because they felt that the 10 per cent just wasn't enough. And so we pay a different fee structure and frankly, I do not think we have a problem any longer getting medical reports.

That's not to suggest that they're not tardy from time to time in giving us a report that they're supposed to. The employer's to file a report, the worker files a report, and the care giver. And sometimes both the employer and the caregiver are tardy in getting in their report. And what that does is holds the board back in doing its work to adjudicate the claim.

And so when you hear the idea that, well I haven't got my first cheque and I've been six weeks, that from time to time may be true because we do not adjudicate a claim without a report from the employer and the caregiver. But on that point, when in 1993 the average worker would have received his cheque, first cheque, at 58 days, today the average worker in most cases will receive their first cheque — 50 per cent of them — within 14 days, and the balance within 28 days.

Mr. Jess: — Does it vary or how much is this fee now to doctors?

Mr. Federko: — I couldn't tell you with any degree of accuracy exactly how much we're paying them. But it will vary depending on the caregiver. We have negotiated independently with the physicians, chiropractors, physiotherapists, etc., etc.

Ms. Stanger: — You don't know what you give them?

Mr. Federko: — Pardon me?

Ms. Stanger: — I'd like to know what you give each of them for filling these forms out.

Mr. Federko: — If memory serves me correctly, I believe it's around \$30 per report.

The Chair: — Do you have any further questions, Mr. Jess?

Mr. Jess: — No, that's good. Thank you.

The Chair: — Okay. Do any other members have any

questions? Okay, we'll go on with the recommendations then. Starting on page 18, .16 says:

We continue to recommend:

the WCB should complete its system to estimate . . .
(inaudible interjection) . . .

Pardon me? Yes, the auditor said it was.

A Member: — An outstanding one that you haven't addressed yet?

The Chair: — Yes, yes.

(Workers' Compensation) should complete its system to estimate compensation costs it expects to pay for each reported claim;

the WCB should develop a process for estimating claims incurred but not reported;

the WCB's annual budget should include estimated compensation costs based on these systems; and

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

A recommendation that we need to deal with.

Mr. Thomson: — Could I ask what we previously recorded on this issue?

Mr. Strelloff: — You haven't met with the Workers' Compensation Board for some time so you haven't addressed these issues.

Mr. Cameron: — Well, Madam Chair, I'm not sure that I understand the process that we're in now with the recommendations. Does the board in fact get an opportunity to comment? Okay.

The Chair: — Yes. If you'd like to comment at this time, you can.

Mr. Cameron: — I think that each of those recommendations are not unreasonable. Having said that, in 1993 I came from the private sector. I mean, I run a small business. And I was particularly concerned at that point that they couldn't administratively tell me on a day-to-day basis what their costs were in the system. And that led us to, the board to invite the administration to begin to develop a method of costing current claims in the system.

We sought out assistance from 11 other boards across Canada and concluded at the end of it that none of them had the competence to do that — not one of them. And the fact is when we went to the private sector to their insurance companies, we found for the most part the same was true.

And so what we did as a board we invited the administration to

develop for us a method of doing this, using the new technology. So as the technology began to grow, we also started to grow this system. And what we refer to this system as a net present value system for the forecasting of claims costs and the tracking of claims costs on a day-to-day basis, which the current technology has the ability to do.

This pilot project that is currently now in some degree of function is the first one in Canada. The other boards are looking to us as to what, how it works and how it functions and what it can accomplish. And so it is a process that is evolving, that's growing, that we will get there.

We do not take the recommendation lightly. It's an initiative that was well under way before the recommendation came in the auditor's report, and frankly it has taken more time than what we had hoped it would to mature it.

Mr. Shillington: — I didn't actually ask to be recognized but I will make a comment. Almost three decades ago I was a director on a . . . I was a member of the board of directors of an insurance company. These kind of reports were provided monthly to the directors. And I'm pleased to see that the Workers' Compensation Board is developing them, but this kind of reporting is not very new.

I understood . . . I mean I've only . . . I've close experience with one company. But I understand that this is a standard practice for insurance companies to provide this to directors. So I'm pleased that the Workers' Compensation Board is developing it.

As for the other insurance . . . as for the other WCBs in Canada, they're not, most of them . . . many of them — I shouldn't say not all of them — many of them are not a model. WCB in Canada is . . . our administration is sound, but I wouldn't copy the practices of other WCB's in Canada. My experience is some of them are very poorly administered to the point of being really quite sloppy. Just again, I'll close by saying that I think these are standard in the insurance business and I congratulate the Workers' Compensation Board for developing them for their business.

Mr. Gantefer: — I would move that we concur with the auditor's recommendation and note the board's progress in moving towards compliance.

The Chair: — Agreed? Anybody opposed to that? Okay, recommendation on page 19, .22:

The WCB should continue to improve its published annual report by including: clear measurable objectives; a comparison of key performance indicators and targets to its actual results; and a discussion and analysis of its success to date in achieving its goals and objectives.

Do you have a comment? Or we can go on? Okay.

Mr. Gantefer: — I would move concurrence and note significant progress as particularly outlined in the strategic planning document tabled with the committee today.

The Chair: — Agreed. Okay, page 20, recommendation .29:

That WCB should publish a list of persons, other than injured workers, who received money from it and the amounts the persons received following the PAC's current minimum disclosure amounts; or WCB should discuss different public disclosure requirements with the PAC.

Mr. Cameron: — WCB, as an organization and specifically the board, is opposed to the publishing of a list of our vendors or who receives money from the board. The board continues to be troubled by the concept that somehow that this is taxpayers' money, public money, versus premiums for insurance that is bought for by employers.

The WCB pays caregivers that are providing medical and therapeutic services to injured workers, and disclosure of this information is meaningless and it's confidential to the board. With regard to our other vendors, the WCB has a purchasing and procurement policy that has been developed in consultation with executive government and the board has followed that since 1995.

The WCB has, since 1996, has grown an internal program evaluation and internal audit group to assure that there is compliance of legislation and policy. The WCB is very much front and centre aware as to whose money it's spending and we report to those owners that money that we are spending. We report regularly to them. It begins as the rate-setting process in October and November and through December, in which there is also a 30-day appeal process for those employers and stakeholders to question the expenditures of . . . any expenditures of the board or any money that is going to be levied. There is an annual meeting of the stakeholders and there is a mid-year review with the stakeholders in which all statistics and any information that they require is available to the owners of the system.

We see disclosure as non-productive as an accountability tool. There's a fine line, in my judgment as the chairman of the board, between public accountability and general interest. Compliance with policy, in my judgment, means of establishing rates, etc., are better accountability measures and the WCB shares these with its stakeholders several times throughout the year and through various discussions on a one-to-one basis with those individual stakeholders.

Information can be counter-productive. This is an institution of factions and fractious opinions and we see this as nothing more than another opportunity to stir and bring the board and its successes into public controversy that's unwarranted. We are, if in fact is the committee's opinion is that this information ought to be shared from the board into some process for accountability purposes, the board would be quite prepared to provide this to this committee on a confidential in-camera basis.

The Chair: — Thank you. Comments from members?

Mr. Goohsen: — If the Workers' Compensation Board happens to find itself in the opposite position that you're in right now, which of course is to have a surplus, and if you were to have a massive loss for some reason, who would you go to to get the money to square up the books? Would it not be the government and the taxpayers? And therefore are not the taxpayers probably the ones that in the end would end up

having to bail you out?

Mr. Cameron: — If I may, under the current legislation that's in place, the board could in fact approach executive government to borrow money from the general reserve fund. In the 70-year history of the board it has never done that. There is also opportunity within the Act by legislation for the board to in fact go directly to the employers in times in which there has been an error in judgment in calculating the rates or in estimating or cost projecting the experience.

There is no liability of executive government or general reserves to picking up the liability of the board under the current legislation. Every employer in the province understands that — at least those employer associations that we meet with understand that, and I think for the most part agree with that.

Mr. Goohsen: — I guess you've indicated that there are controversial and fractious informations that you hold near and dear that you think should be confidential. In order for us to make a decision, can you in some way generalize as to what types of things you're talking about that you think that the world would be better off not knowing about?

Mr. Federko: — It's not so much that the information that is being asked for is confidential, I guess from an administration perspective, dealing strictly with the accountability issue which I understood to be the most significant issue here.

For us for example to provide a list publicly of all the physicians in the province that were paid, as I understand the guidelines, in excess of \$2,500 would be an interesting list. However, could quite easily be a party, whether warranted or unwarranted, to take that information and suggest that the WCB is playing favouritism to a particular physician because we paid that physician more money than the rest of the physicians on the list, when in fact the choice in terms of what physician an injured worker seeks out is clearly that individual's choice. The WCB would never direct an individual to go see a particular physician. Yet the publication of a list would suggest that the WCB somehow would control what physicians are in fact being paid. Relative to the vendors, likewise.

I think a fairer question is, do you have a purchasing procurement policy that allows for tendering of your projects, and so on and so forth, and are you following that project? Do employers/vendors have an equal opportunity to bid on the book of business that the WCB has to offer?

Again, to publish a list that simply says we paid employer XYZ, X number of dollars, in my opinion only provides the opportunity for employers who are not successful through a fair and agreed-upon tendering process to say XYZ was awarded the contract for political reasons, which could be the furthest thing from the truth.

I think the position strictly from an administration point of view is as an accountability tool it's not very effective. Rather reporting that we are complying with our policies as agreed upon is a much better accountability tool. And a list, while interesting, of all the people that we provided money to, really in my opinion does not serve much purpose from an accountability point of view.

Mr. Cameron: — I think too, Madam Chair, if I may just conclude this. We have spent considerable resources, time, and energy, not only this morning but in front of Crown Corporations and anyone else that will hear of us. And one of the things that we have tried to do and endeavoured to do repeatedly is to continue to develop the integrity of the five principles of workers' compensation on a national basis.

I mean we continue to be the best salesmen that there is in maintaining and ensuring the integrity that those principles stay within the system as it is today. That has been confirmed; those principles have been confirmed by the 70 employer associations in the province and the labour organizations and a number of other interest groups.

And two of those points that they seek assurance of is the independence of the board where the system shall be governed by an independent board which can fairly serve and respond to the needs of workers and employers without position of political interference. And that principle has been upheld repeatedly by every stakeholder or perceived owner of this system.

The second part of that is point no. 5 of the Meredith principle of which this board is committed to upholding, and that is its exclusive jurisdiction:

The board has exclusive jurisdiction so that each claim can be decided on its individual merits and benefits can be provided promptly without the need to sue for damages.

And we're particularly concerned that this is the beginning of undermining those two principles.

The Chair: — Are you finished?

Mr. Goohsen: — No. You see, the problem being that you're asking not necessarily just the taxpayer, but you're asking the employers and the employees to accept at face value the way that you spend their money. The employers pay the premiums and that affects the employees as well, but they have not any way of knowing where you're spending a lot of their money. And yet you have the unbridled right to increased premiums to cover all costs, but you don't have a responsibility to report those costs or what caused those costs to occur.

And I think that if you didn't report to the general public then you should be reporting to the employers that pay the premiums. You see, it's not like in the private sector, where you come from, that if you don't like the premium you're paying for your insurance, you can go to another insurance company. This is a monopoly. And therefore you have a responsibility as a monopoly to disclose all of your information to the system.

And I think what the auditor has asked for is not inappropriate. And I think you misread the inability of the general public to understand. For years, I'd give the example of the Canadian Wheat Board. They said it would be best if the farmers didn't know how we did our business, but gradually pressure has resulted in the Canadian Wheat board giving out more and more information.

