



Standing Committee on Public Accounts

Hansard Verbatim Report

No. 41 – November 25, 1998



Legislative Assembly of Saskatchewan

Twenty-third Legislature

**STANDING COMMITTEE ON PUBLIC ACCOUNTS
1998**

June Draude, Chair
Kelvington-Wadena

Ned Shillington, Vice-Chair
Regina Northeast

Rod Gantefoer
Melfort-Tisdale

Jack Goohsen
Cypress Hills

Jack Hillson
North Battleford

Walter Jess
Redberry Lake

Mark Koenker
Saskatoon Sutherland

Violet Stanger
Lloydminster

Andrew Thomson
Regina South

Grant Whitmore
Saskatoon Northwest

Public Hearing — SaskEnergy

The Chair: — Good morning everyone. It's a beautiful morning. I imagine everyone is just delighted to be alive in Saskatchewan today so we'll get our meeting going this morning. I invite the deputy minister to introduce the officials with him this morning — president, president.

Mr. Clark: — Sorry, Madam Chair. Ron Clark, I'm the president and CEO (chief executive officer) of SaskEnergy and thank you very much for the opportunity to be here. I want to thank you, Madam Chair, and your members of the committee for allowing us to come in this morning. We were scheduled for this afternoon and I appreciate that we were able to be brought in this morning.

I have a number of officials and I hope it's not an indication that the CEO can't answer any questions. It's really I'm not sure where the committee might want to go. So I have Jullian Olenick, with me; Jullian put your hand up please. He's the senior vice-president of TransGas which is a fully-owned subsidiary which transports and stores natural gas in the province of Saskatchewan. Doug Kelln — Doug is the vice-president of the distribution utility, SaskEnergy. Ken From is the vice-president of gas supply. George Barnhart is vice-president of information systems and is leading our YK 2000 effort. Greg Mrazek is the vice president of finance administration in an acting capacity at this time. Robert Haynes is the vice-president of human resources. Mark Guillet is our general counsel and corporate secretary. And Ron Podbielski is the director of corporate affairs.

And am I to introduce the external accounting auditing firm as well? Mr. Bob Watt of Ernst & Young, and would you introduce your colleague?

Mr. Watt: — Bruce Willis.

The Chair: — Good morning and welcome. And I'll ask the Provincial Auditor to introduce the officials he has with him today.

Mr. Strelieff: — Thank you, Madam Chair. With me on my left is Mike Heffernan who leads our work at SaskEnergy; as well as Fred Wendel, assistant provincial auditor. Bob Black is with us again. And a new person is Shana Smith, who just got her CA (chartered accountant) last year so she's one of the new people with our office.

The Chair: — Good morning and welcome to you as well. Usually the format we follow after the statement by the Chair to the witnesses, is asking the Provincial Auditor to do an overview of the chapter and then asking Mr. Clark if he has any comments he'd like to make and then we go on to the members to ask questions.

So the statement by the Chair for witnesses:

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

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 prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put forth by the committee. And 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 the document and record it as tabled.

And you're please reminded to address all your comments through the Chair. Thank you.

And to the auditors, take over.

Mr. Strelieff: — Thank you, Madam Chair. I'm going to turn it over to Mike Heffernan, please, Mike.

Mr. Heffernan: — Okay, thank you, Wayne. This chapter deals with the year ended December 31, 1996. Since then time has passed and we have also done the audit for 1997, so I'll update you on both years as we go through this.

Paragraphs .01 to .03 briefly describe SaskEnergy's mandate, the names of its subsidiary companies, its consolidated net income, assets, and total revenues for 1996. Our audit conclusions of findings are set out in paragraph .05. We worked with Ernst & Young, SaskEnergy's appointed auditor to form these opinions. We found the financial statements for 1997 and 1996 to be reliable, and we found SaskEnergy's rules and procedures to safeguard and control its assets for both years to be adequate as well.

In 1996 we found that SaskEnergy complied with the governing authorities except for the matter we reported in paragraphs .07 to .11. For 1997 we found no new matters or problems in the compliance with authority. We also report other matters for the Assembly's attention in paragraphs .12 to .31.

In paragraphs .07 to .11 we note that TransGas made agreements to borrow 4.8 million to finance the construction of two natural gas caverns without the necessary authority in our view. We think SaskEnergy and its subsidiaries require approval for new debt, both from the Minister of Finance and the Lieutenant Governor in Council. TransGas did not obtain either of these approvals.

The Department of Finance told TransGas that the Minister of Finance approval for the debt was not needed. Also TransGas received legal advice that the Lieutenant Governor in Council's approval for the debt was unnecessary. We think the law requires TransGas to obtain both these approvals. In paragraph .11 we recommend that SaskEnergy obtain the Minister of Finance's and the Lieutenant Governor in Council's approval

for all new debt.

In paragraph .12 to .20 we described how guidance is needed on the role of the board of directors and on the role of the Chair. The board of directors needed to better understand when it was a decision maker and when it was an adviser. And the board needed to better understand the role of the Chair as the minister — sorry the role of the minister as the Chair of the board. For board members to perform well they need to understand their roles, responsibilities, and duties.

In our *1995 Fall Report*, chapter 4, we describe the need for board members to understand how they can make decisions governing their agencies, for example SaskEnergy, and when they're limited to advising other government decision makers who make decisions governing their agency. Senior management and the board of directors brought to our attention the following matter around November of 1996 I guess it was, and we appreciate them bringing this to our attention in such a timely manner.

TransGas made agreements to finance the construction of two underground natural gas caverns costing 4.8 million as I mentioned before. Upon completion of the construction, TransGas was required by agreements to borrow 4.8 million for a maximum period of 50 years. The interest rate of the debt was 13.5 million. This interest rate was significantly higher than the rate TransGas could have obtained from the Department of Finance. According to management, TransGas accepted the high interest costs to fulfil a government policy initiative.

The board of SaskEnergy asked the Crown Investments Corporation of Saskatchewan to clarify the role of the board of directors when a major policy initiative of the government affects the corporation. For example the board needed to know what role it had in deciding how such policy initiatives are to be carried out with the resources of SaskEnergy. The board has also asked CIC (Crown Investments Corporation) to clarify the role of the board Chair. The board expressed concern that the Chair was able to operate in isolation from the board. The board wanted to ensure its Chair, i.e., the minister, was not able to carry out government policy initiatives without the knowledge of the board.

A lot has happened since then in regards to Chairs of boards and now to guidance that the Crown Investments Corporation provides to Crown corporations to help their boards know whether they're advisers or whether they're making decisions themselves.

In paragraphs .19 and .20 we recommend that CIC issue guidelines to ensure members of the board of directors of SaskEnergy understand their responsibilities, roles, and duties pertaining to broad policy objectives of the government. And CIC should issue guidelines explaining the role of Crown corporation board Chairs.

In paragraphs .22 to .31 we describe how SaskEnergy's annual report requires additional accountability information. SaskEnergy's annual report does not include comparisons of planned performance to actual results. It's difficult to understand and assess SaskEnergy's performance without knowing what it planned to achieve. We think this information

is essential.

So in paragraph .25 we recommend that SaskEnergy should include comparisons of planned performance to actual results in its annual report.

In paragraphs .27 to .30 we note that SaskEnergy did not provide the Assembly with a list of persons who received money from the corporation and the amounts. This committee recommended that Crown corporations should have the same public reporting requirements as do government departments, unless otherwise stated in the mandate of the corporation.

Public disclosure is important for three reasons. First, it reminds all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. And third, it ensures the public knows who has received their money.

In paragraph .30 we recommend that SaskEnergy should provide the Assembly with a list of persons who receive public money from it and the amounts.

That ends my remarks. I would be pleased to answer any questions of the members.

Mr. Strelloff: — Okay. Thank you, Mike. Madam Chair.

The Chair: — Thank you very much. And, Mr. Clark, do you have any comments you'd like to make before we go to the members.

Mr. Clark: — Just briefly, Madam Chair. Certainly with specific . . . I'll try and be quite focused. With respect to recommendation .11 we certainly want to . . . And I want to indicate that we believe — and I think that the Provincial Auditor would agree — that we have an excellent working relationship, and we certainly try to take and seek and follow advice both from our external auditor's accounting firm and from the Provincial Auditor.

With respect to the recommendation about securing an order in council with respect for the approval of debt, it was just a matter of external legal advice that we had — a legal opinion — as well as advice we received from the Department of Finance in respect of their opinion from the Department of Justice that we were not required to get an order in council.

We certainly weren't wanting to have a fight with the Provincial Auditor. We just simply had recommendations that we didn't need one, and so we just, I guess, choose to have battling legal opinions here about whether we do or whether we don't. So certainly if the legislation or the parameters are clarified that we do, we would seek, we would seek one. We certainly weren't trying to poke the Provincial Auditor in the eye. With respect to . . . And we can certainly revisit that if you like, Madam Chair.

With respect to issues around the roles of the board members and the Chair, I think that it's fair to say, as Mike Heffernan has indicated, that a lot has transpired since the events surrounding this particular initiative. We have seen a lot of corporate

governance change in the Crown sector.

I want to say to the members of the committee, we have just an outstanding board. And it's not in any way to suggest we didn't have excellent representatives before from the elected officials. But I think issues about business acumen, board training — for example, a Chair of our board chairs some of the largest boards in Canada traded on the Toronto Stock Exchange — and Mr. Frank Proto.

So I think that if there is a sense that there has been some lack of clarity or ambiguity about the role of the Chair or the board members, I think that both the governance changes and then the extensive training program that I know CIC put board members through that was I think led by the University of Saskatchewan commerce department — I'm not sure — I think really does try to address issues .19 and .20. But we can certainly visit that further.

With respect to recommendation .25 about actual performance indicators and how are we doing, we certainly share that view. We're not afraid to be compared. We engage in a lot of industry benchmarking with other companies, both in Canada and the United States.

I would draw the committee's attention to the '97 annual report in which on pages 39 and 40 we set out some growth targets for ourselves with respect to the number of customers we hope to attract in the upcoming year, the amount of volumes we hope to move through our transmission system, etc.

So I'm not suggesting they perhaps couldn't be more extensive. There are obviously some commercial business reasons why you don't reveal all of your laundry, but we're not troubled by the notion that whether it's members of the Assembly or the public at large we should have some sense of where we're trying to get to and how well we're doing getting there. So we'd certainly welcome some more discussion on those points, Madam Chair.

And I think lastly with respect — I hope I haven't missed any — recommendation .30 about lists of persons. This is simply the way in which all of the Crown corporations at this time perform in terms of that particular issue. That's the directive we have from our shareholder. And so I think we just had an impasse with the Provincial Auditor on that issue.

The Chair: — Thank you very much, Mr. Clark.

I'm going to remind the members this morning that I guess the agreement on the agenda was that we have only allowed an hour for this issue so we'll have to keep our questions quite focused and try and be as brief in your questions as possible.

I have a list starting with Mr. Gantefer and then Ms. Stanger.

Mr. Gantefer: — Thank you, Madam Chair. Welcome, Mr. Clark, and officials.

Briefly we had an overview yesterday from CIC about the Y2K (Year 2000) issue, and it was an overview. I wonder if you'd bring us up to date in terms of your department and particularly focus on what I call critical and non-critical issues. Certainly

the critical issues are the ones that we would all be most concerned about.

Mr. Clark: — I'm going to have Mr. Barnhart speak in a very focused way to your comments.

Just an overview is that I think, as all companies, we've taken this on as an extremely serious issue, and I want to report we are required on a standing basis to report to our board of directors on the performance of this issue. We feel with respect to the specific mitigation around the chips that are in our compressor station functioning equipment, etc., that on specific technical mitigation we're in very good shape. We feel that we'll be well capable of meeting the demands that will be placed upon us.

I think the issue though for all of us in our industry and perhaps in other industries is really issues around business continuity and the potential for business interruption if in fact somebody else hasn't perhaps got their act together, if I could use that cliché.

So I think what we've been focusing on now is ensuring that if in fact there are issues around business interruption or business continuity or business disruption, our capacity to respond and make sure that we're able to fulfill our mandate. But George, do you want to expand a little bit?

Mr. Barnhart: — Yes, I can. You mentioned about the critical or the non-critical. I guess we've addressed it from perhaps a core business function. Again our mandate is primarily in the movement of gas which is a mechanical function. In that regard, the Y2K issue doesn't impact us in terms of our specific core functions.

We have inventoried, assessed, remediated all of the computer systems and imbedded-chip equipment really from one end of the company right through to the other. That process is really substantially complete by the end of this year.

The other aspects are . . . Certainly Y2K impacts us in terms of our general business functions. Again we've done the same process there and substantially done that by the first quarter of 1999. So those are interfaces with our other businesses, some of our other things like payroll, all those types of issues have been addressed.

As Ron's indicated, a lot of our concern comes down within the supply chain. Natural gas industry is somewhat unique in that we're very dependent, I guess across Canada really, on all of the gas companies and producers from B.C. (British Columbia) to Quebec. So we've been very actively involved with the Canadian Gas Association to work on supply chain issues. We've developed an assessment framework to ensure that we can assess the plans and the remediation efforts are adequate. And we're currently well along the way to really developing a national supply chain contingency plan that deals with the unique efforts of Y2K.

Each of the companies involved, certainly as is ours, is world-class in terms of emergency response. We do have business continuity plans but Y2K presents some very unique problems that we haven't had to deal with in the past. So we're

addressing those not only within the company but with our colleagues in the industry as well.

Mr. Gantefer: — Thank you.