And as that has happened, quite contrary to a great deal of

problems being created, farmers have said well, yes, that's the way you have to do business; it makes sense. Why didn't you tell us that before; then we'd have been content.

And I think you misjudged the general public's reaction to information that you think is controversial but probably would be seen to be in order if it is in fact in order.

Mr. Cameron: — Madam Chair?

The Chair: — Yes?

Mr. Cameron: — We have not suggested or are not suggesting whether this information is not available to the owners of the system. The owners of the system are clearly the primarily stakeholders — employers and workers. That the general public has in fact, until they become an employer or a worker that is seeking benefits under the terms of the legislation, have no interest in what we're doing.

This board has over its five-year tenure or going onto its sixth year, is the first and only board in Canada that meets at least twice a year and more often, with every employer association within the province — every single one, regardless of how small they are or how large they are including the chamber, provincially or individually, within each respective city. The independent small business, the construction association, meat, forestry, pulp, mining, oil and gas, on and on and on, including all of the labour unions in the province through the federation of labour or individually through their respective bargaining units. This information we provide at every opportunity to them.

Upon request of an employer as to what we're spending the money on on any particular budget line, we would provide that information to them directly. We have done in the past; our commitment is that we will continue to do so in the future. We have absolutely no secrets there with our stakeholder community.

But we do not believe, until we have legislation that would suggest that in fact workers' compensation is a part of a whole where executive government in fact owns it as opposed to employers and workers, an accountability to the degree in which it's encouraged here to the public.

We're not opposed to providing this information. And we will provide it to your committee here at any opportunity or any request in a confidential basis.

We're bound and committed to upholding those five principles that were developed in 1910 by Judge Meredith and confirmed by the Anderson commission here in 1930 that have allowed this province to have one of the most successful boards in Canada that has led the way on the whole wage-loss system, on many other benefits that other boards have followed us. We're not opposed to this at all. We just are concerned about the forum in which they are provided.

Mr. Goohsen: — Madam Chair, I think I have to add one more little comment here. The auditor in this province is the public auditor. He's not the private, confidential auditor. And to suggest that the auditor should sit in this room with us and receive confidential information would be a conflict to his job

and the mandate that he's hired to do. And for him to say that he wants a public disclosure, he's doing his job because nothing that he does should be judged by himself confidentially and then buried or released. He's not given that mandate. His mandate is to ask for full disclosure and I think he's done his job. And I think, quite personally, I support that.

The Chair: — I have Mr. Thomson. Did you want to comment or should I go on to Mr. Thomson?

Mr. Thomson: — Thank you, Madam Chair. Listening to this debate, I suspect that somewhere between the two positions is where we should be. I think there is probably some reason why we would not necessarily want to list payments to physicians and such as is the case with other departments. That being said, I am not sure that I've heard a persuasive argument as to why we should not provide disclosure of other expenditures.

And having said that, at this point, I would move:

That PAC request the WCB work co-operatively with the Provincial Auditor to consider alternative public disclosure requirements and report back to PAC at a future meeting.

Mr. Paton: — Madam Chair, if I can just add one comment to this discussion. The information that's being requested here seems to fall into two categories. First of all, there's the administrative-type payments and the second is that the payments that are being made to physicians and surgeons and so on.

Just for clarification, when it actually comes to department expenditures — the Department of Health — that second category is not disclosed either. It's a category that this committee has seen as being confidential. I think the view that's been taken in the past is whether the payment is made to the individuals or to the doctors, kind of on behalf of the individuals. In either case, that information is confidential. So just to clarify what happens in departments is a little bit different when it comes to these types of payments.

The Chair: — Before we put this motion to the committee, I have two other speakers that may wish to say something.

Mr. Shillington: — Yes, I want to comment on this. It's not a new issue. In my view, the principle of the independence of the board has been extended beyond what was originally intended and I think beyond what is necessary.

In the matter of adjudication of claims, the board should be independent. No member of Executive Council and no member of the Assembly nor should any employer be able to influence the board with respect to the adjudication of a claim. On those matters the board must be independent.

However, with respect to matters of administration, the board should be accountable to the Assembly and through this committee to the Assembly. I see no reason why the board has to be independent with respect to matters of administration.

In my view, confidential disclosure is no disclosure at all. I think there's very little public protection in getting information which you can't use and which you can't repeat outside the

room. When we were in opposition we had a strict policy of never accepting confidential disclosures. If it was on a confidential basis, we weren't interested. And I think confidential disclosure is no disclosure at all.

I recognize there are factious groups but all departments deal with that. Other departments disclose payments to businesses which are the result of a tender. I think the wording provided by the member from Regina South is good. I would like to see the WCB meet with the Provincial Auditor. But in doing so, I would urge that all parties examine critically the principle of the independence of the board. I strongly believe this board must be accountable to the Legislative Assembly with respect to matters of administration. And we need to distinguish that from questions of adjudication of individual claims.

I feel this way in part because I was around during the '80s and I don't want to . . . this to degenerate into a partisan debate because it's too important for that. But suffice it to say that the current board, I think, is a model of good administration. I agree with the comments of the chairperson that this is run in a very sound fashion. I just say it has not always been the case.

There have been abuses in the past and the kind of disclosure which the Provincial Auditor has described I think would have eliminated those . . . would have prevented those abuses in the past which I've seen. We've found through experience that disclosure of payments is one of the best ways of preventing administrative abuses — whether they be abuses of fraud or simply sloppy administration.

So I support the motion put forward by the member from Regina South, but I urge the members of the executive of the WCB and the Provincial Auditor to examine critically that this question of independence of the board and ask themselves the extent to which that principle really serves the public interest. I think we need to limit that principle largely to the question of administration . . . largely to the question of the adjudication of claims and not the administration of the board itself.

Mr. Gantefer: — Thank you, Madam Chairman. I think that the points I wanted to raise have been raised by the previous speaker, and I think that in light of the fact that the relationship between the Workers' Compensation and Public Accounts Committee and through that to the legislature has improved a great deal.

I do support the motion that an attempt be made between the board and the Provincial Auditor to reconcile these different positions. In the auditor's recommendation it does suggest that the WCB should discuss the idea of different public disclosure issues. I think this is an appropriate way to go this time and I look forward to a positive resolution, given the tone of the discussion that went on.

Mr. Cameron: — You'll appreciate, as I indicated earlier in my opening remarks, that I had anticipated the atmosphere to be very different on this meeting with this committee, or other committees than we've had in the past. I think that the Provincial Auditor's office will agree that there has been considerable progress in us finding ways to not only develop mutual respect for each other but to also be able to find methods of some cooperative spirit.

And my undertaking this morning is to do two things, to stake out in fact a part of the debate as I hear it from my board and for those that they say that they are representative of. The second one is to come here before you, provide you with any and all information that you would seek, and to in fact assure you when we depart today that we will do what we can to continue to develop this spirit of cooperation with the Provincial Auditor's office or executive government while at the same time maintaining our five principles that we hold so clear to the system.

The Chair: — Thank you very much, Mr. Cameron. We have before us right now a motion that I would like to read again. It's by the member from Regina South:

That the Public Accounts Committee request the Workers' Compensation Board work cooperatively with the Provincial Auditor to consider alternative public disclosure requirements and report back to the Public Accounts Committee at a future meeting.

This motion has been brought forward. Everyone in favour of this motion? Anybody opposed? I have one opposed. This motion is carried.

I think that's all the recommendations there are, so what I'd like to do is thank Workers' Compensation very much. This meeting this morning was wonderful. We have last year's meeting to compare this to and I do appreciate the steps forward we've made, everyone today, and look forward to meeting you in the future. So we thank you for your co-operation.

Mr. Cameron: — Thank you.

The Chair: — Committee, we have the Public Service Commission is outside. They can't come any other time this week unless we want to all sit back again on Friday.

Mr. Shillington: — I think as a matter of courtesy, having asked them to come, we should extend into our lunch hour to deal with them.

The Chair: — There's no recommendations, if you look. It'll be more of a matter if any member has questions, and I'll give you an opportunity to do that. So I'll get them in.

Ms. Stanger: — Madam Chair, we have Economic Development.

The Chair: — At 1:30. So right now this . . . If you look at the chapter, it's quite short and there are no recommendations and if . . . unless you want to come back on Friday. I have . . . The majority of the members think that to come back on Friday for one group that doesn't have any recommendations might not be cost effective.

A Member: — Agreed.

Public Hearing: Public Service Commission

The Chair: — Good afternoon, now. I'd like to extend the thank you of this committee. We appreciate you being . . . of staying outside and waiting for us for yesterday afternoon and

again this morning. I know that you're booked for Friday but this will make our lives a little easier and I hope maybe yours as well. When we look at this . . . at this chapter it probably won't mean you should lose your whole lunch hour. Anyway I'd invite you to introduce the officials that are here today.

Ms. Young: — My name is Wynne Young and I am the chairperson of the Public Service Commission. To my far right is Clare Isman who is the executive director of human resource development for the commission, and to my immediate right is Will Loewen who is with the employees relations branch of the commission. To my left is Sharon Roulston who is the director of administration and financial services and to my far left is Lily Tingley who works in employment equity.

The Chair: — Thank you very much. I have a statement I would just to read to witnesses that are appearing before this committee, the Public Accounts Committee.

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 a 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:

Any 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 prosecution for perjury or for the giving of contradictory evidence.

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

You are asked to address all the remarks to the Chair.

So thank you, and I'll ask the Provincial Auditor's office to give an overview.

Mr. Strelloff: — Thank you, Madam Chair. With me today is Rosemarie Volk who leads our work at the Public Service Commission and who will review the contents of the two chapters which is primarily an update of previous work. Rosemarie.

Ms. Volk: — Thank you. Good morning, Madam Chair and members. We're looking at two chapters today. Chapter 2 of our *1997 Fall Report* and chapter 16 of our *1998 Spring Report*. Chapter 2 of the *1997 Fall Report* outlines the significant issues facing PSC (Public Service Commission) and the results of our finding on its financial activities. We think that an understanding of PSC and its key issues will help the legislators, the public understand and assess the performance of the Public Service Commission. We also think it will help put our audit conclusions and findings into context.

In chapter 2 we refer to the priority strategies Public Service Commission presents in their 1995-1999 strategic plan. This plan confirms the commission's need to ensure its services appropriately respond to human resource needs of the departments. PSC continues to move forward with its plans. We note that in the last session of the legislature, a new Public Service Act was proclaimed. We note that PSC has been redesigning its rules for itself and key department officials as well as the staffing process to streamline operations. And we also note that it has been changing the use of its technology to make things more efficient.

We also report in this chapter that PSC had adequate rules and procedures to safeguard and control its assets for the year ended March 31, 1997 and that it has complied with authorities governing its financial activities.

In chapter 16 of our *1998 Spring Report*, it is a follow-up to a 1996 audit looking at the process PSC used to staff the classified permanent positions. As our chapter notes, Public Service Commission comprises of less than one-third of all government employees. The purpose of our work was to ascertain if our recommendations were still relevant and if so, what actions the commission had taken to implement them. The results of our work indicated that the recommendations we made in 1996 were still relevant but that they would be soon out of date as the staffing process had changed significantly.

Our recommendations related to getting agreement with the departments on the length of time it would take to hire an employee and on using this agreed-upon date to monitor PSC's performance. All of the changes occurring at PSC have resulted in a staffing process that is significantly different than the one we audited in 1996. We were pleased to note that PSC incorporated our recommendations in their new system and as a result we do not plan to take any further follow-up work in this area.