Mr. Clark: — If I could just leave one last comment, Madam Chair. George is too humble to indicate that he is chairing, on behalf of the Canadian Gas Association, this Y2K effort and has appeared before the parliamentary committee in Ottawa on this issue and I think is giving good leadership to our industry. And I'm sort of proud it's a Saskatchewan boy doing the job.

Mr. Gantefer: — Thank you very much. Saskatchewan boys generally do do the job right across this country so it's not unusual, but congratulations.

Mr. Clark, I wonder if you could briefly . . . the gas business is of course quite volatile and there's some, I guess, international projects with the pipelines going into the States that have created an additional demand side on the gas industry, and of course mother nature is always very unpredictable. What I'm looking for is perhaps an overview of the gas market in the short and longer term, if you could.

Mr. Clark: — Sure. I'll try again to be very focal, Madam Chair. I think that it boils down to the issue of competition. I think we all are focused on that, and we think about that as the environment in which any of us has to successfully perform. And I think it's important to appreciate that the natural gas industry has been deregulated since the Halloween accord of 1985 in which the three producing provinces and the federal government deregulated the natural gas industry.

So for more than a decade, 60, 65 per cent of the gas which flows in this province is flowing in a fully deregulated market. As you may know, we deregulated the last component of that market, the residential and small-commercial market, on November 1, again in step with what's really gone on in the rest of Canada. Alberta did the same in 1996 and Manitoba in 1994. And so we see ourselves, first of all, in a very competitive market. But that's not new.

We also believe that we're very able to compete.

I know there's an era now that says, well if you're not huge and not getting bigger, you can't make it. I think it's important to understand that because of our unique position, we are, in our industry with only \$1.2 billion worth of assets, I think it's probably fair to say we're a bit of a niche player when you talk about TransCanada, 21 billion for example.

But we are downstream of Alberta in the major markets, both to Chicago and to eastern Canada. We are part of an integrated continental pipeline system. Technology cannot pass us by. It's not like you can move those molecules of gas by satellite, so you have to deal with us.

We have about 35 billion cubic feet of storage in this province, which is absolutely significant from the point of view of both serving our customers in the most adverse weather, but it gives lots of flexibility. And we have a distribution system that not many people realize. At 60,000 kilometres of pipe, we have the largest distribution system in North America, and we only have

310,000 customers.

And you can say, well I don't have to be an MBA (Master of Business Administration) graduate to kind of say that I don't like that equation. But we also, in 1997, had the lowest residential rates in this country.

I chalk it up to very good people. Over 45 years the men and women of this province have built an outstanding system. And we've used technology, thanks to my predecessors in the company, who have made some wise decisions on the use of technology.

The short answer, Mr. Gantefer, is I think that we're well positioned to take on competition and the challenges, both continental and regional. We've seen certainly with your reference to expanded pipeline take-away capacity, the large expansion to the northern border system that's coming on in about another two weeks, the announcement of the alliance pipeline which will be one of the largest pipeline undertakings in the history of this country, certainly since the TransCanada pipeline of '54.

And what we've seen is the effect quite regrettably from my point of view as I trekked across the province in the fall trying to explain it, is that we've seen the run up in the price.

Natural gas, ladies and gentlemen, is the most volatile commodity traded on the New York Mercantile Exchange. It's not sowbellies or copper prices or gold or anything else — it's natural gas. And we've seen because of the increased take-away capacity out of the basin, out of Alberta and Saskatchewan, producers able to extract a much better value.

We've seen natural gas prices now trading on the 12-month strip — which is important to us because we tend to buy for the winter season and we don't buy on the spot market — gas prices now in excess of \$2.50 a gigajoule, where certainly less than a year ago they were trading for \$1.60 a gigajoule.

And I guess misery loves company. When I talk about a rate increase based on the commodity price that's affected our consumers here in Saskatchewan, it's affected 4 million consumers unfortunately, natural gas consumers across all of Canada this winter. And all the utilities, publicly owned and privately owned, have faced double digit increases.

And that's I think an unfortunate fact of the market. This is a straight supply and demand commodity almost in its purest sense, and the producers in Saskatchewan and Alberta are now able to get prices closer to the eastern Canadian prices or the Chicago prices and some of us here in western Canada are starting to pay for that.

It's a really bad analogy. I used it out in one of the meetings. It's like on an extremely hot day having a pile of cold beer. But if you can't get it to your customers, it's not worth very much. But if you can, you can probably extract a bit more for it. And quite frankly that's where we are with respect to the volatility on gas prices.

But in trying to be more focused, Mr. Gantefer, I feel the company is able to take on challenge. We feel we're robust and

in fact we feel that we have the skills and the men and women to tackle the future.

Mr. Gantefer: — Thank you. I wonder if . . . You mentioned the very dramatic increase from 160, 250 for a gigajoule that you're facing this winter. Do you look forward any further into the future to see where that market may go? Are we going to likely to see these kinds of increases because of the changing access from the eastern American market through the pipelines to the basin or was this a big shocker?

Mr. Clark: — Well I think I'm going to turn it over to Ken From, who I do want to say again has been one of those very talented Saskatchewan men and women who I think is a leader in the whole gas management . . . gas supply area. He certainly gets seen every fall as he goes around trying to explain it too.

And I think we've seen a pretty big step up because of the take-away capacity. It's probably hard to see it falling back too much. But Ken, do you want to take a stab at looking out a little bit?

Mr. From: — Sure, I'll do it. Thanks, Ron. Indeed this fall the big step change was due to supply and demand with the expansion. And this has been I think the largest change that has occurred since because the take-away expansion is very massive — the most significant that's happened out of the western Canadian sedimentary base.

As we look forward to the future, one thing that I should make a commentary on is that commodity prices generally do not increase very much in real terms. You may have ups and downs with the supply and demand. And people would argue that perhaps the last few years in Alberta there was some regionalized prices due to the bottleneck in transportation not giving a true market value of that gas. Now that the grid is perhaps freed up, we have a more true market value of that price of natural gas.

When we look at the forward curve for natural gas, it is relatively flat. So no one right now is anticipating any significant increases — when I say significant, I mean double digit — into the future. What I should caution people on however is the fact that we have storage in this province that has the advantage right now of securing some very cheap gas — gas that we've bought last summer. That has a dampening effect on any increases that we had to pass on to consumers to the effect of about 3 to 4 per cent.

So even in a marketplace where gas prices are not increasing in the future, because of the storage impact that we had to benefit our customers this year, that benefit would be lost this year, and next year we'd have to realize a higher price for that gas and storage.

So to make a long story short, we do not see any significant increases of this magnitude occurring again until there's perhaps another fundamental change in the supply-demand equation.

For example, if oil prices stay depressed and there's not enough equity and earnings from the companies to drill gas, then we're going to see perhaps the supply-demand change — not on the

demand side but on the supply side — and again cause an up in prices. However, we can't forecast that at this time.

Mr. Gantefer: — Thank you very much. One final question, Madam Chair. I note that in your policy and your position that you've deregulated and opened competition on a household basis and small-business basis in the province.

I would suspect that if ever there's going to be some time where that actually has an impact or that you see players in it, it's probably longer term and that it be with the larger customers because, you know, competitors would more likely tend to want to serve his large customers a lot easier than in the residential market.

Do you see a time where that will actually . . . that there actually would be competition, and particularly in the smaller residential market; or is this move more a goodwill gesture, if you like, that says we're open to this and we're going to compete for the business but in all likelihood it's highly unlikely that there would be de facto competition in that level?

Mr. Clark: — Well I think we do need to wait and see, Madam Chair. I think certainly in respect to our company it's both. I do want to say I don't know that I'd use the phrase "a goodwill gesture." I want to indicate that we're not afraid of competition and I don't think there's anything wrong with not being fearful of competition, quite frankly. I think as I mentioned that 1996, the Alberta market deregulated. And I think it's a fair observation to make that Alberta probably has about as laissez-faire economy as there is in this country. And two large markets, Calgary and Edmonton, with 7 or 800,000 households and they only now, last week, there was a reference in the Energy Abstracts publication, of a company called Apollo energy — I have no idea who they are — now entering the Edmonton and Calgary markets. And there was some speculation that they were thinking about coming to Saskatchewan.

So the short answer is the market's there and if they feel they can . . . if there's a margin and they can make a buck, they're more than welcome. I think it's fair to say that the industry has indicated that the rules we establish for competition are fair. There's no barriers to entry, there's no hoops to keep them out.

And if — I would say on our own behalf, Mr. Gantefer — that if they're not here in mass it's maybe because we're pretty close to the market. There's not a huge margin to be made, and maybe that in itself isn't a bad signal either. But the point is, I think we'll have to wait and see. And we know if there's entrepreneurial people who think they can make a buck, they'll be here.

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

The Chair: — Thank you, Mr. Gantefer.

Ms. Stanger: — Thank you, I have three questions. First of all I'd like to say that through my work and my job, SaskEnergy has done an excellent job to provide the services to the customers that it serves. You have a very good corporation. And it's pleasing to note that the auditor, some of the auditor's

recommendations have been followed and that you are working closely together.

My first question is in relation to TransGas. I guess Mr. Olenick would be the person to answer this. I want to understand exactly how TransGas works in coordination with SaskEnergy. Exactly what your mandate is? Do you have a separate board? How do you set your rates that you pay the farmers? That's my concern.

Mr. Olenick: — Okay, TransGas has its own list of customers. SaskEnergy, the utility, is one of those customers. They contract for transportation capacity on the system, storage, the same as anybody else.

Essentially we operate the pipeline system. We move the gas from their receipt points to where we deliver it to their system. We just treat SaskEnergy the same as any other customer even though they are the parent.

As far as the board is concerned, there is separate TransGas meetings of the board, our own agenda items, our own presentations, discussion.

Ms. Stanger: — How do you determine what you pay the farmers for the use of their land, Mr. Olenick?

Mr. Olenick: — Essentially on pipeline right-of-ways, we take out easements.

Ms. Stanger: — Yes, I know that. How do you determine what you pay them for those easements?

Mr. Olenick: — There's an evaluation that's done. We don't pay the industry pricing. I think the producer industry pays a little bit higher prices than we do for easements. But essentially it's based on the value of crops, etc., etc.

Ms. Stanger: — Okay, thank you. My second question is on the board training. I guess you would answer this, Mr. Clark. Could you please elaborate on what you've done since you've got the new boards, to train those boards.

Mr. Clark: — Well I think first of all I should indicate that CIC as the holding company for all of the Crowns had contracted back, and I think, April and May with the University of Saskatchewan in Saskatoon for an extensive — I think it was about 10 weeks as I recall — training sessions with people from the university and people from the industry coming in and talking about the roles and responsibilities, the governance issues, the roles of audit and finance committees, the role of governance committees, of compensation committees.

So I certainly believe it was a very, very rigorous training program combined with the fact that the, I would say certainly with respect speaking about the members of my own board, that they also combined that with the years of experience. Many of them sit on boards now. In the case of Mr. Proto he chairs, as I mentioned earlier, some fairly substantial boards in this country. So I think he brings a lot of both business acumen and knowledge.

So I hope I'm answering your question to say that I think that our board members are very well steeped in the proper

procedures of board governance.

Ms. Stanger: — How many women do you have in senior management because I notice that you are referring to the men and women in SaskEnergy? How many women do you have in senior management?

Mr. Clark: — You got me. Poorly, we're doing very poorly. In my performance evaluation with the board, I indicated this is an area where we need to improve. Our vice-president of finance left our company about a year ago, who was a woman, and the director of communications who sits on our board was a woman who's gone to the Wheat Pool. We have not filled . . . as I had indicated both of those positions are acting.

But at this time, I'm a bit embarrassed to say that all the members of our executive team are male.

Ms. Stanger: — I think I'd like to give you a little clue as to what happens and why women leave, why they go to opportunities in Alberta and other places. Because they don't move up the ladder and they get stuck in middle management. These are very experienced, good women. You shouldn't look at them whether they're women or men.

Mr. Clark: — I agree.

Ms. Stanger: — You should look at what kind of a job they do. But I just wanted to make that point.

Mr. Clark: — It's accepted, Ms. Stanger. I appreciate that comment. And, as I said, I don't get into gender issues for gender issues. Quality people are quality people.

I would only say in my own defence, because I'm feeling quite sheepish about this, is that if you look at my track record in other corporations, I think we've done well in those organizations with respect to the roles of senior women.

Ms. Stanger: — Thank you. And I just wanted to assure Mr. Olenick that I'll be following up on some of those issues on the payment to producers. Thank you very much for your candid answers.

Mr. Hillson: — If we could turn to the NewGrade issue briefly. We're told here that as of March 31, '97 just under 200 million. What did that start out to be?

Mr. Clark: — I'm sorry, Madam Chair. I'm a little lost at sea here, Mr. Hillson. Sorry, what reference are you making?

Mr. Hillson: — Okay. Pardon me, I'm looking at paragraph .06 of chapter 7 . . . (inaudible interjection) . . . Oh okay. I'm sorry, pardon me. That's supposed to be up this afternoon. Okay. I'm on the wrong chapter. I got the page mixed up.

Mr. Clark: — I was going to say you got me!

Mr. Hillson: — No, I flipped over a page and that is supposed to be up this afternoon.

Okay, you told us that we have 310,000 customers at present.

Mr. Clark: — Yes, sir.

Mr. Hillson: — We're told that one of the problems with the Crown corporations is that there's a mature market tone — basically everyone has been serviced who can be serviced with the possible exception of SaskEnergy.

Mr. Clark: — Well we are certainly in a mature market as well, Mr. Hillson. We have about 90 per cent of the people in Saskatchewan. Only Alberta and Saskatchewan enjoy a North American market penetration I think — B.C. is close — of that magnitude where about 90 per cent of the homes and farms and businesses in Saskatchewan have access to natural gas. So we certainly are in a very mature market.