PSC is continuing to evolve and we note that they are currently in the process of releasing a new strategic plan covering the years 1998 to the year 2003 and we look forward to PSC providing the MLAs and the public with reports on its progress to achieve its new strategies, and in turn, its goals and activities.

Thank you, and if you have any questions, I'd be pleased to answer them.

Mr. Strelloff: — Thank you, Rosemarie. Madam Chair?

The Chair: — Thank you, maybe I'll ask the department if they have any information they'd like to give to the committee before we open for questions.

Ms. Young: — Certainly. I'll just make one comment and try to direct it specifically to a topic because the chapter 16 was the one of substance, which was the staffing process. And I guess what I would like to do is have the . . . use the opportunity to provide an update on our staffing process.

The Public Service Act, which was referred to, has been updated. It was a 51-year-old Act and it is brand new as of this spring. And for the first time the Act allows delegation of staffing to departments. And that may or may not seem

significant to yourselves, but for ourselves, we are one of the last jurisdictions in Canada to have centralized staffing where a central agency does all of the work for staffing — and we have a couple of thousand staffing actions every year. So in terms of efficiency and effectiveness but also in terms of bringing greater flexibility and accountability to line managers and departments, it was very much our desire, and we realize that through the Act, to be able to delegate staffing to departments.

We are now in the design, working with departments and also working with the co-operation of the unions where they need input to design the staffing delegation process. And it's our hope that in the beginning of 1999 we have four departments who are ready to pilot the staffing . . . the delegation model for staffing.

In this context, in the public accounts context, I guess I would also note that it's of significant concern for the Public Service Commission; our role and responsibility is the independence of the public service and the integrity of the staffing process. And so our efforts to date in designing the staffing delegation has been to ensure the integrity of the staffing process as it's delegated to departments. There will be roles and responsibilities for departments, there will be accountabilities and there will be audit procedures put into place to ensure that departments are following proper public sector . . . public service guidelines for staffing to ensure the integrity.

So with that I think that's the only comment I'd like to make.

The Chair: — Thank you.

Mr. Osika: — Thank you, just a couple of things to clarify. Perhaps that practice has been discontinued, but departments that are seeking potential employees, are those names submitted through Executive Council before they are in fact approved in the staffing process?

Ms. Young: — Just want to make sure . . .

Mr. Osika: — Through the Public Service Commission.

Ms. Young: — Are names, they go through Executive Council?

Mr. Osika: — Yes.

Ms. Young: — No, they do not.

Mr. Osika: — They don't.

Ms. Young: — If I understand your question — no, they do not. If an employee . . . if a department is seeking employment, they request . . . there's some process to go through; they request a staffing action, and we go through and determine what the qualifications are in conjunction with the department and if it's an in-scope employee with the union, and then we advertise that after we've looked at the re-employment list. And then after we advertise it, there's, I think, a pretty well-grounded process and procedure that we go through for hiring.

Mr. Osika: — Thank you for clarifying that. I just want to point out to the members who are saying it's a new approach — in 1981 the NDP (New Democratic Party) government of the

day, any department that wanted to hire personnel had to have the name sent through their Executive Council for approval. I just want to clarify that point.

So I wondered if that was still in existence; if it's not, I'm glad to hear that . . .

A Member: — Nineteen eighty-one. The Public Service Commission has evolved . . . (inaudible) . . . the question from the opposition . . .

Mr. Osika: — Well I hope that the government's evolved too.

The Chair: — Let's go through the Chair, please.

Mr. Osika: — I'm sorry, Madam Chair. The members opposite seem so defensive in actual, factual things that should be revealed here in these kind of committees.

The other question that's interesting — our public service is 16 per cent smaller, the employees in the public service, and yet it's interesting that in the orders in council area it's increased. So I guess it's . . . your numbers in the Public Service Commission, or the employees have been reduced to allow the opportunity for the government through orders in council to increase their opportunities for selective staffing. But is that what the graph shows us?

Ms. Young: — I'd actually want to take a minute just to, just to check the numbers on that. There is some reduction in the overall full-time equivalency over the past few years because of program changes and that sort of a thing. But to compare it to the unclassified service I'd just want to have a little look here and make sure on that.

Mr. Osika: — Thank you.

Mr. Shillington: — . . . classified service . . . (inaudible) . . . the appointments were on — two very different things.

Mr. Osika: — But it's increased from . . .

Mr. Shillington: — But you used the phrase OCs (order in council), and classified service is not OC appointments. They're two different things.

Mr. Osika: — Unclassified.

Mr. Shillington: — Unclassified are not OCs. They're two different things.

Ms. Young: — If I can just follow-up. I'm sorry, I don't have the total numbers but what I do have right here is the actual appointments by year, of order in councils. And if I can just . . . a point of clarification, the Public Service Commission does not appoint orders in council. They are in the unclassified service.

But just for your reference, starting in year 1992, there were 55 order in council appointments; '93-94 there were 54; '94-95 there were 56; '95-96 there was 48; '96-97 there was 41; and '97-98 — and I'm not sure these numbers are final, it might go up or down — it looks like 52. And so there is an average of around, I'm thinking, sort of 45 or 50 in there over the past five

or six years.

Mr. Osika: — Thank you very much.

The Chair: — Any further questions? I know this chapter doesn't have any recommendations from the auditor. And when we looked at it I think it gave us the opportunity to bring your staff in here and say thank you; and you must be doing a very good job, so I appreciate you coming down.

Mr. Shillington: — Yes, I just wanted to second the comments of the chairperson. I think congratulations are in order. My thoughts as the presentation was being so ably made by the staff of the Provincial Auditor's office — oh, that everybody should make our lives on this committee so easy. So I think congratulations are in order and I extend them.

The Chair: — I'll entertain a motion to recess. Just recess; you don't have to do that. We'll just recess; 1:30.

The committee recessed for a period of time.

Public Hearing: Department of Economic Development

The Chair: — I know that this is the Department of Economic Development we're dealing with under chapter 9 of the *1997 Fall Report* and I'd ask the deputy minister to introduce his officials.

Mr. Nicholson: — I'm joined by Donna Johnson who is the executive director of corporate management in the department. Brian Cousins is here from the office of Northern Affairs. He's the acting deputy minister of Northern Affairs.

The Chair: — Welcome. Before we go further, I'm going to read the statement by the Chair so that it's not forgotten. This is the testimony of witnesses appearing before this committee.

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 a subject of 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 the department, I ask that 15 copies be submitted to the committee Clerk, who will distribute the document and record it as a tabled document.

And you're reminded to please address all comments through the Chair. I thank you.

I'm going to ask the auditor to introduce his new official. I guess there are a couple of new officials. And we can go on to review.

Mr. Strelloff: — Thank you, Madam Chair. With me today are Andrew Martens — he'll be leading our discussion on the Economic Development department — and Tara Kucher. Tara is an articling student with our office, from Yorkton, and is waiting for her national exam results which come out in late November.

The Chair: — Welcome to the officials. I've asked the auditor if he wants to go into his overview of this chapter 9 of Economic Development.

Mr. Strelloff: — Okay. Andrew, can you take that please?

Mr. Martens: — Madam Chair, members, in our chapter 9 of our *1997 Fall Report* we describe the key issues facing the department. Three of these issues were identified by the department. These can be found in their annual report.

The department actually has quite a good annual report. It has quite a good overview of what the department does and what each sector of the department does. They've even provided the objectives for a future year in there and list dozens of publications that the department has provided. So it's a good source of information that you might want to look at.

The three key issues they've identified are cultivating a positive environment for economic growth, building on existing strengths and realizing growth opportunities, and developing partnerships and programs to seek full employment. In addition, we think another key issue is gaining the public's confidence that the government's Economic Development programs are successful.

Also in this chapter, we report on the department's need for written agreements when it receives or provides services to others. We found the department did not have adequate service agreements in the following three cases.

The Department of Finance administers a loan to the Hudson Bay Mining and Smelting Company on behalf of the department. The department manages the labour-sponsored venture capital tax credit program and it does that for the Department of Finance. And the Tourism Authority provides services on behalf of the department that are not covered by an existing agreement with the Tourism Authority. The current status of these is that an agreement with the Department of Finance for the Hudson Bay loan now exists. Responsibility for the tax credit program was transferred to the Department of Finance . . . from the Department of Finance to the Department of Economic development. Therefore a service agreement is no longer required.

The department is currently working on updating its agreement with the Tourism Authority. In our *1997 Spring Report*, which we're also dealing with on page 231, paragraph .14, we note one instance where the department made a loan without requesting a recommendation from the Northern Review Board as required by a regulation. The department told us that all loans now comply with regulations.

That concludes my presentation, Wayne.

Mr. Strelloff: — Okay, thank you, Andrew.

The Chair: — Thank you. And I'll ask the deputy minister if he has any further comments he would like to give to the members.

Mr. Nicholson: — I don't believe on the substantive issues, Madam Chair, I have anything further to comment. I would say I am pleased to be back again today and the year in question is not one where I was present, but I will give my best efforts to answering any questions that the committee may have. Perhaps I would also say that the acting deputy of Northern Affairs will be responding to questions that the committee may have regarding the Office of Northern Affairs.

The Chair: — We will start with questions from Mr. Gantefer.

Mr. Gantefer: — Thank you, Madam Chair, and welcome, deputy minister and officials. I would like to talk about issues over and above the year in review. Certainly part of the responsibility and the direction that Public Accounts Committee has gone over the years is to better understand what's happening in departments and to gather a greater insight into the effective management of the departments.

Yesterday we visited with the Department of Finance for some time and talked about some of the impacts on the provincial economy from the Department of Finance's standpoint in regard to things that are happening globally really with the Asian flu and the tremendous volatility in the stock market and all of the things that are affecting our province and our country and the whole global village.

Mr. Jones indicated to us yesterday that one of his great concerns was, and perhaps the greatest concern I think in fairness to his comments, was the potential for volatility in the interest rates. And I wondered as a start off to this if you might want to give an overview of, from the Department of Economic Development standpoint, how you see the impact on Saskatchewan's economy as a result of the turmoil in the world market and how you see that impacting on economic development in the province.

Mr. Nicholson: — Thank you. As a, I guess, as a general comment, Madam Chair, I don't think it's really possible for anyone to be certain how the Asian flu is going to unfold over the next several months or in fact to know what the overall impacts on the global economy will be. Certainly on the economies of our own nation and Saskatchewan in particular.

I think the volatility of markets is a fact of life that we have come to experience. In the late '80s with the decline, the precipitous decline in the Hong Kong stock market at that time and the New York stock market, I think we all came to realize how kind of intricately woven the world markets are and how quickly money can move from one area of the world to another, and how changing currency rates and interest rates can impact.

It is very difficult, in fact maybe even impossible for a province like Saskatchewan to, with a million people, and in the North

American economy which is clearly the most vibrant and successful in the world, it's impossible for Saskatchewan to be isolated or in fact to control and manage events. We are clearly subjected to the decisions of others in a worldwide market situation.

I think trying to anticipate what could happen and what the impacts might be is prudent. But once again, I don't think anybody has the market cornered on how events are going to unfold. And while we thought perhaps even a number of weeks ago that the United States was going to be relatively untouched and that they might in fact have to step in and bail out the rest of the world, I think now we're starting to see that even the United States is concerned about itself.

The exposure of European economies to what's going on in Russia is worrisome, particularly the German economy. And given the trouble that we've had in Japan and the exposure of the Germans in Russia, what is happening may in fact be unprecedented. If the Japanese economy and the German economies are both in trouble at the same time, then the impact on the world is really not predictable.