Mr. Hillson: — So that 310,000 represents 90 per cent of Saskatchewan homes.

Mr. Clark: — Of the people who could . . . I mean certainly if you go far enough north you can find some people who do not have gas but . . .

Mr. Hillson: — Well in practical terms you couldn't get to 100.

Mr. Clark: — Yes. Right.

Mr. Hillson: — But what do you think in practical terms is the possibility of expansion within . . . (inaudible) . . . market.

Mr. Clark: — Well I think my vice-president of distribution indicated that we believe there is probably about 50,000 . . . 40,000 customers left that could even remotely and reasonably be connected to the existing infrastructure where the cost would not be prohibitive — so 40 or 50,000 customers left out there.

Mr. Hillson: — And that would be at farms and resorts I take it.

Mr. Clark: — There'd certainly be farmers or farm sites that are perhaps far off our transportation systems, and summer resort villages and perhaps some communities. I mean there's always been a desire for example on the part of La Ronge to get gas, and it's something we spend a lot of time trying to see if we could take gas to La Ronge. But it's not an easy project. It's 250 kilometres of six-inch — a pretty expensive project.

So there'd be some like that, Mr. Hillson.

Mr. Hillson: — Deregulation in the gas market, of course you've put yourself very much on record and are congratulated for being ready to meet competition and that any price increases we experience are simply a pass through of commodity prices that you say you've been able to mitigate through storage.

What about distribution costs though? Will they continue to be a monopoly? I would assume so and if so, what is the mechanism for determining distribution costs?

Mr. Clark: — That's correct. The bill, as you know . . . and we segregate the bill to try and improve transparency around the delivery charge and the commodity charge. The delivery charge and the infrastructure required which produces the delivery charge is a monopoly function, is a monopoly function in every

utility in North America, publicly owned or privately owned, not unique to Saskatchewan. And that will continue to be a function performed by SaskEnergy.

At this time, Mr. Hillson, all I can say is that we benchmark against the industry. Our costs on a per customer basis, even in a growing market, have been flat at \$104 a customer now for six years. We've tried to keep our cost . . . and you can appreciate when you have a large system as I mentioned with only 310,000 customers, that you've got to keep your costs under control. And I think we've done a good job in that respect.

Mr. Hillson: — So you say that we've been static at \$104 per customer in distribution costs. That's the annual is it?

Mr. Clark: — For direct customer service, and we benchmarked very, very well. When we did a benchmark study, not done by us, done by Ernst & Young out of Calgary, which involved 17 companies — 12 from the United States and 5 from Canada — in some indicators of customer service, employees per customer, we were the lowest in the industry. We have some of the lowest cost structure in the industry.

Mr. Hillson: — So are you saying that it would be possible for me to calculate my bill on the basis of 104 as basic service charge plus the commodity price?

Mr. Clark: — No, I wasn't trying to . . . I was trying to indicate . . . give you a gross indicator of our cost structure . . .

Mr. Hillson: — . . . average

Mr. Clark: — . . . but if you were really trying to compute your costs, you've got to keep an eye on that box on your bill the relates to the service charge. As I indicated when we made that announcement, the commodity price box you'll see changed.

Mr. Hillson: — Yes.

Mr. Clark: — And the delivery charge did not change, and if that delivery component of your bill changes then you should hold our feet to the fire because we're changing it and you should ask us why.

I know people don't like the commodity price pass-through to cause prices to rise either.

Mr. Hillson: — But you have no control over that.

Mr. Clark: — But I do want to say fairly to all members of the committee that it's not something that any company, Consumers in Toronto or Canadian Utilities in Calgary, has any more control over than we do. But you should keep us . . . keep our feet to the fire if that delivery cost box or line on your bill changes, then we're doing it and you should ask us why. And I can tell you fairly, sir, that in the last six years there has been one cost-of-service increase of 2.3 per cent where we have actually asked for the consumers to give the company more money. As I say, there was one increase of 2.3 per cent, which was a cost-of-service increase.

I think if you compare us against others in the industry, we

stack up pretty well.

Mr. Hillson: — Now, I say, I certainly understand that the commodity price is something that's set by the market so in that sense any independent review would be superfluous. What about other markets though, is anything done about an independent review of distribution costs?

Mr. Clark: — Oh no. I want to be perfectly fair on this issue of regulation because I know it's an issue of interest to members. If you . . . I would certainly contend with anyone in the room that if you're talking about a commodity price increase it would be passed through and in fact, when we . . . They say misery loves company. We didn't enjoy, and I didn't enjoy, the headline of the 12.8 per cent rate increase here in Saskatchewan. On that very same day, the headline in the *Calgary Herald* was: Canadian Utilities goes up 20 per cent. And it was approved by the regulator in 37 days, not 45. So I will say to you that every regulator in Canada will be passing through the commodity price increase.

In fairness to your question, sir, regulators, where they do exist, certainly do have an opportunity to review cost-of-service increases and I would fairly say that that's not the case here in Saskatchewan. With the absence of a regulator, you are fair in saying that there's no one to adjudicate anything related to our cost-of-service increases. Again my only defence is we've only had one of those in six years.

Mr. Hillson: — Yes. So we've not had increases for a number of years now.

Mr. Clark: — Obviously we had one in 1997. That was the 2.3 . . . '97 . . . 2.3 in '97? I was just saying that . . . But you have to go back five more years to find one before that. So over the last six years there's been one cost-of-service increase of 2.3 per cent.

But you're quite correct in saying that that . . . In another jurisdiction, an increase of that notion would go before the regulator and the regulator would get you in a room and peel back the onion pretty good to see whether you deserve the 2.3 per cent or whatever.

Mr. Hillson: — Are you confident that distribution costs will be able to be held down in the foreseeable future? Or do you anticipate that there will have to be increases in distribution costs in the . . . (inaudible) . . . future?

Mr. Clark: — Well I think we've done a very good job in six years holding it at \$104. You get . . . Obviously what helps in that respect is growth and we've had — in the last two or three or four years — we've have unprecedented growth in our system even though when I say there's only 40,000 left we've enjoyed some pretty good growth years. We had about another 4,600 customers connect to our system this year. We introduced some financing to try to mitigate, particularly for farmers and isolated farm sites where writing a cheque for \$3,000 is not easy, but 25 percent down and the rest financed up at the savings has worked out very, very well for us and for the customer.

The short answer, Mr. Hillson, I don't want to say categorically

that it's never going to go up because it's hard to believe that some costs aren't going to push us in a way that we may see some. But we've done well for six years and we're going to do everything we can. It's absolutely, as I said, fundamental to us with a large system and a small customer base we have to keep our costs down. So we're going to do everything we can.

Mr. Hillson: — Now we're told that there is some pressure on electrical generation in this province. Is that alleviated by the switch to natural gas for heating from electrical, and is their much room for that in the province now or has that basically been accomplished?

Mr. Clark: — I think there are some opportunities. We've certainly explored that with SaskPower where, if we can work together mitigating for them some large capital improvements to their system, that could be utilized to see switching to natural gas, and I think specifically, sir, of some efforts we're working collaboratively on in La Ronge. If we could get gas to La Ronge and move a number of those people off electrical heating and propane . . . And the savings are absolutely substantial — a 1200-square-foot house, which is a relatively modest house I think it's fair to say, has an electrical or propane bill in La Ronge of around \$2,000 a year. The natural gas equivalent is around \$750. So you can see that the payback's pretty quick.

The short answer is we're certainly looking at ways in which, if there are SaskPower demands on major infrastructure improvements to continue to ensure security of supply for electricity, say, to that market, but we could do it and get some switching off of electricity through natural gas and forestall for many, many years capital improvements on SaskPower's system, I think that's something we should be looking at.

Mr. Hillson: — Paragraph 25, may I ask you if . . . (inaudible) . . . do you feel that publishing SaskEnergy's business plans where you hope the corporation will be in a few years time is that putting you at a commercial disadvantage with other companies? How do you react to paragraph 25?

Mr. Clark: — What I indicated in my opening remarks to Madam Chair is that we certainly don't . . . we're not afraid of being judged by this committee, or the Crown Corporations Committee, or by the people of Saskatchewan — they are the owners. And as I said earlier, we feel pretty bullish about our potential to compete as a publicly owned company.

As I indicated, we've put some in . . . we've certainly prepared to work and we will work in the subsequent years to see if we can put even more indicators in about where we're trying to get to. As I said, we forecast our customer growth volumes . . . there'd probably be some issues around some sensitive matters that we would not want to put out there if it was going to aid our competition.

But on principle I want to say that we're not loath to put some of the indicators out there and be judged accordingly.

Mr. Hillson: — Thank you, Mr. Clark.

Mr. Shillington: — Thank you. I have some questions, Madam Chair, on items and comments I think, on the specific recommendations of the auditor that I'll . . . (inaudible) . . .

touch those.

For the moment I just simply want to pay a . . . I simply want to give credit where I think credit is due. This is one of our, I think, this is one of our better-managed Crown corporations. One of the areas that shows up is in employee relations.

That is one of the advantages of representing a city riding and being out canvassing as you speak to employees. And I think this Crown corporation has really good employee relations.

So I want to compliment this Crown corporation on what I think is good management, and perhaps express the hope that some of it might rub off on some other Crown corporations. But this Crown corporation does a good job. That's my comments here.

Mr. Goohsen: — Critics of the process of Crown-operated utilities have suggested to me that in Saskatchewan our Crowns are employing 30 per cent more staff than a privately operated company would do. How do you answer to those criticisms?

Mr. Clark: — I indicated, Mr. Goohsen, that we engage in a lot of independent review to actually compare those type of issues against other utilities, both Canadian and American utilities. I just want to say that we stack up very, very well. I grew up here in Saskatchewan and I think it's a bit of a stereotype that people can use to say, well if you're a Crown corporation it's an oxymoron that you're efficient. I don't believe that.

We are efficient. Our cost structure is, as I said earlier, one of the lowest in the industry. And there's no evidence whatsoever that I'm aware of, that we employ 30 per cent more. In fact if we want to get into a full debate I would suggest I know some companies in the private sector in Canada that I think are fatter than we are.

I certainly would defend our effort in keeping our cost down, including issues and ratios like the number of employees we have relative to others.

Mr. Goohsen: — Just in response to your answer, I think it might serve you well to point that out to people. Because we do hear this quite a bit, especially in rural Saskatchewan, and especially when they're faced with costs of, you know, 6 or 7 or \$10,000 to have a gas line put up to their farm. And they say, well why is the cost so high, and then they start to philosophize why. And this always seems to come into that argument that, well if they weren't so fat with employees and people sitting around doing nothing, we could get cheaper lines. So I'll just throw that into the mix because that's what I hear.

If you'd like to respond further, I have another question. You suggested that the price increases of course are based on supply and demand, and I think that's fair ball. I was wondering though, how long does it take for those changes in prices, either up or down, to work themselves through your system to the customer?

Mr. From: — I think that question can be answered by looking at history. When gas prices rose in 1992 from a similar event which was pipeline expansion to California, we were fortunate that we had contracts and pricing that sheltered the public for I'd say about nine months after the event actually happened. In

this particular case this year, what we're seeing is storage is also a dampening effect on the increase in prices.

Storage can also have the reverse effect. So when prices do decline, we will have some storage gas that is perhaps more expensive than the current market price of gas. But that's just the way the natural gas market works.

Storage must be filled during the summertime at a fairly constant rate. There is no opportunity to change that, as much as we would like to perhaps on a day when prices decline from where they are from the rest of the week, to put more in. We simply can't do that.

Typically what happens is, as a utility trying to give our customers stable rates, we enter into one-year gas price contracts or winter gas price contracts. So what we're doing is we're locking in and providing stability for a one-year rate.

Some other utilities such as our neighbours to the west in Calgary and Edmonton, they change their rate every month. Their gas price changes every month. And what they do is they settle up throughout the year maybe five or six times to then either ask for more money because they didn't charge enough, or to perhaps refund a little bit because they overcharged.

And it's very difficult for consumers to get an idea of what they're actually paying. Because a year later someone could say, you know that Big Mac you bought at McDonald's, well the price of the hamburger went up and I didn't realize that so I've got to charge you more for it.

We like to have stable rates and guarantee a rate for that gas year with our customers.

Mr. Goohsen: — Well I can appreciate that concept. But of course you do realize that when you made the reference to hamburgers that people say, when the price of pork is down to \$60 a kilogram and everybody's losing their shirts, that it didn't go down across the counter, and the guy in town says he's still paying as much for his pork chops.

So I guess what customers are saying is that they don't blame you for having to put prices up when the product price goes up but they do blame you if you don't correspondingly bring it down just as quickly if the price goes down.

Mr. Clark: — That's a very fair comment, Madam Chair. And I think in fairness, and we go out and we hear what the customer's saying. Don't worry. I've still got the . . . The wounds are just starting to nicely heal.

So you know, and people do have short memories though. In 1995 . . . in 1994-95 we reduced rates by 11.8 per cent and we passed through every nickel. So I do not suck and blow. If we raise the rates and I tell you it's a commodity price increase, I'll take my licks, but I will tell you that when the rates went down we passed every nickel of that back.

Mr. Goohsen, could I just go back to . . . Because we're quite proud of these actually and we'd be quite happy to share these with the committee. And I'll be very brief. These are some of the tables out of that 17 company study that I indicated. These

are operating and maintenance costs on a number of parameters by volume, by kilometre, and by customer, which really I think is the better benchmark. And we are at \$172 operating maintenance cost per customer — the absolute lowest in the industry of the 17 companies that were studied.