So I think what's going on is worrisome. Commodity prices are worrisome. When the economies of the world are in some difficulty, protectionist forces rise again, and that could give Saskatchewan some challenges — give Canada some challenges, given our reliance on international trade.

So I think there are many reasons for concern. The ability of Saskatchewan to proactively manage these events is just not there. I guess the best we can do is to try to anticipate and be aware of what could happen. But it's a worldwide phenomenon and we're vulnerable just like everyone else.

Mr. Gantefer: — I think in the period since the session adjourned, that all MLAs have been out in their home constituencies and visiting with people — agricultural people, small-business people, retailers, agricultural, manufacturing, across the piece. And I think that my area is not untypical of many other areas of the province. But there is a very, very recent developing downturn that I'm detecting in speaking to people across the spectrum of different business activities and different economic backgrounds.

How does the Department of Economic Development plug in and keep itself abreast in a timely way with what is indeed occurring in the business sector across the province? Because I think in this volatile market, timeliness is probably a very essential ingredient of really understanding what's happening.

Mr. Nicholson: — Well I guess in response, a number of things. And I will speak here to things that I've been working on. Madam Chair, though not strictly the year in question, I appreciate the introduction you gave and I'm quite prepared to try to speak to it.

I've made a personal effort to acquaint myself with quite a number of business leaders across the province as well as leaders in the co-operative sector. The minister and I have had a great many meetings in the past several months, and that activity continues. And I'm speaking here about chambers of commerce and local business leaders across Saskatchewan. I

also . . . because the co-operative sector is so important in this province I'm involved in the Saskatchewan region council of the Canadian Co-operative Association which really brings together that sector very effectively.

As well, through the REDAs (regional economic development authority) across the province, we have worked and do work every day with REDAs which at the local community level bring together people to talk about economic development at a community level. And so they are sources of I guess communication about what's going on.

A few weeks ago I met with the provincial association of economic developers, Saskatchewan Economic Developers Association, SEDA as it's known, and talked with them about what's going on.

So I think there are a great many forums that we try to . . . where we try to talk about issues. As well in terms of the department, I've asked all our departmental offices to become more involved with the local business communities, something we call kind of an account management approach to our department where we are asking staff to take on a group of accounts. And then that would be the particular staff member in question would be responsible to stay in touch with those particular businesses, to stay informed about what issues and challenges they're having; how we might be able to help them grow; where their export opportunities might be — all the sorts of issues that are important to helping Saskatchewan firms expand.

I'm asking departmental staff to identify the firms and then to stay in regular contact with them.

So both I guess in terms of networking, as it's called, as well as through the restructuring of the department and the workloads of the . . . the work plans of staff, we're trying to stay informed about what's going on across the province.

Mr. Gantefoer: — Thank you. It strikes me in this tumultuous time that there is maybe a challenge of responding fairly rapidly to what I would call perhaps shifting opportunities. For example, there may be a traditional market for alfalfa dehy that was going into an Asian market that is virtually drying up and is very difficult, but there may be opportunities in a South American or European venue. And it requires some pretty dramatic, or pretty potentially dramatic shifting around of traditional business patterns in order to take or maximize opportunities for producers or value added manufacturers or things of that nature.

Through the department's contacts, what relationship or what potential relationship do you have that you may have developed on your own as a department or what relationship is there between the federal government's embassies or things of that nature, trade offices or whatever, that would allow you to potentially identify those shifting opportunities?

Mr. Nicholson: — There is a group that calls itself trade team Saskatchewan that meets a number of times a year and brings together a number of federal agencies as well as provincial agencies. And it met fairly recently.

On the federal side, Industry Canada, Western Diversification, if necessary, Department of Foreign Affairs and Trade, can be represented there. On the provincial side, our department, STEP (Saskatchewan Trade Export Partnership Inc.) is represented. And so that is one mechanism that we have for trying to ensure that there are linkages, federal-provincial linkages, and ways of not only getting information but of taking new approaches.

As you may know, the Saskatchewan Trade Export Partnership is a public private partnership that's designed to improve the way that Saskatchewan does business with the world and to work with approximately . . . I think there are approximately 200 exporters now that are members of the trade export partnership.

As events change around the world, clearly your point is a good one. We need to be sensitive to where market conditions are weakening or where a country is weakening. It is not always easy to shift your markets quickly.

Typically, doing business in the world requires a lot of lead time. Some countries you need to be on the ground for quite a considerable period of time or have agents on the ground who know how to do business. Some markets like Japan are difficult to penetrate.

So there are a great many factors about doing business in the world that impact upon your ability to shift your export market from one country to another.

One of the things the minister and I attended in the last few weeks was the Kansai Canada-West Business Conference in Winnipeg — Kansai being a very prominent economic region in Japan. And so we were there to try to pursue potential interests in Japan.

So at a number of levels, I guess bureaucratic levels with trade team Saskatchewan that I mentioned, the minister and I going to a conference to promote Saskatchewan interests through STEP, there are a variety of ways in which we try to stay abreast of what's going on and to develop new markets.

Mr. Gantefoer: — One of the challenges I suspect, and I'll strive to keep this as non-partisan as possible, but it's human nature when job growth is occurring for governments to take credit for that and to find all kinds of other reasons if it's going the other direction. I think that's human nature and it's not a particularly blatant political statement.

But one of the things that I think are important that we have to look at in this reality today that there is likely to be a negative impact on job creation in this province given the economic realities that we're facing, and I speak of the low commodity prices which impacts on the agriculture business, but it also then has a direct impact on the agriculture manufacturing business — you know, the whole piece.

And unfortunately the climate that we're in right now is impacting on a broad range of fronts and so that the opportunities for jobs just to shift within a provincial boundary are limited because of that reality. If indeed the retail sales are dropping because of this reality, that has impact on small business in the retail and service sector, etc., etc., etc.

What analysis do you do or identification of opportunities in the job market do you do that potentially would mitigate against job losses in this kind of an environment?

Mr. Nicholson: — I guess the ripple effect of the world economy and world economic forces, and back on to Saskatchewan as I indicated earlier, is something that's very real. And so as changes occur in the world, we're impacted by it, and little if any ability to influence it.

I think what we saw in the 1980s and now again in the 1990s are periods of sustained economic growth that were unprecedented. We have known over the decades that there is a business cycle. Businesses have been used to that and it's I guess appropriately called a business cycle, not a government cycle. Periods of expansion and then periods of contraction.

And as I say, in the '80s and then again in the '90s we saw periods of expansion that were unprecedented. And we've all become, I think, very used to these periods of expansion; how quickly we become used to the good times. I don't think either in Saskatchewan's specific case, that going through difficult times is something new nor is it . . . it's not new in the world.

In the same way as I was saying that one's ability to shift your export markets from one country to another takes time, a lot of work, I think so it is with the economy of a province. I think the essential direction that we are pursuing is one of trying to do a lot more value adding in the province.

One could think of I guess, where our history has been primarily shipping a lot of bulk commodities around the world, if we could get to the day when rather than shipping a lot of bulk commodities we processed everything here, that would add a tremendous number of jobs to the economy of the province.

Making that shift, doing more processing and manufacturing, value adding in the province, takes time. And you try to do that while at the same time dealing with periods of expansion and contraction.

We haven't yet hit a recession. I guess various forecasters are giving various predictions about the likelihood of a recession. I think in the main people are still saying that growth should continue into next year. And unless there is some sort of catastrophe on a world scale, we're hopeful that growth is going to continue.

So there is going to be a shift over time in the nature of jobs. Over I guess 15, 20 years we've seen quite a change in terms of the number of jobs in the agricultural sector — not as many people employed on the farm as there used to be. Machinery now does . . . new technology in the agricultural sector does what people used to do, and there's been a shift in that sector. So as that occurs, we try to do more in the value added sector.

It's a long answer to a question that is a tough question — you know, how do you protect yourself against, you know, potential job losses?

I think, I guess in summary in an absolute sense, Saskatchewan is vulnerable to what's going on in the world, as every other province and state and country are vulnerable. And we simply

do the best we can over time to diversify the economy and make sure that we're not as reliant on one particular commodity or on one sector. The best hedge against uncertainties is to have a vibrant economy that's vibrant on many sectors. And that's the general direction that we're pursuing.

Mr. Gantefer: — Thank you, and I certainly don't want to be accused of leading my questions so that the answers paint a negative picture. I think that there is certainly a number of areas where opportunities exist, and I would like to turn in that direction for some moments.

And particularly, while people talk about a low Canadian dollar creates problems, it also creates opportunities in terms of we've become a very good bargain for Americans to come and tour our province. And I think tourism and the area surrounding tourism — hospitality, hunting, you know, fishing and game, and all that area are areas of opportunities.

How does the department look at things of that nature in terms of opportunities that we may have irrespective of the fluctuations in the global economy? Are there real areas of opportunity that the department is looking at?

Mr. Nicholson: — Yes, indeed. One of the areas that I think is quite promising and it's promising on a Canadian front, is the film industry is very promising. We've seen a number of films being made here in Saskatchewan. These films, some of them have huge budgets and opportunities for a lot of local both direct employment as well as spinoff.

We have become far more attractive to the American filmmakers as the Canadian dollar has declined against the American dollar. Tourism is perhaps even the best example of how we have benefited from the change in the Canadian dollar.

As well, I think things that we . . . It adds emphasis I think to the earlier point about diversifying the Saskatchewan economy and doing more value added in Saskatchewan. To the extent that we can do more processing and manufacturing here and then export a finished product with a low Canadian dollar against the American dollar, we can be extremely competitive.

And indeed what that then starts to bring around is protectionist forces in the United States, and we've heard some of that in the last number of weeks. So there are real opportunities, increasingly good opportunities with the Canadian dollar declining against the American dollar.

Where we particularly suffer is when we have to do a lot of importing, particularly if we import from the United States to do processing here. So that makes us less competitive. But there are quite a range of opportunities I think. And we've seen in the last year we had a tremendous year in growth in manufacturing and exporting in Saskatchewan. Over the last five years I think it's somewhere around 50 to 60 per cent increase in the food processing sector in Saskatchewan. We are a world leader in the agricultural biotechnology sector. And as we get better at that there are tremendous opportunities.

So a lower currency is not necessarily bad. And in fact in the areas that you cited and I did through you, Madam Chair, I think there are positive benefits. It's not all bad.

Mr. Gantefer: — Has the Department of Economic Development an ongoing role with the application for the accelerator project at the University of Saskatchewan?

Mr. Nicholson: — The Synchrotron project? Yes, we are involved in that project. We are the lead department in the provincial government dealing with the Synchrotron project. We're working with the University of Saskatchewan as well as with western diversification who are the lead agency on the federal side.

There are a whole variety of players on the federal side: the National Research Council, the Medical Research Council, the national Sciences and Engineering Research Council. But western diversification is attempting to be the, I guess, focal point or co-ordinating point on the federal side. But yes, our department is extensively involved in that project.

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

Mr. Whitmore: — Yes, it's an issue that doesn't deal directly with the area of the chapter, but I think it's one of the broader issues that's affecting us in the news today is Canamino and the failure of that company due to investor problems.

I think though it needs to be clear for the record exactly the relationship your department has and the government has with the growth fund, because I don't think the public realizes how that fund operates and its independent nature. And maybe for the benefit of the committee, you would like to review that, your role or responsibility or connection with the growth fund and how it works in Saskatchewan.

Mr. Nicholson: — Well I guess it's a very short answer because my role or our role is virtually non-existent. And that agency reports to my minister, but I have no day-to-day contact or connection with the Saskatchewan Government Growth Fund.