Here's the number of customers per employee or contractor workforce, because some companies do a lot more contracting out than we do. We work very well with our unionized workforce. We have 401 customers for every SaskEnergy employee. The all-company average was 328.

Here's the total average residential new construction cost: SaskEnergy in at 904; the all-company average at 1,132. With our TransGas rates, our TransGas rates are 10 per cent lower than NOVA's in Alberta.

So we . . . And obviously I'm blowing our own horn a little bit but I think that there's . . . this is independent. And I think it speaks well not to me — I'm a cheerleader here — it speaks well to the men and women who built a hell of a system in this province for the last 45 years.

Mr. Goohsen: — Well I think most people are pretty happy to have natural gas as an alternative to heating their homes to other forms, and certainly that point is well made.

I wanted to ask though. You've indicated that the customer base is pretty well saturated. You only have 10 per cent left. But I would presume that an awful lot of those are the high-cost customers to serve with lines in rural Saskatchewan most likely particularly. You can correct me if I'm wrong there.

We find of course in my constituency, like a lot of other rural constituencies, that we're a lot of miles from anywhere, and a lot of farms are. And I get calls from people on a fairly regular basis where they've been quoted prices of 6 or 10 or 12 or \$27,000 to get natural gas to their farms.

Because the cost per customer has been averaged in your figuring, we're wondering if there's some way that you can see a policy change coming in the future where you would try to service the rest of those customers that do want natural gas as an alternative in a cost effective way so that they can afford to do it. And I particularly point to the farm community because farmers of course don't usually have that kind of loose change around.

And I'm wondering if you've considered also the possibility of amortizing the cost of those lines over a longer period of time, and those kinds of approaches in order to bring those costs of the immediate price down?

Mr. Clark: — Well I sympathize, Mr. Goohsen, because I get some of those letters myself.

Mr. Goohsen: — I know, I sent them to you.

Mr. Clark: — Yes, I know. And I want to say that we are, we are sympathetic. I'd like to believe that if you're going to compete you've got to be customer sensitive, and I think we're trying to be. You're certainly correct in saying that the remaining customers are the more difficult ones. As somebody

in the company said, there's no low-hanging fruit left, it's all tough stuff.

And I mentioned earlier, we've tried to find ways to mitigate. We've introduced the financing which has been very well received in rural Saskatchewan because people realize if they're on electricity or most often propane, that the savings are very, very substantial, and they're able to cash flow all of the rest of the connection charge just simply through the savings. And then they realize that in their own pocket at the end of the pay-up period. And so the 25 per cent down has been very effective and very helpful, and we've looked at other ways.

I do want to say to you, sir, that we have no mandate, and we don't anticipate a mandate which would in fact involve an explicit subsidy. That's a call that others can make, the owner can make. As you know we did expand the system substantially in this province in the 1980s, through rural Saskatchewan, with a flat price — I believe it was \$2,600 and then subsequently \$3,100, I think.

I'm not certainly being critical of that approach in any way. But I want to say that the bottom line was that the company now has \$200 million of additional dead-weight debt. There are no free lunches. Those 36,000 customers that were connected in small town and rural Saskatchewan, if they leave their thermostat at 35 degrees all year round, it won't begin to even pay their way. And again there's nothing wrong with . . . If you grew up in this province, as I have, there's nothing wrong with the concept of universal access to fundamental services — but somebody's got to pay for them.

And I can say to you right now that our policies and our hurdle rate are to operate as a business. We are mandated to operate the company as a business and we do that. And we do everything we can to try to help the customer. But the answer is, I have found no magic to make it much easier than the tools that we've tried to use, and I don't know of any way, short of the remaining customer base or the taxpayer subsidizing some of the high-cost connections.

It's not a story I like to tell you. It's not a story you like to hear. But I can't make it go away.

Mr. Goohsen: — Well if subsidies are the only way that it can be done, then that's what we have to look at. I just thought that perhaps if you were amortizing over, say, 20 years for the cost of a line, and you spread that to 30, you might be able to do something with the rates.

Mr. Clark: — Our business policy does that now. What we do, Madam Chair, is we take the cost. We amortize what we anticipate our return to be over 30 years for a residential customer and, and I think it's 20 years for a business customer, and we make an investment. And then what's left on the table is the customer contribution.

Mr. Goohsen: — Thank you. Just as I'm going along here I wanted to thank the corporation for the announcement and the subsequent installation in the Cypress Hills to the Cypress Hills Park. I think that will be a great asset to our province, both for tourism and for the people that live in that area.

I would like to know though how you justify paying two property owners for their easements, prices that are lower than the private industry is paying. How do you justify that? Is it simply because you have the power of expropriation and can get away with it, or is it because you feel that you actually have some justification?

Mr. Clark: — I think, Madam Chair, I'd have to ask for some specifics. I don't like the inference that we're just heavy-handed and clumsy. I don't know the two instances, Mr. Goohsen. I'm certainly . . .

Mr. Goohsen: — I can give you from my personal farm experience actual documented evidence of the fact that private industry pays significantly more to put pipelines on farm property, for example, and there are other kinds of property. And they take, at this point, almost more consideration for our environment than SaskEnergy does at times. But I can document the cost factors.

Mr. Clark: — I want to make two comments, Madam Chair. Certainly we'd look into it. As Mr. Olenick's indicated, we are aware of producers who want to get on the land right now who have paid whatever they've felt was necessary to move.

We have a system, and I know that our general counsel who's responsible for our land department could expand on it, but maybe we could report back subsequently to the committee on the procedures that we use. They're used in other . . . the surface board or . . . Do you want to speak? Mark Guillet is our general counsel and I think since it's been raised, I'd like to try and respond to it.

The Chair: — By all means.

Mr. Guillet: — Madam Chair, our land policy for payment of compensation for easements is based on the fair market value for the property. It's a provincial system that we use.

What the land policy does is it takes fair market value assessment of a parcel of land in that area of comparables and it uses . . . it's based on a multiple of assessment. And then it is then grossed up by 15 per cent of what the fair market value for that particular quarter section would be, and that's what land compensation is paid to the particular farmer for the easement that we acquire.

As was indicated, when you get into areas for an oil patch area, an oil and gas company will pay many times more than what the actual assessment for the piece of property is. As for a means of trying to obtain the land rights as quickly as possible, the oil and gas company will pay more than what is being paid for the fair market value of that piece of property.

But the corporation's policy is based upon fair market value for the property. And in order to address the situation for taking a small parcel taking, it's then grossed up by 15 per cent.

Mr. Goohsen: — Well, I'll take exception to your statement because oil and gas companies in the private sector do not pay more for the convenience of getting on to the land. They use the mechanism of the Surface Rights Arbitration Board which was set up by the provincial government and operates to this day.

The awards given by that group are significantly higher. And this is an appointed body, a quasi-judicial board set up by the Justice department in Saskatchewan. And their awards for compensation are significantly higher than the corporation, the natural gas corporation is paying to farmers. And they base it on exactly the same criteria that you've just mentioned — the value of land and the value of crops and production. It's exactly the same formula.

And yet the end result is that farmers get significantly less from your corporation. And when they come to my office usually in the south-west, of course, they've had experience or neighbours with experience of both. And so they can show me documentation of their arguments. And always, always, they're able to prove that they're getting less.

And what worries me even more now is that in many cases our environmental considerations are not taken into account by our Crown corporations. And I won't just say you folks because SaskPower's involved in this heavily as well, and SaskTel. But they don't take those things into consideration as much as the Surface Rights Arbitration Board is forcing the private industry to do. How do you respond to that?

Mr. Clark: — Well, Madam Chair, I'm certainly not going to sit here and indicate that we're faultless. All I would like is to give an undertaking that a review of the comments that have been made by Mr. Goohsen to see whether in fact we are in somehow behaving differently than the norm, either with the private sector or with other Crowns, and I certainly would be prepared to examine that. That's not our intention.

I just want to say that when we did the over 300 kilometres of 20-inch pipeline in 1995, we affected some 500 landowners across . . . all the way from Goodsoil to Rosetown, and we had one expropriation out of 517 landowners I believe. So we'd like to think our track record is not to sort of bludgeon landowners into submission, but I take it that we would review it, Madam Chair.

The Chair: — I appreciate that, Mr. Clark. I'm sure that this indication by both members that there will be some further discussion, that there's something that the members should know afterwards then that would be great. But looking at the time maybe we could continue on. I think you had one more question?

Mr. Goohsen: — No I just want to compliment Mr. Clark himself for his personal attention to the letters that we alluded to a few minutes ago. He certainly has answered each and every one of them. As he has pointed out, we're not always happy with the answer but at least he answers and he does give an explanation, and most of the farmers that we deal with are happy to get those kind of answers so that they can look for alternatives. And I'm happy to say that sometimes those alternatives have been found. I just hope that we can continue to work together and find even more solutions to some of these long distance applications where people want to have this alternative. Thank you, Madam Chair.

The Chair: — Thank you, Mr. Goohsen.

Mr. Clark: — We share that vision, Madam Chair.

The Chair: — Mr. Koenker, I guess, has a question.

Mr. Koenker: — Just very briefly following on Mr. Goohsen's comments. I'm wondering if TransGas could provide a profile of claims for environmental damage over let's say the last calendar year; and secondly, if they could also provide a policy respecting compensation pay outs for environmental damage?

Mr. Olenick: — Yes, I'd have to go back and talk to our staff on that, but to my recollection I don't think we've had any environmental damage claims over the last year or two or three even. Any of the work that we do we got prior approval from the Environment department in accordance with the provincial regulations and legislation that's been in place. And we go the extra mile to make sure that we're not impeding the environment in any way or harming the environment in any way. I'll have to check that out. I don't think we've had any environmental damage claims.

Mr. Koenker: — Well maybe you could go back over the last five years.

Mr. Clark: — We give you that undertaking, Madam Chair. Absolutely.

Mr. Koenker: — And the policy as well.

Mr. Clark: — Yes, yes. I can indicate just anecdotally in 30 seconds, Madam Chair. I got one of these letters in the Qu'Appelle valley where our contractor installed on our behalf in a delicate piece of the Qu'Appelle valley. I went out there on a Sunday. We actually didn't do a very good job. Our contractor didn't do a very good job but we can't blame them. They work for us, and we've . . . Mr. Kelln's staff undertook some extensive mitigation in this sensitive part of the valley and we have a happy customer. So we try, we'd like to think we don't have a bad track record but I'm sure we've got our warts.

Mr. Koenker: — But would that be considered a claim then?

Mr. Clark: — It certainly was going to be more than a claim if we didn't do something. It was going to be . . . a subject of a lawsuit. He would have sued us. But we mitigated and he was right — we didn't do a very good job.

The Chair: — I appreciate that. If there is information that is given to Mr. Koenker, you'll send it through me for the 15 copies to the Chair.

Mr. Clark: — Yes.

The Chair: — Thank you. Is that it, Mr. Koenker? Are you finished? Okay.

I don't want to delay either. And probably one of the things that I wanted to ask you about is something that's one of the recommendations, but I see that the interest rate that was paid at 13.5 percent says that it accepted the high cost to fulfil our government policy initiative. Can you just explain that to me?

Mr. Clark: — Well, I think there's two issues, Madam Chair. I was not Chair, so I'm not privy to all of the discussions about time to advance the interests of that particular project. I can say

that you know from the background that it's a 50-year agreement. The interest rate cycle, as we all know, can go up and down. I think many of us, unfortunately, can remember 1980 to 1984 — interest rates were 18.14 percent on average. If we had that interest . . . if that was the interest rate today we'd save \$225,000.

So certainly when pegging interest rate over the 50-year life of the project, the 13 doesn't look as glamorous today in an environment of low interest rates. But we can all, as I say, we can all pick a time when 13 would look okay.

So I don't think it was pegged to seal, to close the deal, to secure the \$4.8 million.

The Chair: — I see. I have just one other short question. There's a new pipeline, I understand, that's going from north of Fort St. John to Chicago. Are you involved in that one at all?

Mr. Clark: — From northern border to Chicago?

The Chair: — From north of Fort St. John, British Columbia that's going right to . . .

Mr. Clark: — Oh, that's the Alliance Pipeline?

The Chair: — Yes.

Mr. Clark: — No, we have in fairness had lots of conversations with the Alliance Pipeline because a large swath of it comes right through Saskatchewan, as you all know. And we have offered services to see whether we could do some field surveys, we could do some subsequent maintenance because we're right there in the field, and we've had very cordial treatment by the Alliance people. And we're trying to see if there's some business opportunity for us down the way. But in terms of its actual financing and participation, no we're not participating.

The Chair: — Okay, thank you.

If there isn't any other questions from members we'll go on to the recommendations. The first one I believe is .11, SaskEnergy should obtain the Minister of Finance's and Lieutenant Governor and Council's approval for all debt.

Mr. Shillington: — My question here, actually to Mr. Clark, if we ignore this problem is it going to go away or is it going to come back at us every year? My question in a more comprehensible phrase, is this a one time only problem or is it going to reoccur? If it's a one time only problem, I guess we can ignore it and then it'll go away and we can just concur or do something. If it's going to come back at us again, then I think we need to do something different. Is this a one time only problem?

Mr. Clark: — No. I don't believe it's a one time, Madam Chair, because it speaks to the very fundamental issue of whether subsidiary companies under the Act are required to get an order in council with respect to debt. I think that if you're going to see your publicly owned enterprises grow, and they're going to have to take opportunities either in concert with others in the private sector, joint ventures, then there'll likely be debt

involved in acquisition or expansion.

So I think this question . . . the short answer, Mr. Shillington, I think this question probably comes back and needs to be addressed.

Mr. Shillington: — Yes, then I think it needs to be . . . I agree. You took the words out of my mouth. Certainly these Crown corporations obtained the approval of the Department of Finance before they take on debt, because they pledge to the credit of the province.

There isn't a substantive problem here I don't think. The debt in the Crown corporations overall has been going down. And indeed if you examine the province's accounts, much of the credit for the reduction in debt is actually that of the Crowns and not the line departments.

I don't think this is a substantive problem here but there is a potential problem if proper lines of authority aren't being followed. To ignore the lines of authority is to beg trouble. And so I don't think we should ignore the Provincial Auditor's comments.

I'm sort of going from sort of thinking on my feet here but I wonder if it would be a resolution of this to ask SaskEnergy to work with the Department of Finance and the Provincial Auditor's office to resolve this. One can think of a number of ways that might happen. I suppose they might agree upon something. That would resolve it. They might seek an outside legal opinion and be prepared to live by that, or I suppose worse things could happen . . . and to amend the legislation.

But I guess what I'm going to suggest, Madam Chair, is that the committee ask SaskEnergy, given what's been said about the relationship of the Provincial Auditor, it ought to be possible for SaskEnergy to resolve it. And I'm wondering if the committee shouldn't ask SaskEnergy to work with the Provincial Auditor's office and the Department of Finance to resolve it and report back in a subsequent session.

The Chair: — A comment from Mr. Gantefer.

Mr. Gantefer: — Well a question that I have to the committee and to Mr. Clark. Yesterday we heard from Mr. Wright that CIC was putting out some new policy guidelines in terms of debt and subsidiaries and operating relationships. And I wonder if that policy work has any impact on this. Because part of that was consideration of changing to the CIC legislation. I believe we heard that comment made. And I'm wondering if that has impact on this very issue.

Mr. Clark: — I would just say, Madam Chair, I'm not familiar with the conversation of yesterday. But in trying to assist Mr. Shillington I would say that, not to duck on this issue, but if there's other subsidiaries and other Crowns it should be a . . . I think CIC should take a look at this. We certainly would co-operate anyway we could.

Mr. Thomson: — As part of my ever exciting social life I have to say last night I was reading the final report of Channel Lake. And it seems to me that somewhere in here there were recommendations about how subsidiaries should be dealt with

in terms of their financial reporting. And I don't remember in enough detail, unfortunately, in terms of how we had wanted to deal with that.

But rather than simply ask the auditors to work it out, I think that we should . . . I have a slight preference for Mr. Gantefer's approach which is to ask CIC to maybe report back on how to deal with this. I tend to be somewhat inclined to support the auditor's recommendation, but I would like to know what its overall context is.

The Chair: — Okay. So then the recommendation is . . . Do you have a comment?

Mr. Strelloff: — Madam Chair, members, I think in general the trend line is that when corporations and subsidiaries borrow money, they will be getting orders in council or Minister of Finance approvals. And I think that is supported by the recommendations in the Channel Lake report as well as the comments made by CIC. But moving it to CIC and making sure that that actually does take place seems like a reasonable course of action as well.

The Chair: — Okay. So then for this recommendation, it is that this recommendation be looked at by CIC?

Mr. Shillington: — Yes, to ask CIC and the Crown corporation involved to report back on a resolution of the issue.

Mr. Gantefer: — I think with a view of the impact on all the Crowns.

Mr. Shillington: — On all Crowns, yes.

Mr. Gantefer: — Because I think that there's no sense going through this without an individual Crown.

Mr. Shillington: — With each Crown, no.

The Chair: — Okay. Does everyone agree with that? Okay. We'll move on then to recommendation .19 — CIC of Saskatchewan should issue guidelines to ensure members of the board of directors of SaskEnergy understand the responsibility, roles and duties.

Concur and comply?

Mr. Shillington: — Sure. Note compliance. I'd also note . . . I mean, I've sat on, in my three tours of duty as minister of CIC, I've sat on all the boards of the Crowns and in my experience this board was one of the better Crown corporations. So I think the problem here may have been much less than it was elsewhere. But I think we can concur and note compliance.

The Chair: — Concur and note compliance. And .20, the same thing? Concur and note compliance.

.25 — SaskEnergy should include comparisons of timed performance to actual results in its annual report?

Mr. Shillington: — To be consistent . . . I note the comments of the president in which he was prepared to comply with this. And again, I just express the hope that some of that openness

might rub off on others but, to be consistent actually, I think we should refer this to Crown Corp because we've referred all the rest to the Crown Corp.

My comments . . . I don't think need to be noted in the minute. If this were an isolated incident, we might just note compliance but I think to be consistent, we should refer it all to Crown Corp.

In a conversation with the Chair of Crown Corporations, I was assured that it was going to be dealt with.

The Chair: — All right. So then the suggestion is . . .

Mr. Shillington: — However we worded the resolution yesterday.

The Chair: — . . . is to refer it to Crown Corporations as in the resolution . . . I think it was done in February as well, wasn't it?

We have to ask the Assembly to refer it to Crown Corporations.

Mr. Shillington: — Yes, ask the Assembly to refer it.

The Chair: — Okay. Agreed?

And .30 — SaskEnergy . . .

Mr. Shillington: — Same thing.

The Chair: — Same thing? That we ask the Assembly to refer it to Crown Corporations. Agreed? I think that is all the recommendations.

And I do thank Mr. Clark and your officials. We had a very good meeting this morning or informative discussion this morning. We appreciated all the input and I understand — though I'm new at this game — that this is one of the Crown corporations that everyone is very proud of, so thank you very much.

Mr. Clark: — Thank you, Madam Chair. We appreciate the opportunity.

The Chair: — Mr. Clark, you were talking about a study that was done where you compared various jurisdictions. Is that something that the members would be interested in or would it be . . .

Mr. Clark: — I could say that I would — not to be selective, but it's voluminous in its tables — but if I can find an executive summary that's useful, I would be happy to forward 15 copies through your office, Madam Chair. Is that acceptable?

The Chair: — Okay, to the Clerk.

Mr. Clark: — To the Clerk.

The Chair: — And we would appreciate that. If there's something that's fairly understandable.

Mr. Clark: — Yes. Digestible? Yes.

The Chair: — Okay, thank you very much.

Members, we are late but we're going to just take a couple of minutes to invite the next officials in, so please just move around quickly. We'll try and start again by 10:30.

The committee recessed for a period of time.

Saskatchewan Liquor and Gaming Authority

The Chair: — Good morning. I think we have enough members here to make our quorum and get started. I appreciate the fact that the officials came and they were waiting. I apologize for that.

Good morning, again. And I ask the president of Sask Liquor and Gaming to introduce the officials with him this morning.

Mr. Innes: — Good morning. Thank you, Madam Chair. My name is Dave Innes. And I have with me Kathy Langlois who is vice-president of our corporate services; Paul Weber, vice-president of operations; Wes Mazer who is our financial services director; and Lillie Wong who is director of our casino and electronic gaming programs.

The Chair: — Thank you very much. And I notice the Provincial Auditor has a new official with him again.

Mr. Strelieff: — Yes, with me today is Bashar Ahmad. He leads our work at the Liquor and Gaming Authority.

The Chair: — Thank you very much. And welcome. Oh, sorry.

Mr. Paton: — Madam Chair, if I may introduce Cindy Ogilvie from the Department of Finance. She is a senior analyst in my office.

The Chair: — Thank you very much. And good morning, Cindy.

I have a statement to read to the witnesses and then I'll ask the Provincial Auditor and his officials to do an overview of this chapter. And then you'll have the opportunity to respond if you want to. And then I'll ask the members for . . . if they have any questions.

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.

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 please address all your comments through the Chair. Thank you.

Mr. Strelloff: — Thank you, Madam Chair. I'm going to turn over the chapter contents to Bashar Ahmad. Please, Bashar.

Mr. Ahmad: — Thank you, Wayne. Good morning, Madam Chair, and members of the committee.

I am pleased to provide overview of chapter 12 of our *1997 Fall Report Volume 2*. In this chapter we report our audit findings and conclusions for the Saskatchewan Liquor and Gaming Authority for the year ended March 31, 1997.

In paragraphs .01 to .03 we provide background information about the Authority and our opinions. In our opinion the Authority's financial statements are reliable, the Authority complied with the authorities governing its activities, and the Authority had adequate rules and procedures to safeguard and control its assets except for the matters reported in this chapter.

In paragraphs .04 to .15 we report the Authority needs to improve its rules and procedures for monitoring the operation of casinos run by Saskatchewan Indian Gaming Authority, that is SIGA.

Madam Chair, members of the committee, the Authority is responsible for regulating casinos in Saskatchewan. To fulfill this responsibility, the Authority made an operating agreement with SIGA. SIGA operates four casinos under the agreement.

The Authority approved operating policies and procedures, and physically inspected all casinos before issuing operating licence. The Authority also receives and reviews periodic reports for reasonability and receives audited financial statements annually. However, the Authority needs to do more to ensure SIGA follows approved policies and procedures, complies with the law, and operates within the term of agreement.

To monitor and regulate SIGA casino effectively, the Authority needs to do one of the following. It could either ask SIGA's external auditor to report on SIGA's policies and procedure to ensure casinos follow approved policies and procedures, or it could hire another auditor to provide the information mentioned above. Alternatively, it could use its internal auditor to do direct procedures at the casinos to ensure they follow approved policies and procedure and comply with the law and term of the agreement.

The operating agreement also requires SIGA to pay a portion of net cash receipt from slot machines to the Authority weekly with the remaining portion to be paid after six months. For the year under review, the Authority did not have rules and procedure to ensure it received promptly any amounts due.

Subsequent to this report, the Authority has asked SIGA to report on its policies and procedure to ensure the casino follows

approved policies and procedure and has asked SIGA's external auditor to audit the report. We have not yet received a final copy of this report for the year ended March 31, 1998.

The Authority also has established a process to ensure it receives money from SIGA promptly. In paragraph .16 to .30, we summarize the recommendations we made in our *1997 Spring Report*.

In paragraph .17 to .20, we report the board of directors need to define and document financial and operation reports it requires and tell management what performance it expects. To oversee the Authority's operations, the board needs to meet regularly and review financial and operation reports received from the management. We note management provided financial and operation reports to the board for March 1997 meeting.

Management told us the board now meets quarterly to review financial and operation reports, and board minutes record all reports approved and board decisions. Management also told us that the management intends to work with the board to more formally document the board's reporting requirements.

In paragraph .21 to .24, we report the board needs to receive independent information that management safeguards the Authority's assets and complies with law. In a large, complex organization such as the Authority, the board needs independent assurance that management carries out operation according to the board's directions. The board can receive assurance through an independent audit function. To be independent the internal auditor should report directly to the board or its audit committee. I am pleased to inform you the internal auditor now provides this report, their audit reports and plans directly to the board.

In paragraph .25 to .27, we report the Authority needs a written and tested contingency plan to ensure continuous operation if computer processing is interrupted. A contingency plan is important because the Authority's operations depend on the reliability of its information system. We note the Authority's plan was not current because the Authority has undergone organizational and system changes since making that plan. Management told us the Authority's information system branch continues the development of a contingency plan for computer processing and information system activities.

In paragraph .28 to .30, we report the Authority needs to fully document its rules and procedures for computer system operations and ensure staff understand the rules and procedures.

The Authority is dependent on its computer system for the day-to-day operations. Properly documented rules and procedures for computer operation and trained staff should ensure the confidentiality, integrity, and availability of the data on the Authority's system. Management told us the information system branch continues to improve and refine its operating rules and procedures.

This concludes my overview of this chapter. Thank you.

Mr. Strelloff: — Thank you, Bashar.

The Chair: — Thank you, Bashar. Mr. Innes, do you have any

comments you'd like to make?

Mr. Innes: — Yes, if I could respond to each of those just briefly, Madam Chair.

With respect to the observations regarding the Saskatchewan Indian Gaming Authority and our oversight role, I'd just like to point out that during the year under review the first nation casino program was brand new. Three casinos came on stream very quickly that year and the Authority was very busy working with SIGA to get those facilities actually physically up and running. We do run the slot machines in those casinos as well as oversee their financial and gaming activity.

So we had to play a little bit of catch-up in terms of getting procedures fully documented. I'm happy to report that we have now reached that position and perhaps even gone a little bit beyond the recommendations of the auditor.

Our internal auditor is now doing regular audits of the SIGA casinos to ensure that they're in compliance with the gaming agreements in terms of conditions. We have also requested and have received on an annual basis a special report from SIGA's external auditor to ensure that all necessary controls are in place.

The Authority meets on a regular basis with SIGA. We have a scheduled quarterly meeting at which we review financial performance, operating issues, other issues, and work together with them to resolve them. We also have a system now where SIGA submits its revenues to the Authority on a weekly basis in accordance with the operating agreements.

With respect to the second recommendation, that the board of the Authority formally define and document its internal operating needs, I won't speak to that very much. I think the auditor's comments are certainly adequate there.

Our board does consist of the minister responsible for the Liquor and Gaming Authority and the Hon. Lorne Scott.

Authority management meets regularly with the minister in charge. We have quarterly board meetings with the board. We will endeavour to have the board more formally document its reporting requirements. And opportunities of course exist at those meetings for the board to take that initiative as well.

With respect to the comment regarding the internal audit report directly to the board. I think if I interpret the Provincial Auditor's comments, you are pleased with the current situation that has developed and we certainly plan to continue with that practice.

With respect to the auditor's recommendation regarding the Authority needing to update its written contingency plans and test results on our systems programs, we certainly agree with that. We are working toward that. We are, as many other agencies right now, focused very heavily on the Year 2000 issues, and as time and resources permit, we will continue to work toward that goal.