Mr. Whitmore: — Yes, because projects and things like that are determined by that agency and don't come out of Ec Dev to a certain . . . or Ec Dev doesn't come with projects to them at all.

Mr. Nicholson: — That's correct. And if someone approaches us for significant equity injection, we would — depending upon the nature of it — we would forward them over to the Saskatchewan Opportunities Corporation or Saskatchewan Government Growth Fund but we would have no connection with them on a day-to-day basis. Nor after we forwarded them on to Saskatchewan Government Growth Fund would we have any ongoing connection.

Mr. Whitmore: — Does the department have any activity right now in terms of trying to seek out new investors for the Canamino plant? I know that some of the reports have talked about the idea of the company being resurrected in the not too distant future and I wonder if your department has any role in that.

Mr. Nicholson: — I guess the bad news hit on Friday, and actually yesterday and today I've spent a significant part of my time getting ready to appear here and appearing here. So I'm

not current.

I'm sure my Saskatoon staff are working on it. I know that they have been monitoring the situation and we have been concerned about it. I just haven't had an opportunity to apprise myself of what they're doing over the last day.

Mr. Whitmore: — Thank you.

The Chair: — You have no further questions, Mr. Whitmore?

Mr. Thomson: — Madam Chair, I just wanted to pick up a little bit on the line of questioning Mr. Gantefer was pursuing because I think it is important that we not be solely left with the impression that government is helpless in international facts in terms of economic development or that we are in fact slipping into a recessionary period. I think there's many positive things that are happening in Saskatchewan and many positive projects that the Department of Economic Development's been involved in.

Clearly the film situation has been a very positive piece — hundreds of new jobs this summer alone. We've seen the announcement of the petroleum technology research centre over at the University of Regina, the expansion of the research park there. We've seen many positive things.

I know this summer as I've travelled around the province in terms of small business, one of the things Mr. Gantefer obviously would appreciate as a former chicken fryer in his own right is obviously the role that DELSA Foods plays in Vanscoy in the production of all of their salads . . .

A Member: — Delisle.

Mr. Thomson: — Delisle — sorry. Yes, Delisle . . . (inaudible interjection) . . . that would make more sense, yes.

But there's a number of these small positive initiatives around the province and I think in this time period there is a tendency — and perhaps I'm wrong on that — but there's a tendency by the media to almost be on a death watch in terms of our economy in this country. Certainly the international factors affect that to a certain extent. Certainly the low dollar has sent some shock waves through. I know any of us that have investments, no matter how meagre, in mutual funds worry about the oil — all the more meagre these last couple of months.

But I guess I'm just curious in terms of the department's . . . the deputy's view in terms of where the economy is headed and some of the things that they are doing very specifically in terms of encouraging that because I think that there are some very positive things. It's not simply a case of being a think-tank that sits over there and does nothing but read the newspapers and the financial statements. So perhaps you can just outline a few of those initiatives for us, Mr. Deputy.

Mr. Nicholson: — Thank you. I think there . . . I mean, while there's reasons to be concerned there are also reasons for optimism. One of the things that's clearly different now than in the past is, in the past where we saw this sort of a situation with oil prices and commodity prices of all sorts, the Saskatchewan

economy would have been struggling much more than it is today.

And the best evidence really that the Saskatchewan economy has diversified, has strengthened, is improving, is that we are able to weather this sort of bad news that there is out there so remarkably well. And over the past number of years, I mean, this economy has improved amongst the best in the country and been the leader in the country in many areas. And one of the reasons why Saskatchewan was very attractive to me personally was that it is a tremendously successful province.

I am surprised quite frankly, speaking personally, Madam Chair, about how little known the Saskatchewan success story is and one of the things which I guess we're now dedicating ourselves is to be much more aggressive in terms of promoting the Saskatchewan success story. Because I think it's remarkable, quite frankly.

In terms of the future, even now, we have huge investments going into the mining sector. We are working very hard in the forestry sector. I think one of the big opportunities for the future is to develop value added in the forestry sector. With new technology we are now able to harvest and process wood that was considered junk 15, 20 years ago — ash and so on. These things that weren't necessarily considered valuable or in fact were considered junk 15 years ago are now quite valuable. So we have a huge opportunity in the forestry sector.

There are new industries where we have an opportunity as well. The whole area of environmental sciences and environmental industries is an area where Saskatchewan could really benefit tremendously. The federal government I believe has set aside \$50 million a year for each of the next five years if my memory serves me correctly. And so as we all approach climatic change and managing in a much more effective way the emissions that go into our atmosphere, Saskatchewan is very well positioned in that sector. We organized a meeting a few weeks ago to determine how we might be more aggressive in pursuing environmental industries.

So I see the Saskatchewan economy continuing to perform very well in the face of difficulties in the world. It has performed remarkably well over the last five years and I think there is reason for optimism. While we can't control global events, there's reason for optimism that this province is well positioned to have a very bright future. If commodity prices come back, and we're all hopeful they will, this economy will perform fantastically well. So I'm quite . . . I'm quite confident.

The food processing sector is another one that I think, given the natural history of Saskatchewan and being an agricultural province, the food processing sector offers us a lot of opportunity both in crops as well as in specialty meats, a whole number on that front. So there . . . I see many, many reasons for optimism and I'm confident really about the future.

Mr. Thomson: — If I may ask one other . . . actually I have two other questions. One is I guess concerning our relationship with the federal government, particularly through initiatives like the western economic development — what is it? — Western Economic Partnership Agreement, WEPA. It seems to me there's also a PARD (Partnership Agreement on Rural

Development). Is that one as well that we participate in? A partnership on? Is it finished? PARD's done? Okay.

Are there other areas where we are working with Ottawa to promote economic development?

Mr. Nicholson: — Yes, the Western Economic Partnership Agreement which was signed in July is clearly the most prominent example. But also I've been working with Industry Canada on the information technology sector. And the Prime Minister announced his smart communities theme when he was in Regina a few months ago and we have had follow-up discussions with Industry Canada on that, with their information highway group in Industry Canada. So there are a number of opportunities there; environmental change, environmental sciences area is another one. So we're working on a number of fronts with the federal government in addition to the Western Economic Partnership Agreement.

Mr. Thomson: — The final question I have and there's no delicate way to answer it but I love the answer to it. Isn't it true that Saskatchewan has a record number of people working?

Mr. Nicholson: — Yes, that's true.

Mr. Thomson: — That is true, that there are a record number of people working in Saskatchewan. That makes me smile. Thank you very much and keep up the good work.

Mr. Osika: — Thank you, Madam Chair. I wonder, Madam Chair, if I could ask the deputy the question that was asked: what would you rank our five major economic drivers as far as industries in this province? There may be more than five — if there are less — but what would be the major ones that drive our economy?

Ms. Stanger: — There are six.

Mr. Osika: — Okay, thank you. I was out one.

Mr. Nicholson: — Well I think our general approach has been to try to concentrate on sectors and to take kind of a sectoral approach. So clearly agriculture and agri-value, forestry, oil and gas, mining, tourism and cultural industries, information technology and telecommunications — those are I think the principal sectors where we would be focused.

Mr. Osika: — Okay, thank you. You mentioned agriculture as number one and yet I hear nothing talked about here that concerns . . . any concerns about where our agricultural industry is, given the economic conditions globally and locally.

And I . . . (inaudible interjection) . . . pardon me? Because I don't know where the members opposite . . . I know some of them come from rural areas and there is a grave concern. And if I recall over the years, even over the last 17, Mr. Thomson, that if agriculture, if there's a downturn in agriculture income, the entire economy of the province suffers.

And I don't hear a great deal of planning, if you wish, for rural economic development in the agricultural sector. And that causes me some concern because as I travel around my constituents, there are a lot of people extremely concerned

about the potential for bankruptcies given the low commodity prices, despite the fact that people were able to get their crops off. But guess what? They don't have enough of a return to pay for what it cost them to produce that crop.

And I know that perhaps there are other levels of government that need to — the federal government — that needs to become involved in seriously looking at doing something to help our number one industry in this province through this economic downtime or downturn. And I'm pleased to see that members opposite share that concern with me. It is very, very real out there. People are scared and they're looking towards a very bleak future, a very bleak spring. Now I don't think it's a matter of trying to create or instill any fear. I think here we should be talking about the reality of the potential.

And I'm happy to hear that there is a lot of economic activity and lots of people working. But when our number one industry is facing some very serious setbacks, I believe there should be more done towards shoring that industry up, if you wish. When our Potash Corporation was in trouble, the provincial government went to their aid to shore up that industry. We have our number one industry now that's facing a bleak outlook. And I was wondering if there are any plans in the economic development area or somewhere within your department and others that you may be working with to address that very serious concern for rural Saskatchewan.

Mr. Shillington: — Madam Chair, this is actually a very interesting discussion; that's a good question. It's not, I think, entirely within the purview of this department; it's Agriculture. But we do have a 3:30 deadline. I think we're trying to accommodate some members to get away. So I'm not in any sense being critical of the question, it's important. I'm not sure it's within the jurisdiction of this department and we do have a time ... I think we're developing a time problem, Madam Chair.

The Chair: — I thank you for that. I think that we allowed the members to talk about Canamino for a few minutes so maybe if the deputy minister has an answer that he can give that is within his purview to do, it would be kind of nice to hear it.

Mr. Nicholson: — Thank you, Madam Chair. Well I guess within the purview of the Department of Agriculture and Food is the primary responsibility for dealing with the agricultural sector in terms of the farming economy.

I think our focus has been to concentrate on areas for adding value and I spoke earlier about the food processing sector. And so processing more of the crops and the livestock that we grow here is an area that helps to shield to some degree our farming sector from being so vulnerable. So that's I guess within the purview of our department.

I think there are other areas in which we've been working — agricultural biotechnology — I even think the information technology sector where we want to put a much higher profile is an opportunity for rural Saskatchewan. Being able to deal with the world from your own home through the Internet is really a great equalizer for rural areas. Whereas you used to have to go to the city to do business, to get information, through the electronic world you can do a lot of things from your own

home. It is now possible to work part-time, or full-time for that matter, from your own home using your computer. So pursuing the information highway and all of the uses to which it can be put really is an equalizer for rural Saskatchewan and puts it in a more competitive position with the urban areas. So there are a variety of areas that we're working on that impact on rural Saskatchewan, but we don't deal in our department, specifically, with the farming community.

Mr. Osika: — Thank you.

Ms. Stanger: — Yes, thank you very much. It's a pleasure, seeing as that you're new to our department, Fraser. Nice to have you and your officials here.

I just want to say that despite some of the things that are happening in our economy, that a partner of ours, Husky, has really ... actually has confidence in this province. In the past year they have dedicated nearly a billion dollars investment in our area; 250,000 in partnership with TransAlta and SaskPower in the co-generation project which will cause ... there'll be many jobs that will happen, plus permanent jobs; \$500 million in the upgrader expansion.

And talking to the CEO of Husky, the vice-president, this is the time they feel to invest, even though the prices are low. That's the way they're approaching business and they have great confidence in our area, actually in our government to facilitate them with tax and with some of the things that we've been able to do in royalties. So I think in that area, if you think about it the last year, they have shown a great deal of confidence.

My concern is in the agricultural because it is, in my area, despite the oil and gas and all the spin-offs, it is still the number one in that area. And I was wondering, Fraser, if you folks, because you're a department of cooperatives — you used to have a separate department but it's now under Economic Development — if you are working with people like the Wheat Pool. Because when you look at the announcement that the Wheat Pool made, the closure of 275 elevators, what that does to rural Saskatchewan is devastating. You lose the tax base.