The same with respect to full documentation of rules and procedures around our computer and operating systems. We are

in the process of implementing a number of new software programs, and that will achieve that goal as well.

That ends my comments, Madam Chair.

The Chair: — Thank you very much.

Mr. Gantefer: — Thank you very much, Madam Chair. And welcome Mr. Innes and officials.

I would like to talk about VLTs (video lottery terminal) a bit if I could. Could you please outline the revenue trends from VLTs since they've been instituted in Saskatchewan? And I'm looking for, you know, I guess the gross revenue or the revenue to your agency over the last number of years.

Mr. Innes: — Sure. Since the inception of the VLT program back in 1993, VLT revenues have grown quite rapidly in the first couple of years of the program. It's proved to be a very popular form of entertainment. Revenues for the year under review — net revenues to government — are approximately \$130 million for the year under review. Since that year they have risen by between 5 and 10 per cent a year each year. They're beginning to level off. The rate of growth is beginning to decrease signalling to us that the market is becoming mature for this gaming product.

Mr. Gantefer: — Have you done any analysis to see, are there more people gambling or are the same people gambling more?

Mr. Innes: — When we talk about gambling, I think we look at the entire spectrum of gambling opportunities available in Saskatchewan. So that would include charity gaming, bingo, break-opens, raffles, lotteries . . .

Mr. Gantefer: — Maybe I should rephrase that. Let's stay on the VLTs.

Mr. Innes: — Okay.

Mr. Gantefer: — Are the same people putting more money in the VLTs or are more people accessing the VLTs?

Mr. Innes: — We have not done specific research to tell us precisely what the numbers of players are and how that has changed. I would guess that over time there is a modest increase in the player base as revenues grow, but that the player base itself would be relatively stable. It would change modestly as opposed to growing by significant amounts.

Mr. Gantefer: — So the increases in revenue would be largely then, although not exclusively, from the fact that the similar or the same player base are actually spending more money in the VLTs.

Mr. Innes: — I think we have to look at some of the changes that have taken place in the program over the last couple of years before we could come to that conclusion. There has been an increase in the number of sites in some markets for example, which would expand the player base. Moose Jaw is an example where there have been a number of new sites that have operated VLTs. That would tend to increase the player base as opposed to the focus on a single or more fixed player base.

Mr. Gantefer: — I may be mistaken, but I understood that there was fixed number of machines that were allowed to operate in the province.

Mr. Innes: — That's correct, there are. But over time new sites do qualify. We do have machines that become available. We have also initiated redistribution of some of the machines in the network. The year under review we distributed 300 machines, so that tends to expand the player base to some degree.

Mr. Gantefer: — But you're moving machines around rather than adding machines to the system, is that correct?

Mr. Innes: — Correct.

Mr. Gantefer: — Which . . . I guess it could be argued would expand the player base. But I heard you say that you feel that the player base is not increasing nearly as fast as what the revenue coming from the machines is increasing.

Mr. Innes: — Well if we're . . . We're looking at fairly modest levels of increase now in the revenues — 5 to 10 per cent annually — and I would guess that that is a combination of existing players spending a little more and an expansion of the player base. This is not dissimilar I suppose from the trends we're seeing on the alcohol side of our business where the market base is relatively stable. We see sales growing very slowly and we anticipate that situation to occur with VLTs as well.

We will soon reach a fairly stable player base and revenues will begin, as they are now, to increase by very small amounts as opposed to the large amounts we've seen in the last two or three fiscal years.

Mr. Gantefer: — Thank you. Can you give me a trend line on the utilization if you like of the gambling crisis hotline and access to that program?

Mr. Innes: — I should point out that we don't directly operate or are we responsible for the problem gambling programs. Health has direct responsibility for that. They do fund and assist in the operation of all those programs. I do however have some data here that I could share with the committee.

For the year under review — and these are rough numbers and I can share this with the committee if you wish — roughly 2,400 calls were received by the hotline and that number for the '97-8 fiscal year was roughly the same. So an indication there.

Mr. Gantefer: — Okay, so that is staying fairly constant.

Can you tell me, has your agency or Authority initiated a study on the social and economic impact of these VLTs now that you seem to indicate you're reaching a mature market that you know perhaps it's time to have a look at what the impact of this project has?

Mr. Innes: — A very good question. A little bit of history here. A prevalence study was done back in 1994, province-wide, which established some initial measures of the incidence of problem gambling activity in Saskatchewan. The measuring device that was used was later determined to be inaccurate.

Saskatchewan Health has the lead again for this issue. Health is currently working with the nine other provinces' Health departments to finalize a more appropriate and accurate measuring device for problem gambling. My understanding is that that should be available to conduct comprehensive measurement surveys in all provinces by 1999.

Mr. Gantefer: — So this is being done in large measure right across the country, perhaps simultaneously.

Mr. Innes: — The objective of developing a new measuring device is to create a single measurement that all provinces can use to standardize the measurement and incidence of problem gambling behaviour. Right now I understand they are not comfortable with the various measuring devices that are currently available. They give inconsistent results over time and from jurisdiction to jurisdiction.

Mr. Gantefer: — I expect that your Authority has responsibility for bingo and that aspect of gaming as well in communities.

Mr. Innes: — Yes, that's correct.

Mr. Gantefer: — Can you give me an overview if you like of the trends in those agencies. In many communities the bingo, if you like, has been traditionally the facility many service clubs, charitable organizations, things of that nature have used to raise funds. Has there been a comparison to what has happened in that area of gaming and if there's been any impact on that area of gaming because of the incidence of VLTs in the communities?

Mr. Innes: — Right. Well I'll make a statement first that the expansion of electronic gaming certainly has impacted on charity gaming revenues in a negative fashion across the province. That has been moderate in most cases. And government and the Authority have taken some measures to in fact re-establish a balance in revenues flowing to charities.

But let me give you some specifics having said that. Bingo is the largest component of charity gaming and for the year under review I believe the revenues were about \$120 million, that is the total spent. And that netted charities perhaps \$25 million in net profits. In the past couple of years that number has begun to climb down somewhat. In fact 1992-93 was the peak. Without looking at precise numbers, I would estimate that the revenue drop to charities through bingo has declined by perhaps . . . (inaudible) . . . per cent since the advent of electronic gaming.

More problematic has been the break-open ticket side of charity gaming where revenues have dropped perhaps by as much as 40 or 50 per cent. This is a product that competes much more directly with VLTs.

A number of steps have been taken by government first of all to recognize that there's been a decline in those revenues and the consequent increase in revenues produced by electronic gaming. In 1995 toward the end of the fiscal year, the licence fees that government levied on charity gaming, which were significant, were eliminated. That was worth about \$8 million in additional revenues to the charity sector. It resulted in an increase in charity revenue by about 25 per cent.

Changes have also been made to the operating conditions under which bingo is conducted and that is seen by charities to give them some more flexibility in today's marketplace. The authority will also be introducing a linked-jackpot bingo game available to charities later this year, which has its objective increasing net revenues to charities who are currently involved in bingo province-wide.

The associated entities fund which receives electronic gaming revenue through casinos, both Casino Regina and the First Nation casinos, has been used in the past to offset some of the funding reductions to the hospitals foundation who are the major beneficiaries of break-open ticket sales.

So there's been a recognition that there in fact has been a negative impact on charity revenue, and a number of measures have been implemented to attempt to stabilize or offset some of those revenue losses through the various means I've described.

Mr. Gantefer: — Thank you. Are you responsible for the associated entities fund as well?

Mr. Innes: — No, the Department of Municipal Government administers that.

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

Ms. Stanger: — Thank you very much. I just want to give you folks a compliment. Because I think people forget what a mess some of these . . . gaming was in at the beginning of the 1990s. When I think of the bingo hall fiascos and the unregulated things that were going on, I just want to say that you folks have done an excellent job. Not only that, I have some contacts in gaming in other provinces and they tell me that we have done an excellent job — you folks have — in regulating gaming and that it is open and accountable.

Just to clarify that, I want you to expand on the controls that you have in place with the other casinos. We have Casino Regina, which is run by the government, but then you have the other satellite casinos run by the Indian casino organization, I guess it's called the Saskatchewan — What is the name again? . . . (inaudible interjection) . . . SIGA, yes. I knew the acronym but I didn't know what it stands for. I hate all these acronyms. You don't know what they stand for.

Anyway, I'd like to know some of the controls that you have in place. I see that your external auditor has seen to ensure that all necessary controls are in place. Exactly what are these controls?

Mr. Innes: — Okay. Thank you very much, Madam Chair, first of all, for your observations and I will pass those on to the minister.

Just a bit of a background here with respect to the regulatory regime in place regarding Casino gaming in the province. As you know, Casino Regina is operated directly by government through the Saskatchewan Gaming Corporation. Liquor and Gaming does have a regulatory oversight role with respect to that casino as it does with respect to the four First Nation casinos operated by the Saskatchewan Indian Gaming Authority.

The regulatory scheme around the First Nation casinos is based on a gaming agreement that was negotiated and signed between government and First Nations, FSIN (Federation of Saskatchewan Indian Nations) in 1995. And from that flows a couple of key documents, most specific to this discussion is the casino operating agreement which spells out much more precise operational, financial, revenue-sharing, oversight, regulatory and reporting goals between Saskatchewan Liquor and Gaming Authority and Saskatchewan Indian Gaming Authority for operation of those casinos.

Beyond that agreement, there is a very detailed set of operating terms and conditions attached to the operation of the casinos that spells out very precisely details as to how cash is handled, how the wins are paid, how the security and surveillance systems must operate. It's a very detailed set of regulations modelled by and large on regulatory regimes in place in some of the larger casino gaming environments in North America and modified to fit Saskatchewan circumstances.

I could provide more detail to the committee if you wish, Madam Chair, by tabling some of those documents.

Ms. Stanger: — I'd be interested to know exactly what you're doing in the security end. I have been to the casino and observed it, and I think it would be good for the committee to know some of the procedures that are in place.

Mr. Innes: — Okay.

Ms. Stanger: — Because it's quite an interesting procedure.

Mr. Innes: — I guess there are two key aspects to casino security. One is surveillance, which really is a set of rules that casinos must follow to observe all activity inside a casino: activity that takes place primarily on the gaming floor as well as what's called back of the house, in the count rooms where money is counted and handled. There is a very elaborate and sophisticated system of video observation. The surveillance units which are part of the casino operation must record all gaming activity, all activity in the count rooms, and retain the video tapes for a period of seven days in order to deal with . . . (inaudible) . . . should any incidents have to be called up on. So there's a very elaborate set of conditions that must be followed there.

With respect to security, Liquor and Gaming Authority requires a very detailed review of all employees who work in the casinos. And they in fact receive a registration as a Gaming employee as a result of this review if they pass the rigorous criminal record test, personal integrity test, and a number of other regulatory reviews. So there's a very rigorous process which prospective staff in the casinos must go through before they're in fact certified to be employed as casino people.

So there's just a couple of examples I guess, Madam Chair, of the nature of both the surveillance and the security requirements that casinos must follow.

Ms. Stanger: — Well, it's good to hear because this is a very sophisticated clientele that comes into casinos and . . . Do you get international information on people that are scamming casinos from say across North America? Because there are

some folks that have figured out how to scam a slot machine and these folks go all over North America. And I just wondered in that area if you get international information from casinos in other parts of North America?

Mr. Innes: — Yes we do. We're members of a criminal-intelligence-sharing network and we do share this information with other jurisdictions so we have access to it.

Ms. Stanger: — Well that gives me some comfort. You'd hate to have people ripping off the casino for hundreds of thousands of dollars.

I guess that's about it. It looks to me like you've taken the recommendations of the auditor and have secured the internal controls. So I guess that's all my questions.

Mr. Innes: — Thank you.

The Chair: — Thank you.

Mr. Hillson: — Thank you, Madam Chair. About a month ago we had a report indicating that gambling in Saskatchewan was the highest per capita and I understand you do not concur with the report. I wonder if you would just discuss that for us for a moment, please, and tell us why you believe that to be inaccurate.

Mr. Innes: — Yes, I'd be happy to. Thanks for the opportunity, Madam Chair. Your report, I believe the member is referring to, was produced by the Canada West Foundation which is a research agency based in Calgary.

When the report was released about a month ago, a quick read of the data that was used revealed that the authors had incorrectly used one of the key gaming activity databases incorrectly. And that resulted in an overestimate of gaming activity in Saskatchewan to the tune of 80 or \$90 million.

Specifically what they had done was report lottery 649 ticket revenue on a gross sales basis as opposed to a net. And all the data in their report is based on the net sales or the net revenue.

So that overestimated Saskatchewan's gaming activity to the point where they concluded that Saskatchewan was number one. That resulted in a significant reduction. I don't have the numbers right in front of me but we are very close now to Manitoba's. Alberta is in first place as a result of that correction.

The authors did recognize their error and they did publish an erratum which was sent to all recipients of the original report.

Mr. Hillson: — So where do we line up then, Mr. Innes?

Mr. Innes: — I'm sorry, Madam Chair, I don't have the data available. I did have it, and I could try and recall it off the top of my head, but I'm not sure if it would be accurate. The number is around \$235 . . .

Mr. Hillson: — No, no. But where do we stack up as against other provinces?

Mr. Innes: — We are second.

Mr. Hillson: — Second.

Mr. Innes: — Second next to Alberta. The report had portrayed us as first.

Mr. Hillson: — First. So instead of being first, we're second.

Mr. Innes: — Yes. And we're very close to number three, which is Manitoba.

Mr. Hillson: — Manitoba. Okay, thanks.

So the incidence of gambling per capita is still . . . on the corrected data, we're the second highest in the country.

Mr. Innes: — That's correct. According to this study, yes.

Mr. Hillson: — And do you concur in that? Do you believe that to be accurate?

Mr. Innes: — I believe the methodology is accurate that they've used, yes. I should add, Madam Chair, that the study also pointed out that Saskatchewan's contributions to problem gaming were significantly higher on a per capita basis than most other jurisdictions as well that have been studied.

Mr. Hillson: — But we do do more gaming in this province than many other provinces which have significantly higher incomes than ourselves?

Mr. Innes: — According to this study, yes.

Mr. Hillson: — Now Alberta has done two comprehensive studies on gambling since the expansion of the industry, and I believe we have yet to do one. Do you know if there are any plans for a comprehensive study on gambling and the problems associated with gambling as a result of the expansion of the industry in this decade?

Mr. Innes: — Madam Chair, as I mentioned earlier, a study was done in Saskatchewan of the socio-economic impact of gaming back in 1994.

Mr. Hillson: — Did you say you discount?

Mr. Innes: — Pardon me?

Mr. Hillson: — Did you say is flawed?

Mr. Innes: — Flawed in the sense that the measuring device is not deemed to be reliable.

At the same time, there is definitely an interest in proceeding with a second assessment of problem gambling activity as well as other socio-economic impacts of gaming. As I mentioned the Department of Health is working with other Health departments across Canada to refine that measuring device. Neither they nor any other province feels comfortable with doing a second measurement until they're comfortable that the device in fact will give them an accurate reading.

Health does have the lead for that, and they're working very, very hard with the other provinces. They have contracted the Canadian Substance Abuse Commission to in fact develop and refine the measuring device. They plan to do some field tests later this year or early in 1999 with a view of being able to be in a position to conduct a full impact assessment shortly thereafter.

Mr. Hillson: — Now of course, Mr. Innes, you point out quite correctly that addictions and addiction studies and counselling come out of our Health budget department; it's Sask Health that has responsibility there.

Tell me, in your view, would it be appropriate for addictions and addictions treatment to be part of the responsibility of Liquor and Gaming as opposed to coming out of the Health budget?

Mr. Innes: — I'll make a couple of comments. Government has decided that a problem in gambling response programming is a more logical fit with the Department of Health and some of the other programs it offers in the addictions field, for example, than Liquor and Gaming.

So a decision was made at the outset of gaming expansion that Health would have the delivery responsibility for that kind of programming. I think that is an appropriate decision. We do not have the expertise in Liquor and Gaming to launch that kind of activity. We would have to find it and it would likely be more expensive because we would be duplicating some existing resources in the health field were we to do that.

With respect to the issue of funding of problem gaming, government has taken the position that all net revenues from gaming, provincial net revenues from gaming, flow to the Consolidated Fund to the GRF (General Revenue Fund) and there, through the Treasury Board and budget allocation process, find their way into government programming such as problem gambling funding and the full range of government funding.

And that is the situation that is in place today.

Mr. Hillson: — You mention that while we are not increasing the total number of VLTs, we are moving them around.

Mr. Innes: — Yes.

Mr. Hillson: — Have any Legion branches been considered in this? I understand that there are just a few Legion branches that are open on a daily basis and some of them have applied to receive VLTs and there are none at present, is that correct?

Mr. Innes: — Incorrect, Madam Chair. In fact, we have launched a pilot program with the Legion group. We initiated it last year. And it's basically a two-year pilot program that will include them in the VLT program. They need to meet a certain revenue hurdle over that two-year period to determine whether or not they'll remain in the system. They are very pleased to be included in that way in the program.

Mr. Hillson: — So how many branches do have VLTs?

Mr. Innes: — I believe there are 11 currently. We made room

for as many as wanted to participate and ultimately 11 decided they wanted to be in.

Mr. Hillson: — Thank you. Now the Mr. Canada bus tour promotion that was terminated, are you able to say what the total cost of that was?

Mr. Innes: — That was a contract between the Saskatchewan Gaming Corporation and Mr. Canada. Liquor and Gaming didn't have any aspect to it . . .

Mr. Hillson: — Okay, so that would be under the . . .

Mr. Innes: — Correct. Yes.

Mr. Hillson: — That we're having later today.

Mr. Innes: — Right.

Mr. Hillson: — Thank you. Okay. And this summer, you've already alluded of course to the fact bingo, charity bingos have seen their revenues drop as a result of other forms of gaming expanding. And then there was the announcement this summer of a televised satellite bingo. Can you tell us where that is at now, Mr. Innes?

Mr. Innes: — Yes, Madam Chair, that is the link-jackpot bingo game that I referred to earlier in my remarks. And our plans are to launch that midwinter. It would be a single 15-minute bingo game that would be included in the regular program of all bingo halls throughout the province — played simultaneously with a linked jackpot that players would play for as part of the regular three-hour bingo game in any community in Saskatchewan. So a bingo player anywhere, basically, in a currently licenced bingo hall will be able to participate in that game.

It will have a larger prize than is offered in the individual halls and produce, we believe, significantly more revenues for the charities participating.

Mr. Hillson: — And what will be the revenue split from the new satellite bingos?

Mr. Innes: — All the net profits will be allocated to the charities. Only the operating costs of the program will be retained to cover expenses.

Mr. Hillson: — So the Authority itself will not be generating revenue from this?

Mr. Innes: — Correct.

Mr. Hillson: — And has the contract been let to operate the satellite bingos?

Mr. Innes: — Yes it has.

Mr. Hillson: — And who was awarded that contract?

Mr. Innes: — Wascana Gaming Corporation has been contracted as a result of an RFP (request for proposal) conducted by Western Canada Lottery Corporation on our behalf, as our agent, to provide the software and develop the

program.

Western Canada Lottery Corporation itself will be the agent who will deliver the program. They will use software provided by Wascana Gaming to operate the bingo program.

Mr. Hillson: — So you say the software comes from Wascana Gaming but the operation will be from the Authority?

Mr. Innes: — From Western Canada Lottery Corporation who acts as an agent on our behalf. Western Canada Lottery Corporation also operates the VLT program on our behalf and we've been very pleased with both the cost and the high level of service they provided us. So it's a natural extension of that service.

Mr. Hillson: — Okay, thank you, Madam Chair. Thank you, Mr. Innes.

The Chair: — Thank you.

Mr. Koenker: — Yes. I was recently contacted by a fellow in my constituency regarding the problem of minors who are misrepresenting themselves in order to secure alcohol in the hotel. And this is obviously a problem of false ID (identification) and the nub of that problem seems to be the use of driver's licences photo ID to secure alcohol under false pretenses.

And yet there is a side to the case that was presented to me by the hotel that suggests the Liquor and Gaming Authority may have a problem that it isn't dealing with realistically — might I be so bold as to suggest — in that given the problems of false IDs, your efforts with the police might be punitive to the hotel industry.

And I'm wondering if you could comment on this constellation of problems.

Mr. Innes: — Thank you, Madam Chair. I'm glad you raised this. It is a problem. And we are currently working with both SGI and the hotels' association to identify some effective ways of dealing with it.

You are correct. Driver's licences are a very common form of false identification that under our current system have been used by some minors to gain access to bars illegally. We are looking ideally with SGI at establishing a much more secure form of driver's licence. That is seen as the ideal solution here. A single form of ID that's available for all kinds of purposes that is basically secure in terms of the kind of information it contains and the inability to alter that information.

As a backup we are also studying the option of a separate bar card for the 19-to 25-year age group that has been used in the past in Saskatchewan and by some other jurisdictions currently. We don't favour that one simply because it's another level of government regulation, another cost to the individual, and ideally would be replaced by a more effective driver's licence system.

In the interim we are also moving to tighten up some of the requirements regarding requests for ID at bar entrances. This

also occurs in liquor stores. We've had some incidences in our own liquor stores as well. We will be moving to three forms of identification in liquor stores. We're currently consulting the hotels' association on their views with respect to that.

SGI has issued instructions to its private issuers, as well as its own issuers, to tighten up on applications — particularly from young people — for replacements to driver's licences, and they have stemmed the flow to some degree of this. But I recognize it's a problem.

Some of the hoteliers correctly will point out that the laws and courts and fines will tend to put a heavier punishment on the bar operator, who may be a victim in this case of accepting an ID that he cannot tell is false, versus the fines that are applied to the individual who presents the false ID. That of course is illegal and chargeable. But the fines tend to be heavier on the bar operator.

We are pursuing that with Justice and with the individual police services to see if there's some balance that can be obtained there too. So I would agree it's an issue, and we are pursuing it rigorously at this point.

Mr. Koenker: — And I think the hotels — to play the devil's advocate — would say that you are pursuing it vigorous . . . also pursuing vigorously the special projects? Bar checks? And at the very time in which you have a constellation of problems that you just identified. So you really put them at an unfair advantage because the penalties really accrue to them heavier than they do to the person who is misrepresenting themselves.

In other words, the particular hotel that I'm referring to, and it's not the only one that's been involved in such an instance, doesn't face simply a fine, but they also face hearings in front of the Liquor Board. In this instance, a two-day hearing which requires legal representation, which is very costly to them. And they also face the prospect of suspension of their licence, which is exceedingly costly to them, exceedingly costly. Not to mention the cost to their employees when they don't work on the weekend and they lose the employment that's generated from that.

So I think this is a problem that falls on the shoulder of public policy, and I'm not saying it falls simply on your shoulders as Liquor and Gaming Commission because without the assistance of other branches of government, mainly SGI (Saskatchewan Government Insurance), I don't know that there is a solution. I agree with you that the separate bar card is a less preferable option.

But I guess I would urge two things here by way of public comment given this Public Accounts Committee. One, that you re-visit some of the sting operations that you are presently initiating with the police forces in light of the circumstances that hotels are put in.

I'll add here that I think . . . I fully support sting operations. I think it's very important. But given the present constellation of problems that we have in terms of the actual enforcement of this and the particular hotel that I'm referring to has video cameras installed and has shown the police that they have checked the ID. They've got it on record. Counts for nothing. They're still

charged with an offence. So I'd ask that you re-visit your relationship to enforcement.

And secondly, and even more importantly, plead with you to speed up interaction with SGI with a view to what you refer to as the ideal solution, namely a much more secure driver's licence.

And thirdly, I would say follow through vigorously with Justice to seek revision of the penalties such that a heavier burden of punishment is inflicted on those who are perpetrating the offence in terms of misrepresenting themselves with false ID.

Mr. Innes: — Thank you, Madam Chair. Just a couple of points on the last comment. We certainly are pursuing this aggressively with SGI and our minister, our new minister has asked us to do so as well. So that's very much in the forefront.

With respect to the points you raise, I believe they are valid to some significant degree. Nevertheless the laws as they currently read do restrict access to minors in our liquor licence premises. And bar operators are responsible for ensuring that does not happen.

We have had instances recently where we have found large numbers of minors in some bars. This is a very small percentage of our operators. By far the vast majority adhere to the rules and are not in the business of trying to bend them or do illegal acts. Nevertheless a very small percentage will persist in this. They know what they're doing and they're doing it for profit.

And we need to continue those investigations and, as you call them, sting operations targeted at those sites. Otherwise we will be basically condoning the practice amongst the few and perhaps punishing the majority. We will still of course, again working with our partners in the hotel sector and SGI and Justice, move towards strengthening the ID system and hopefully bringing about a better balance in the punishment.

I should just add as well that another potential opportunity here, our regulations have been changed to allow not just suspensions against liquor permits, but fines in certain cases for situations like this or other problems with regulation. So a fine may not punish, for example, the workers in the bar. The bar may continue to operate but pay a financial penalty as opposed to close. That's another option that we would have available to us.

Mr. Koenker: — And that's what I'm encouraging is some judicial scrutiny on your part in terms of the penalties that accrue to the establishment given the circumstances. I think the interpretation is really important because I have seen documentation from the Liquor and Gaming Authority that points to police enforcement as solving problems for the hoteliers. And I don't doubt that that's the case.

But it neglects to mention that it also . . . the same document neglects to mention the huge problems that it causes for hoteliers too if there isn't some reasonable discretion applied to the facts of the circumstance in terms of \$19,000 worth of video cameras being installed in a particular establishment, the team of bouncers or checkers that they have at the door, the training that those people have, and so forth.

So I just plead for resolute action on all of these fronts on behalf of the Saskatchewan public.

Mr. Innes: — Thank you.

Mr. Shillington: — A couple of comments and then a couple of questions.

I note the thrust of the auditor's comments were multifold. But perhaps the core of them was a need for fairly rigorous auditing. And I also note that your response by and large was that you've complied with that. It seems to me to be highly desirable. Gambling seems to me to be one of those vales of human activities which brings out the absolute worst in people. I think if there's an area where we don't want to trust people's good intentions and integrity, it may well be with respect to gambling. and so your ability to comply with the auditing is of comfort.

I was pleased to see — very pleasantly surprised and pleased to see — what appears to be quite a good relationship with SIGA. Someone who is a minister during a period of time when to characterize our relationship as stormy might be understating it considerably, I'm pleased to see you have apparently worked out quite a good relationship with SIGA which is a fair accomplishment for which I congratulate you and your staff.

Perhaps you can just describe briefly what is the division of responsibility between SIGA and the Liquor and Gaming Authority.

Mr. Innes: — Sure. Well thank you very much for your comments, Madam Chair. The Saskatchewan Indian Gaming Authority has been established as a recognized charity for purposes of operating the table side of the four First Nation casinos. So it is set up as a body, a corporate body, responsible to the First Nation, FSIN, Federation of Saskatchewan Indian Nations, for the sole purpose of operating the casinos on the table side as a charity.