And also with the ... what has happened with the federal government working with the railways, abandoning the rail lines. I know that we have put some money into short-line. But I believe there is an opportunity not only working with large cooperatives like the Wheat Pool and Economic Development, I think there's some opportunity working with the small cooperatives. I think this is an area where we could assist some of our agri people.

Another area — I'd like you to comment on all of these — another area in diversification, for instance, is game farming. In my area — it's not as great in some areas — but in my area it's a large diversification in agriculture. But also again we need the decent regulations so that this fledgling industry can expand.

And elk farming, game farming in our area, that is a very important industry. And I was wondering if Economic Development is doing ... is working with Ag and Food to facilitate some of this development because we've asked the folks to diversify and they're doing their best to diversify.

Again, I just think that the cooperatives — in answer to my colleague opposite — think cooperatives will play a new role. And I think there's some role in new generation cooperatives.

Now for instance, I wonder if you're doing any work in getting farmers to get together. There has been some talk in my area where farmers could get together in co-operatives and share things like machinery.

This may seem like a small thing but I have myself, personally, gone around to credit unions and bank managers in my constituency to see exactly what the income is going . . . what's going to happen just in my area specifically next spring. It's all right for me to make assertion there's problems in the province, but what is happening right in my area.

And they say we do have a window. There's going to be some problems. This is — I'm speaking just of my constituency — some problems next year. But because there is a lot of diversification where they're getting second incomes off the farm and stuff, in the oil industry and in other industries you know, that is helping them. So are you doing any initiatives, working with co-operatives, to help these folks?

And I just wanted to say one thing to my colleague opposite. I know that you have no control over this, but when you have \$400 million taken out of your province — 300 of it year after year — in the policies and removing the Crow rate from this province which was a condition of Confederation as far as I'm concerned.

The Chair: — I would ask the member to direct all the questions to either myself or to the . . .

Ms. Stanger: — So anyway, you can comment on the things that were on topic.

Mr. Gantefer: — We'll understand if you have nothing to say.

Mr. Nicholson: — Well, Madam Chair, with respect to the small co-operatives, I guess the member asked about the large co-operatives and specifically the Wheat Pool. The Wheat Pool is one of the co-operatives that I deal with personally and quite frequently, have a number of regular meetings with them so, and as well as officials in my department.

With respect to the smaller co-operatives across Saskatchewan, one of the features of the reorganization of the department that I introduced in July was to put more co-operative staff in the regional offices of the department. As was mentioned earlier, there used to be a department of co-operatives and then at one point it was merged.

I was concerned that we weren't offering enough service to the smaller co-operatives across the province. Essentially the large majority of the people were concentrated in Regina. We only had two people outside of Regina who were doing any work in the co-operative sector and that had only been introduced about a year ago. So I have now put co-operative staff in all of the departmental offices except one, I believe.

And we are very much focusing on more contact with the

smaller co-operatives, working with farmers and people at the community level. We believe that there is a need for perhaps a new push, a new wave, in the co-operative sector. And so we felt that putting staff in the regional offices would help. We've also strengthened the policy function at the head office, made a variety of other moves, but in general that has been a real emphasis of the new reorganization.

With respect to working with other departments, areas like game farming as mentioned in the question, I've had quite a number of meetings actually over the last few months with my colleague at Ag and Food and we are working actively on one initiative at the moment. We continue to be hopeful that it will materialize but it involves speciality meats. And so we're working very diligently, the deputy minister of Ag and Food and I, are working on that.

So I think that addresses a few of the points in the question.

Mr. Whitmore: — Thank you, Madam Chair. The area that I want to deal with, since we have the deputy minister of Northern Affairs, is the question of economic development that his department plays up in that area of the province. I think I've seen some of the models that have been talked about and used in the Northwest Territories in terms of economic development and the theory of a community-based economic development has been very successful in the Territories in terms of what's going on there. Some of that involves dollars and cents from treaty land entitlements and things like this too.

But where do you see your department fitting into that economic activity that's taking place up there and what kind of game plan have you outlined, you know, down the road for the area of Northern Affairs.

Mr. Cousins: — Well that is really quite directly the role of Northern Affairs in terms of economic development working closely with communities to find ways in which they can diversify their economy within their particular area or often on a more regional basis and to ensure that in the larger resource developments that occur in the North — which our focus has been primarily on mining in recent years — that northern people and northern communities directly participate and benefit from that.

So specifically that's done through the northern development fund which is a fund created to provide loan funds when traditional financial agencies are not available to support what are sometimes higher-risk projects involving people who may not have the usual business track record that regular financial institutions might look for. The northern development fund provides a combination of loans and grants in terms of marketing and research and development for northern projects.

It also provides core funding for seven, what we call, CREDOs, community-based regional economic development organizations. They're a sort of northern variation, smaller-scale version of the REDAs that exist in southern Saskatchewan. They're at varying levels of development in their activity, but they provide a means by which usually several communities come together to look at what the prospects are and how they can facilitate economic development.

So a current example — just happens to be very current — is our most recent CREDO (community regional economic development organization) being in the far North, the Athabasca area, is actively working right now to look at how they can ensure that the new Athabasca road which is being built from points north to Black Lake can generate economic development opportunities for individuals and communities in that area. So we assist them in identifying those opportunities, in creating the business enterprises that may be necessary, co-ops or private, to take advantage of that. And they're also looking at marine opportunities associated with transportation on Lake Athabasca.

So the results have actually been very heartening, particularly in the mining sector because Northerners, northern companies and joint venture partnerships that they form have steadily increased their contracts with the mining companies so that they have more than quadrupled in the last four years.

And now our focus is increasingly on achieving comparable success in the forestry sector, but always working to make sure that it's community-based companies and enterprises that are the most successful in actually achieving long-term employment for northern people.

Mr. Whitmore: — Thank you.

The Chair: — Mr. Jess had a question.

Mr. Jess: — Just a question? I haven't got room for comments?

The Chair: — No.

Mr. Jess: — Thank you, Madam Chair.

The Chair: — Go right ahead.

Mr. Jess: — I'm somewhat concerned about the conversation here. I appreciate the agriculture coming up on the schedule here from across the table. And I don't want to get in wrong with my colleague but I think it's time somebody had time for agriculture.

And I'm very pleased to say that your minister was out in my constituency recently and took her right out there and we spent about an hour with one of my constituents halfway between a honey wagon and a hog barn.

And also we were in another place in a feedlot and around some of the machinery and had a picture of her taken in front of a pile of barley on the ground that was estimated at 36,000 bushels. And the farmer expected that that feed barley would probably — when he was able to market it — probably cover about 50 per cent of his actual costs.

And the situation is very serious — and it was mentioned here by my colleague also — 3 or \$400 million a year was lost because of the loss of the Crow benefit.

Another thing that we're responsible for is to move this stuff either by rail or by road. And we're often criticized for our 75 per cent that goes in of our fuel tax. But we're facing a situation where there's 6 per cent of the federal tax is all that goes into

the road system. And for our province, Saskatchewan people have to bear the rest of the cost.

Now I will be brief but I just want to give one example here as to what we're facing. The purchasing power of our products is so limited, and an example I want to give is in 1951. That's going back a long time ago.

A Member: — That's before Ron's time.

Mr. Jess: — Yes. But it tells the story. Because in 1951 our neighbour went and took four finished steers into town and took the cheque across the railroad track and bought a brand new Crown Victoria. And today if you had 44 and didn't want too much chrome you could probably do it. And we're told to get more efficient out there, and it just can't function with those kind of numbers. Those are the realities of what we're facing.

I found myself here in a little bit of a . . . almost getting into a bit of a controversy with my colleague, but I wouldn't dare do that. His comments about the Saskatchewan Wheat Pool closing the elevators — and very seldom where I defend them — but I think one thing that we should acknowledge about the Saskatchewan Wheat Pool is that most of those points that are being closed are points that have had other elevators there at one time and the Saskatchewan Wheat Pool has served us in those points for 15 to 25 years longer than anybody else. And they are changing the system of grain collection, not entirely on their own, but because of various things such as rail-line abandonment and other items that are factored into this. Now I'm not sure that we should be quite as hard as we are on closing those elevators.

One other thing though that I wanted to draw my colleagues' attention to was that the Saskatchewan Wheat Pool is not a co-op any more and as such as a private business does not necessarily represent the views of farmers as they might have at one time.

The Chair: — Thank you. Okay, is there any other comments from members before we go on to the recommendation? I think maybe we're . . . On page 84, recommendation .36:

The Department should have written agreements with others for the services they receive or provide.

Is there a comment from the department?

Mr. Nicholson: — I believe as mentioned in the introductory briefing, we've addressed two of the three and the third one will be addressed shortly.

The Chair: — Okay, so then we . . .

Mr. Shillington: — I take it then it is now departmental policy that where goods and services are provided to other government agencies you will do so by virtue of a written agreement.

Mr. Nicholson: — That's correct.

The Chair: — So then you concur on complying or intend to comply?

Mr. Nicholson: — Yes.

The Chair: — That's .36. Agreed. Page 231, recommendation .13:

The Department should have written agreements with the Department of Finance for the services they receive . . .

Same thing? Agreed. Okay and then the last one is on .17:

The Minister should request and obtain required recommendations before approving loans exceeding \$25,000.

Mr. Cousins: — Yes, that is the practice.

The Chair: — So you're concurring and complying? Agreed.

I thank the department officials for coming in again today and I especially thank the deputy minister who must have made a trip down here today or last night, a long way from La Ronge to Regina. Maybe you'll be glad to get back up North again but we thank you for coming. Thank you.

Members, we had talked to the Vice-Chair about some members on this side having to leave at 3:30. Now if we can have a very short recess so that Mr. Gantefoer can ask a few questions before he has to leave, I'd appreciate if everybody can . . . five minutes. Just a five-minute break.

The committee recessed for a period of time.

**Public Hearing: Department of Municipal Affairs,
Culture and Housing**

The Chair: — Good afternoon, deputy minister, and your officials. Welcome to everyone. And maybe just two things before we get started. This is for the benefit of the members here. I told them I was going to remind them of this but I'm going to do that. Part of our committee mandate and operating principles says that the Public Accounts Committee is not fundamentally concerned with matters of policy. So maybe keeping that in mind we'll shorten the amount of time that the members speak this afternoon.

So I'd take this opportunity to ask the minister to introduce his officials to the members and to the other officials here.

Mr. Pontikes: — Good afternoon. I'm Ken Pontikes. I'm the deputy minister here. Our new department's name is Municipal Affairs, Culture and Housing but formerly known as the Department of Municipal Government. Officials with me: Larry Chaykowski, who is the acting assistant deputy minister in charge of housing, protection services and facilities. Next to Larry is Marj Abel who's the acting director of finance and administration; and on the other side of me, John Edwards, who's the executive director of program and policy development and review; and Bill Werry, who's the director of culture, recreation, and lotteries.

The Chair: — Welcome to the officials and I'll ask the auditor to introduce the new members he has with him, his new staff.

Mr. Strelloff: — Thank you. With me is Bill Harasymchuk and he'll be leading our discussion of our reports on Municipal Government.

The Chair: — Welcome, Bill. And I'll ask the auditor to go directly into this chapter on Municipal Government. Pardon me, I guess the comptroller has some new officials here as well.

Mr. Paton: — Yes, Madam Chair, I'd like to introduce Jane Borland who is a manager in the comptroller's office, and Tamara Stocker who's an analyst in the department.

The Chair: — Welcome to you as well. And now I will go on to the auditor and ask him to give an overview of this chapter.

Mr. Strelloff: — Thank you. Bill.

Mr. Harasymchuk: — Okay, thank you. Madam Chair, members of the committee, chapter 17 of our *1997 Fall Report* and chapter 9 of our *1998 Spring Report* contain our audit conclusions and findings for the Department of Municipal Government and its agencies for the year ended March 31, 1997 and December 31, 1997. In our opinion the financial statements of the agencies listed in these chapters are reliable. The department and its agencies complied with the authorities and had adequate rules and procedures to safeguard and control their assets except for the following matters.

On page 149 of our *1997 Fall Report*, we report that the department needs a written service agreement with the Department of Highways and Transportation to ensure it pays rural revenue sharing grants correctly. Both departments share a rural and financial database.

The Department of Municipal Government uses the road data maintained by the Department of Highways, and the Department of Highways uses the financial data maintained by the Department of Municipal Government. We believe written contracts are needed to set out the responsibilities of each party before services are provided without charge.

We are pleased to say this matter has been resolved. In 1998 both departments signed a service agreement.

On page 151, we reported that the department needs assurance that the money it gives to libraries is used for the intended purposes. We believe setting objectives and reporting the performance is important for program control and accountability.

We also believe the department should require libraries to use the standards for financial statements recommended by the CICA (Canadian Institute of Chartered Accountants). These standards ensure that the financial statements show properly the financial position, results of operations, and changes in financial position and will ensure all libraries report consistently. The department is in the process of addressing our concerns.

On page 153, we reported that the department needs to set proper financial statement accounting standards for local governments. In April 1997 your committee considered this matter and concurred with our recommendation. The

department told us it proposes to initiate the implementation of the CICA local government financial reporting standards after 1998.

On page 155 we reported that the board of directors need better information to manage the Saskatchewan Heritage Foundation's activities. We are pleased to say that this matter has been resolved. The foundation now prepares a business plan and an annual budget with updates and explanations throughout the year.

On page 157 we reported our audit conclusions and findings on Wanuskewin Heritage Corporation.

Our office worked with KPMG, the corporation's appointed auditor, and reported the following matters. The corporation needs to strengthen controls over donations. As a result of this weakness, our audit opinion on financial statements contained a reservation regarding the completeness of the corporation's donation revenue. Management told us that adequate controls are now in place.

We also reported that the corporation should ensure its financial statements include a comparison of planned results to actual results. We believe this information will enhance public accountability.

Now onto our *1998 Spring Report*. On page 80 we report that the Archives Board needs written contracts with the University of Saskatchewan and the Saskatchewan Property Management Corporation.

We believe written contracts are needed to set out the responsibilities of each party before services are provided without charge. Management told us it is negotiating an agreement with both organizations.

And finally, on page 81 we reported that the First Nations Fund's trustees restricted our ability to obtain the information and explanations we require to properly carry out our duties to the Assembly. As a result, we did not audit the fund's accounts for the year ended March 31, 1997.

The First Nations Fund was created by the legislature to distribute a percentage of casino profits to benefit the first nations people in Saskatchewan. KPMG was appointed as auditors of the fund.

When the government appoints a private sector auditor, we work with the appointed auditor using the process recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. The task force's process ensures we obtain the information, reports and explanations we require to carry out our duties to the Assembly.

However, KPMG told us that the fund's trustees have refused to allow us access to their audit files. We recommend that the department should direct the trustees to allow our office to carry out our responsibilities to the Legislative Assembly following the recommendations of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

And this concludes our overview of these chapters.

Mr. Strelloff: — Thank you very much, Bill. Madam Chair.

The Chair: — Thank you very much, Bill. Before we go on to the deputy minister, I have to read you the statement of testimony of witnesses appearing before the committee.

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 a 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 forth by the committee members. Where a member of the committee requests written information of your department, I 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 please reminded to address all your comments through the Chair.

So I'd ask that the deputy minister respond to these chapters.

Mr. Pontikes: — All right, I'll respond to them in the same order that they were raised. The first item is the one on page 150 that deals with the agreement with the Department of Highways and Transportation, and as was indicated, we did sign an agreement on June 12. And so I believe that has been concluded.

The next one on pages 152, 153 deals with the libraries. And in that particular case the department's objectives at this stage are being linked to what is already in legislation as to the role of the library services and the library information that we require in order to meet that role for funding purposes.

We believe that with the new criteria that are now in place, that we are in concurrence with that requirement. I should add that with respect to the accounting standards, the CICA recommended standards, we have spoken to the library directors around the province and they are planning to implement those standards in the year 2000-2001.

The recommendation on page 154 with respect to financial statement reporting by local governments — this is an issue that the department has been working with municipalities for some time now. We have in place right now a task force on municipal legislative renewal which is looking at the relationship between the province and municipalities.

One piece of their work will be reporting standards both to the department, but more importantly improving reporting to taxpayers and improving the relationship between, and

clarifying the relationship between, the municipal council and their own auditor. And in that context we see this issue being addressed.

We do note that we are getting several concerns, particularly from smaller municipalities, about this particular requirement. We don't see any problem with the larger cities that have essentially professional accountants running their financial systems; the difficulty is in the smaller communities. And we feel that what is necessary here is an education process, essentially working with them, and we see a role for the accounting profession in this role and intend to pursue that.

The next one is the recommendation 156, which is the heritage foundation, and I believe that as was stated by the auditor that this has now been addressed for the most part with respect to information and needs relating to objectives of the foundation. A business plan has in fact been prepared by the foundation and is being reviewed by its board of directors.

The recommendation on 157 concerning Wanuskewin Heritage Park, we have been informed by the executive director of Wanuskewin Heritage Park that the organization is now in compliance with the recommendation of the Provincial Auditor.

We look at the recommendation on page 158, again Wanuskewin Heritage Park. This is an issue that we agree with the Provincial Auditor with respect to showing planned budget information along with actuals. We have advised the staff of Wanuskewin to do this. They have apparently brought the issue to the attention of their board and the board decided not to do this. We will be taking some action with respect to our service agreement with them to require it as a requirement for reporting to us.

And the last issue — which I've lost here for a second — is the issue of the FNF (First Nations Fund) fund. For some reason I lost it — but I've got it, I've got it. This has been an issue that we've been dealing with with the trustees of the First Nations Fund for some time. When the issue was first brought to our attention by the Provincial Auditor, our minister sent a letter to the board asking them to comply with the request of the Provincial Auditor to review the audit that had taken place by KPMG.

We received a letter from the Chief of the Federation of Saskatchewan Indian Nations, with a fairly lengthy legal explanation as to why he and — I suppose it would be the Federation — believes that this is not a requirement under the current Act. Our response from our minister was that while there may be legal arguments here that can be made, we felt in the interests of public accountability and openness that that should take place. We have not received another response to that letter.

We believe that this is an issue between the Provincial Auditor and the trustees of the FNF (First Nations Fund), but the correspondence seems to be coming to our department, and we seem to be dealing with this in parallel. And so we're doing whatever we can to bring the two parties together.

The Chair: — Thank you.

Mr. Gantefer: — Thank you very much, Madam Chair, and welcome, deputy minister and officials. A couple of areas I want to touch on in the area of your responsibility. I notice in the auditor's report in various sections that you're responsible for a great number of diverse funds and entities and things of that nature within your department.

I would like to direct your attention to the Associated Entities Fund, and if you would mind explaining to me the background to the fund, the criteria for eligibility to receive support under this fund.

Mr. Pontikes: — As I think you know, the source of funding for the funding . . . for the fund is from casino profits, and from both the Casino Regina and the Indian-run casinos. And I'm going to ask Bill Werry who is closer to the actual mechanics of it to talk to you about the distribution process.

Mr. Werry: — Thank you, Ken, Madam Chair. And I guess I'll try and do my best to answer the question as it was phrased. The Associated Entities Fund was established pursuant to the gaming corporation Act, 1995 and allows for distribution to three categories, broad categories of beneficiaries.

First is exhibition associations, and there are six exhibition associations who receive funding through the fund. They are receiving funding based on an agreement with Liquor and Gaming relative to lost profits due to casino operations.

The second is Metis . . . The Metis Nation of Saskatchewan receives 25 per cent of the proceeds from the fund, and that's pursuant to a decision taken when the fund was established.

And the remainder of the funds are distributed to community-based organizations for programs and services that support vulnerable children, youth, and families. Criteria have been developed that parallel the criteria used under Saskatchewan's Action Plan for Children, and groups apply through regional intersectoral committees who adjudicate the submissions and then send them to the AEF (Associated Entities Fund) trustees for a final determination.

Mr. Gantefer: — Can you tell me . . . You mentioned of the three places that this fund . . . money is distributed to — the Metis nation 25 per cent — can you tell me approximately what percentage of the fund goes to the other two sectors, the exhibition associations and the community?

Mr. Werry: — The exhibition associations receive a fixed amount based on their previous profit levels. And if my memory's good, it's in the neighbourhood of \$300,000 to the six exhibitions and the balance of the fund each year is then distributed through community organizations. Currently there's a cap of \$2 million to the community organizations, because as you're aware because the fund is based on casino profits there's a certain degree of variability.

In particular, the profits from the SIGA (Saskatchewan Indian Gaming Authority) casinos — there's a different formula that applies if the casinos are operated on-reserve versus off-reserve. And we have been advised that SIGA is currently pursuing moving a couple of those casino to on-reserve status. That decision's outside of our control. It's a federal government

decision with respect to reserve status.

So the profits are subject to some fluctuation and so therefore a cap has been placed on the community portion until we're clear about where the revenues will be going.

Mr. Gantefer: — Can you tell me then, approaching another way, the 25 per cent in the past year or so to the Metis nation — what kind of absolute dollar numbers would we be talking about? I'm trying to get a sense of the ratios here.

Mr. Werry: — I think . . . I don't have the numbers with me, but I think they would be in the range of about \$2 million now over the two years that the fund's been in operation, cumulative.

Mr. Gantefer: — Approximately a million dollars a year?

Mr. Werry: — I think less in the first year and more in the second year, with respect to the profit numbers.

Mr. Gantefer: — You mentioned that for the community projects that they have to focus on vulnerable families and similar criteria under the child initiative. And that there is a local committee, a regional committee, that pre-screen or how does the process work from a local community?

Mr. Werry: — The applications are sent out to a broad range of groups. They're then screened by regional committees that are made up of representatives of government departments and a representatives from community service organizations.

So by way of example, in the Yorkton area, just to use that committee as an example, they would have representation from the government departments involved: Health, Social Services, Education, Justice, ourselves; as well as representation from the district health boards, the police services in the area, potentially some of the recreation boards, regional recreation authorities as well.

So those committees would then review the applications basically on the criteria that have been approved by the trustees and make the necessary recommendations.

Mr. Gantefer: — And then the recommendation comes from the regional committees and it goes to a provincial committee? Is that correct?

Mr. Werry: — That's correct.

Mr. Gantefer: — And who comprises the provincial committee?

Mr. Werry: — Provincial committee is made up of officials from the participating departments and they're simply reviewing to ensure that the applications have been judged according to the child action plan policy. And then they then provide the applications to the trustees with their recommendation. The trustees have the final authority for approving the grants.

Mr. Gantefer: — And how are the funds distributed?

Mr. Werry: — Sask Sport Inc. has been retained to manage the funds and they raise the cheques and cheques are provided to the groups from Sask . . . from that mechanism, the fund, separate fund.

Mr. Gantefer: — And Sask Sport sets out the criteria as to how the money is distributed then? Once it's awarded?

Mr. Werry: — As to how the cheque gets sent out and all that? I'm not exactly certain how that part of it works.

Mr. Gantefer: — Well I'm wondering what part of this whole process, as a government member should be out all over the province distributing thousand dollar cheques in a photo op and how that fits into the child action plan and the underlying reasons for this fund?

Mr. Werry: — I'm not sure I can answer that question.

Mr. Gantefer: — Thank you. I suspected you might not be able to.

The First Nations Fund that also is derived out of the casino profits, are the criteria for the application to that fund at all similar to the associated equities fund? Entities.

Mr. Werry: — Just by way of explanation, the legislation governing the First Nations Fund has a list of areas where the First Nations Fund trustees can expend the funds. When the First Nations Fund was established, we received a legal opinion from the Department of Justice that the legislation was quite enabling as far as the role of the trustees was concerned. And so the trustees as appointed by FSIN (Federation of Saskatchewan Indian Nations) are responsible for establishing the criteria for the distribution of the First Nations Fund.

Mr. Gantefer: — I missed a question on the Associated Entities Fund. That fund would be subject to audit by the Provincial Auditor. Is that correct?

Mr. Werry: — That's correct, and it's my understanding that those statements have been provided to the Provincial Auditor and the auditor has been provided access to the files of KPMG through the purposes of the Associated Entities Fund audit.

Mr. Gantefer: — And the First Nations Fund, the trustees of the First Nations Fund are taking exemption to the Provincial Auditor having access to that aspect of . . . or to their fund.

Mr. Werry: — That's correct.

Mr. Gantefer: — Is there not . . . the deputy minister and perhaps to yourself, sir, that you indicated that you aren't sure of your role in this whole exercise. Would it not be consistent with the department's responsibility in administering these funds and setting them up and providing the legislation that enabled them to take more of a leadership role? I believe in the House the minister had indicated that she felt it was entirely appropriate that the fund be subject to audit by the Provincial Auditor.

I guess the question I'm asking, do you see it simply as a dispute between the trustees of the First Nations Fund and the

Provincial Auditor, or do you see a more proactive role in terms of your own department in ensuring compliance?

Mr. Pontikes: — The advice that we received from the Justice department is that the legislation currently does not allow the minister to force compliance with this. But we still believe that it's the proper thing to do. And so our role has been, through the minister, is to try and encourage this kind of . . . this sharing of information.

The difficulty we found is that all of the information is coming directly to us. The First Nations Fund through the chief of the federation has been writing directly to us with opinions. We've been trying to get those opinions brought together so that resolution can take place. But the advice is that our minister cannot, under current legislation, force this.

Mr. Gantefer: — Thank you, Madam Chair.

The Chair: — I just have one question that I'd like to ask. You talked with the libraries about the larger centres being able to comply and the smaller centres, the main problem being education. And it could be the problems could be dealt with through education.

And my question is: can they afford to pay for the education or is this something that's going to be given to them to help them actually to work with the new rules?

Mr. Pontikes: — Actually my answer was with respect to municipalities. The libraries have essentially agreed that they will, through the library directors, comply with the financial requirements.

The municipal side is a little more problematic because there is a wide range of administrative skills from the largest cities to the smallest village and RM (rural municipality) office. And we're finding particularly in the small urban areas that most of the letters that are coming from them are feeling somewhat pressured by being asked to put into place accounting and reporting requirements that they don't feel comfortable with.

However every municipality is required to have an audit done of their financial situation. And we feel that by working with the audit profession and the audit community that that may be our first line along with support from our department to assist the smaller administrators to understand the benefits of what is being required and also to help them in essence develop the skills that are needed.

It's more than just the auditors. We're also getting letters from the councils who are feeling somewhat pressured by this too.

The Chair: — Okay. Thank you.

Mr. Thomson: — I wanted to address specifically the question of First Nations Fund. I had the unique opportunity, I guess, of being one of the people who helped develop the policy and draft the legislation on this, of the gaming corporation Act — what my friend, Mr. Osika, would call life experience from a previous existence.

It was never our intent during the drafting of that to have the

audit done in such a way that it would not be disclosed. It was always my understanding anyway that the audit would go through the normal process, that the Provincial Auditor would work with whoever the designated firm was, and that those would ultimately come before the people and the province.

So in that regard I certainly note the auditor's concerns and I think that those are widely shared. So I would agree with him on this. I think that this is something we need to continue to work very hard on in terms of making sure that this information is made available.

That being said, I don't believe there is anything untoward happening with these funds. I think that overall this policy has been a great success, in terms of number of people employed, in terms of the ability for us to put money back in the communities.

And I want to congratulate you on your work, particularly with the associated entities fund in that regard. I think it's just been an excellent project.

Mr. Osika: — Thank you, Mr. Vice-Chair. Again I thank my colleague across the way there, Mr. Thomson, for raising that First Nations Fund issue as there is . . . can you confirm for me there is public money in that fund? Is that correct?

Mr. Pontikes: — It's money coming out of the casino profits.

Mr. Osika: — I guess that's what concerns me and I'm sure it does the rest of the committee — or at least it should — that we have trustees of a fund to which the people of Saskatchewan should have right and title to determine the flow of that money coming and going and where it's going and what's becoming of it. And that there is a refusal to allow anybody to carry out an appropriate audit.

Do we need a law in place to have that done or do we need government to step in and say, well wait a minute, we do have a law in place and here's non-compliance. I'm not sure, I'm just trying to determine how we get this audited. If it was myself or my colleagues or anybody here, in business, and somebody said, the law says you will submit an audit — it happens — or else something else happens that's not very pleasant. I just . . . perhaps that can be explained to me because I don't understand why this one is not being pursued.

Mr. Thomson: — . . . if audit is done on these funds, the audit is simply not made available to the Provincial Auditor, is that correct? And either the deputy or maybe the auditor can explain that.

As I understand, KPMG does an audit of these funds.

Mr. Strelieff: — Yes, that's correct; they're appointed by the government.

Mr. Thomson: — By the cabinet.

Mr. Strelieff: — Just like the trustees of the fund are appointed by cabinet and the money that the fund gets is determined by a formula related to casino profits but is voted to the fund by the Assembly.

Mr. Thomson: — So the real issue here then is the access to the audit result. It's not the fact an audit's not being done, it is a question of access to the audit result. Is that correct?

Mr. Strelieff: — That's correct.

Mr. Jess: — Or would you want to do your own audit?

Mr. Strelieff: — Normally we don't step in when there is another auditor appointed unless we have reason to believe that there are more problems than are apparent, and then we will step in and do the audit directly ourselves. But that's rare, and normally we work through the process when the government appoints another auditor.

Mr. Jess: — It just seems a little strange to me that . . .

The Vice-Chair: — Walter, Mr. Osika actually has the floor here. Are you finished?

Mr. Osika: — I think, again, I'm looking for some clarification. Apparently there is an audit done but we don't have access to it.

Mr. Strelieff: — And nor do I which is what I'm bringing to your attention.

Mr. Osika: — Okay, that bothers me.

The Vice-Chair: — Then I have a speaking order, Mr. Koenker and then Mr. Jess, if you . . .

Mr. Koenker: — Yes, I have a question about the matter of written contracts with the U of S (University of Saskatchewan) and SPMC (Saskatchewan Property Management Corporation) — did you touch on that in your opening remarks?

Mr. Pontikes: — I think I missed that one.

Mr. Koenker: — Maybe you could just comment on that.

Mr. Pontikes: — We are in the process of negotiating a contract with the U of S and with the SPMC. There is one additional piece that is taking place here. Any contracts that we do negotiate will be for a short period of time because there is a strategic review being taken on the future role and mandate of the Archives Board which will have impact on their space requirements in the future. And the board has received a consultant's report on that and is working through that. But as a result of that, that may change the space requirements that they need. We are working on signed contracts with the current accommodators.

Mr. Koenker: — Subject to the strategic review.

Mr. Pontikes: — In the future, right.

Mr. Koenker: — Yes.

Mr. Jess: — My question is, is there any logical reason why any organization would not co-operate with our auditor in his request to have a clear picture of this situation. I think this group here, if we were handling any amount of monies that

were either government monies or directed to us through some connection with government, that we would feel a lot more comfortable if that audit was there.

I don't understand why they would refuse to co-operate in this. If there's a reason, I'd like to hear it.

Mr. Strelieff: — Mr. Chair, members, I don't have that reason. We've requested co-operation recently and haven't received any response.

Mr. Jess: — They don't tell you why they don't . . .

The Vice-Chair: — I think Mr. Pontikes may be able to assist us here.

Mr. Pontikes: — I just want to clarify one piece. The audited statement by KPMG is provided to our department and is tabled in the House. So the issue is, I think, more the review that the Provincial Auditor does of the audit that's done by KPMG. So it isn't that this is not a public document.

The Vice-Chair: — Okay. If there are no further questions we'll begin the review of these things. I think I'm taking these in the right order but if not, perhaps the Clerk will assist me.

First, page 81, no. 17 of the recommendation of the Provincial Auditor.

The Board should have written contracts with the U of S and SPMC.

What's the wishes of the committee?

Mr. Koenker: — I think we concur and note that the steps are being taken to comply.

The Vice-Chair: — Agreed. All right. And the next one is page 83, 30.

The Department should direct the trustees to allow our Office to carry out our responsibilities to the Legislative Assembly following the recommendations of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

Do we have a motion? All right, what is the wishes of the committee? Agree to concur in the recommendation of the Provincial Auditor. Okay. Do I take it it's concurrence? Agreed. All right.

Page 150, 17:

The Department should have a written agreement with others for the services the Department receives.

What's the wishes of the committee?

A Member: — Concur.

The Vice-Chair: — Concurrence and note compliance, I think. One fifty-four.

The Department should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.

I'm sorry, I missed .31:

The Department should obtain assurance that libraries' rules and procedures are adequate to: safeguard and control their assets, comply with the legislative and related authorities; and meet the Department's objectives.

The department should require the libraries to use standards for financial statements recommended by CICA.

The department should tell the libraries what performance it expects from the libraries to meet the Department's objectives.

And:

The Department should receive and verify reports on how successful the libraries were in meeting the Department's objectives.

What's the wishes of the committee? Concur, and I think, note steps being taken to comply.

Okay, back to .42, which I had previously read:

The Department should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.

What's the wishes of the committee? Concurrence. And note, steps being taken to comply. I guess that's how we describe it here. Difficulties with the small municipalities — I guess it's really complex because of the number. Okay.

Okay, .51 I guess is the next one:

The Foundation should formally define and document its operational . . . needs.

The Foundation's internal report should show whether it achieved its goals and objectives.

That's it.

Concurrence.

Mr. Whitmore: — Compliance.

The Vice-Chair: — And note compliance, I think . . . and note steps being taken to comply.

.63:

The Corporation should strengthen its rules and procedures to control donations received by Corporation.

Concurrence.

Mr. Koenker: — Compliance.

The Vice-Chair: — And note compliance.

And .68:

The Corporation should ensure its financial statements include comparisons of planned results to actual results.

Concurrence and note steps being taken, I think in this case, to comply.

Okay. I think that — unless there's some other comments or questions of our witnesses — I think that completes our deliberations. I want to thank the witnesses for attending and assisting the committee with its work. Thank you very much.

I would entertain a motion to adjourn, I think, at this point in time. Mr. Goohsen. All agreed? Agreed.

The committee adjourned at 3:30 p.m.