Saskatchewan Liquor and Gaming Authority does two things with respect to operation of the casinos. It oversees and regulates the gaming activity of the tables much as we do with any other form of charity gaming; and secondly, because the Criminal Code of Canada as you know stipulates that only governments can conduct and manage electronic gaming, SLGA (Saskatchewan Liquor and Gaming Authority) in fact operates the slot machines in the four First Nation casinos much as we do operate the VLTs in the hotels and bars.

SIGA does provide support in us carrying out that function but the primary conduct and management rests with the Crown through SLGA and our agent, Western Canada Lottery Corporation.

Our operating relationship as you say is very positive and I credit First Nation political leaders for this primarily, in breaking away from their fixed position that in fact they had jurisdiction over the gaming field and that the White Bear initiative should prevail. And I believe that they should be credited with recognizing that the Gaming Agreement forged with the province back in 1995 was a way to open the door to significant benefits flowing to First Nations people and bands

both in terms of revenue but also, and perhaps more importantly, jobs for First Nations people and secondary economic opportunities for First Nation businesses and suppliers to the casino operation.

So I think in those respects it's been very successful, and I believe because of that attitude taken by First Nation leaders.

Mr. Shillington: — I think that's a very apt comment — that much of this is a credit to the maturity of the leadership in the Indian community and the Metis community — I think that's very true.

My last comment, Madam Chair, is in the nature of a suggestion. In recent years the courts have begun to hold bar owners, dispensers of alcohol, legally responsible where they serve a person who is obviously inebriated who then injures himself or others. The courts have begun to hold the bar owner responsible where they served alcohol to someone who's visibly impaired. Granted, I guess, that a person who is inebriated is an obvious problem and a person who's overspending in a casino perhaps is a less obvious problem.

Given that, I wonder if the Liquor and Gaming Authority has considered encouraging, and perhaps even requiring, operators of casinos to be much more proactive in discouraging problem gamblers from aggravating their problems by continuing to gamble — as the courts have done with bar owners? I wonder if the Gaming Authority has given any thought to that?

Mr. Innes: — Thank you, Madam Chair. I welcome the suggestion. I can report that in fact we have, together with the casinos, initiated two programs designed to do just that.

Casino Regina and the First Nation casinos have gone through staff-training programs that are aimed at the floor gaming staff to basically educate them and train them to spot, perceive problem gambling behaviour, and to take some appropriate steps to intervene and perhaps subtly try and bring the person away from the machine or the table and channel them into an appropriate counselling situation or something of that nature.

Liquor and Gaming is implementing an identical initiative in our VLT site program. It will be mandatory for all VLT site operators to have their staff go through a similar training program with the very same objectives.

Mr. Shillington: — Okay. I'm pleased to hear that, actually. Those are my questions, Madam Chair.

Mr. Thomson: — Just a couple of questions related to SLGA. I was wondering if you could just give me an overview of the economic impact the liquor and gaming industry has on Saskatchewan, including horse racing.

Mr. Innes: — Well I can, Madam Chair, give you some broad revenue numbers. These are direct revenue numbers. We can talk . . .

Mr. Thomson: — I was actually more interested . . . (inaudible) . . . numbers.

Mr. Innes: — Okay. Let's maybe talk about some of the new

Gaming initiatives. The VLT program, the hotels association estimates, has probably saved in the order of 300 rural hotels, associated jobs, tax base in our smaller rural communities. So a very significant economic benefit there.

The First Nation casinos directly employ in excess of 800 people. It generates a net cash inflow to First Nation bands of in excess of \$10 million, which was not there prior to the casinos becoming operational, together with the emergence of a significant number of First Nation operated supply companies involved in the supply of products or materials or services to the casinos. So some very significant benefits there as well.

Casino Regina has again produced a significant number of jobs, many of which are held by First Nation or aboriginal people. Casino Regina did undertake an economic review a couple of years ago which was released — I'm sure you're familiar with that — which does outline in very broad terms the indirect benefits to the Regina economy. Which I believe in terms of tourism value alone, non-gaming tourism revenue amounted for \$17 million annually, a very significant increase in hotel occupancy rates, rejuvenation, of course, — the old historic Union Station building — and the significant positive impact on downtown retailers and restaurants. So in very broad terms, there are some observations that would respond to your question, Madam Chair.

Mr. Thomson: — In terms of one of the criticisms, or fears I guess perhaps is another way of saying it, that was mentioned early into the casino debates was that there would be an increase, an associated increase, in crime around the casinos specifically related to prostitution. Do we have any statistics on what has happened to crime rates?

Mr. Innes: — I can report, Madam Chair, that that issue has been raised in every jurisdiction across Canada where electronic gaming was introduced. Studies by police departments, Departments of Attorneys General, have revealed that there has been virtually no increase in crime associated with either casino gaming or electronic gaming. It simply has not happened.

The City of Regina was concerned, as were other host communities, initially, and a commitment was made by government to offer increased funding to police services in Regina should there be a demonstrable increase in crime. There has been no such request come forward from Regina city police services to my knowledge.

Mr. Thomson: — In terms of the regulation, turning just momentarily to bingo, can you tell me at this point what regulatory requirements there are in terms of age restrictions of people playing bingo?

Mr. Innes: — There are no provincial age restrictions regarding the play of bingo. The current regulations provide for the charities to set that age limit and it varies from 12 to 16, in some cases 18. That is primarily because many of the charities involve youth groups who use their members to act as volunteers in the operation of the games in charity gaming halls.

Mr. Thomson: — I have to . . . if I can just editorialize for a second . . . I have to say that this is an area that has long bothered me. I understand the power of the charities and their

need for revenue and the drive that there is there, but I have to say I would be quite pleased if our government were to harmonize the age restrictions which, as I understand, in casino gaming and electronic gaming is 19. To me bingos have always been a very predatory form of gaming primarily involving lower-income people. And it has concerned me that we build a culture so early in bingo that allows our young people to seem to have access to it. Have we given any further consideration to harmonizing those ages?

Mr. Innes: — Madam Chair, that was looked at a few years ago with a view to bringing the age limits together. There was a significant negative reaction from the charity sector as the member has alluded to, and for the time being no, there are no plans to further that. It's something that we will obviously continue to assess and monitor.

Mr. Thomson: — The other question I have with regard to bingo is could you tell me what changes have been made to better regulate gaming paper — the bingo paper?

Mr. Innes: — Thank you for that question. As part of the initiative to introduce the jackpot link game, we will also be introducing mandatory requirements for automated control of bingo paper as well as automated cash management and reporting systems. Currently bingo is basically a manual game. Paper is sold manually, records are kept manually of the sales, cash handling is done basically on a manual basis. Reports are submitted to the Liquor and Gaming Authority on a monthly basis that summarize sales of paper and cash retained.

This system is not as accountable as the current requirements we have in place for electronic gaming. We will move through these initiatives to basically place the same level of accountability on the management of charity bingo as is present with respect to electronic gaming.

Mr. Thomson: — If I can just offer one final comment, I guess. I want to congratulate Liquor and Gaming Authority for the work they've done in terms of modernizing the hospitality industry in the province. I think that we often forget just how important that is to the overall tourism product that we offer in Saskatchewan and the associated economic benefits of it.

It wasn't that long ago that we were, I think, the brunt of some jokes about the spandex situation — and I think we've come a long way since spandex. I tell you having read even the . . . With some humour I have to say I was reading, I think it was yesterday's *Globe and Mail*, maybe the one before, and they were talking about British Columbia's liquor regulations. And regardless of what people may think of Hooters bar, I was amazed to read that they have regulations which specifically talk about what constitutes a meal — chicken wings for instance. A regulation on chicken wings to me is just unbelievable, that a province would have this — or a regulation on the size and number of television sets.

And I really do think that it speaks to the maturity of Saskatchewan's hospitality industry that it has worked out largely in terms of self-regulation — but also in co-operation with you — a very good, high-quality hospitality product.

And I do want to congratulate both you and Mr. Weber on that.

I think it's just been a very, very positive piece of Saskatchewan that's modernized itself.

Mr. Innes: — Thank you, Madam Chair.

The Chair: — Thank you. I have a couple of questions myself before we go into the recommendations. I didn't know that there was going to be new changes to bingos where there would be, would require that those in charge of the organizations wouldn't be able to do it in the old manual way. Could you just give me — without going into a lot of detail, tell me what's going to happen?

Mr. Innes: — Sure, sure. I should maybe just add that we have consulted fully with the bingo charity sector prior to inducing these changes, and they're very supportive of it and looking forward to it.

Basically it will mean that we will have computerized generated financial reports in bingo halls as opposed to a manual cash handling and management system. Bingo paper will now be accounted for electronically. It will be very difficult to misplace or sell twice or give away free a sheet of bingo paper, because there will be a very transparent and accountable system of keeping track of bingo paper in place in the halls.

It will be user-friendly. This will be very easy for the operators of the bingo game to manage. In fact the current systems are quite . . . they involve an awful lot of time because they're manually based. So we believe that this will give more control and more transparency to both the charity operator and to Liquor and Gaming as an oversight authority.

The Chair: — Does everyone who operates a bingo, will they have to use this system?

Mr. Innes: — Yes.

The Chair: — So what is the cost involved for this?

Mr. Innes: — The cost will be born through the new bingo, linked bingo game. Hardware and software will be required to operate that game. We plan to make the hardware and software adaptable for these two new requirements as well. So basically the costs should be born through that new game system and there should be no extra costs to charities. We're trying to maximize the net profit for charities out of this system as opposed to increase their costs.

The Chair: — So what happens to a bingo in a small town that has recreational bingo every Wednesday night?

Mr. Innes: — That's a separate, a smaller class, that we call a class C bingo, and they can operate up to three nights a week as opposed to daily under a special licence. They may choose to opt into this new system or they may choose to continue on their own for some period of time.

The Chair: — So they do have the option then.

Mr. Innes: — Yes we don't want to impose any unnecessary burden on some of the smaller ones, but they may choose to become involved as well.

The Chair: — But they don't have to if they're just a . . . Okay that was just a concern that I had that aren't . . . the small one.

The program to train employees to deal with problem gamblers. I'm just wondering if the cost for the training is to be picked up by the bar owner, or is it going to be cost-shared in a way that the profits are received with the government or the Gaming Corporation?

Mr. Innes: — In the case of the VLT site program, Liquor and Gaming will bear the cost of that fully. In the case of the casinos, Casino Regina I believe has borne the cost of that and the SIGA casinos are the same.

The Chair: — Okay. I understand that B.C. actually has done a study on social and economic impact of gambling, released about a year or so ago. Am I correct? Or are you aware of this study?

Mr. Innes: — Many jurisdictions have done studies at various points in time of their gaming. Now B.C. at this point or at least at the point of the study did not have any electronic gaming available in the province. So its conclusion would likely be significantly different from a jurisdiction that does have slot or VLT machines.

The Chair: — Okay. And can you tell me the seasonal VLT machines that are put out and that are used, are they considered in the numbers that there are . . . the limited numbers? And I can't remember, I think it's 3,600 is it? Or I don't remember how many . . .

Mr. Innes: — Yes, 3,600. You're correct, Madam Chair.

The Chair: — Does that include the seasonal machines?

Mr. Innes: — Yes it does and they're counted on on a part-time basis. For example we would have some machines at summer seasonal sites that might have a four-month season, so that would count as . . . Each machine would count as one-third of a machine because they're only in play for a third of the year.

The Chair: — And the study done in 1994 on gambling wasn't considered valid. Can you give me an idea of what the cost was for that study?

Mr. Innes: — I could submit that to the committee. I don't think we have the number in our briefing notes here.

The Chair: — Okay and I just have one other question. The VLTs — what my colleague talked about, the trends and studies and the demographics — is there been anything done to show what ages of people are using the machines more?

Mr. Innes: — There have been some studies done on demographics. And the most typical player would tend to be a male in the 25- to 34-year age group.

The Chair: — Is that study available, or the work that you've done on demographics, is that available?

Mr. Innes: — Again some of this early work is likely not truly reflective of our current situation, and the committee may wish

to wait and review the results of the new prevalent study that Health is planning to do next year.

The Chair: — The study that you have right now, then you don't want to release that one?

Mr. Innes: — That study was released, and I can certainly provide a copy of that to the committee. Certainly.

The Chair: — I would appreciate that. Thank you very much.

Mr. Thomson: — Listening to your questions reminded me of one other question I wanted to ask, and that was concerning the regulatory framework that would need to be in place in order to privatize Casino Regina.

From what I understand from what you were saying with SIGA, only SLGA and the province of Saskatchewan can operate electronic gaming devices, i.e., slot machines. Is that correct?

Mr. Innes: — Yes, this stems from the Criminal Code of Canada which says only governments can operate slot machines.

Mr. Thomson: — So in order then to privatize the casino, the province would still retain the slot machines. Is that right? We'd still have to operate the slot machines?

Mr. Innes: — The province still would be required to retain conduct and management of the slot machines. In other words, the Crown would be required to set the odds on the games and ensure the financial reports are accurate and those kinds of things.

Ontario, the Government of Ontario does operate its three major casinos, Casino Windsor, Niagara, and Rama through private companies. But the private companies are contracted with government to provide administration and management of the casinos. Government still, in Ontario, must retain conduct and management over the operation of the electronic gaming devices. Don't have to own them, but they must retain that conduct and management under the Criminal Code of Canada.

Mr. Thomson: — I see. Okay. So that we could not in fact truly privatize the casinos. We could privatize the management of them.

Mr. Innes: — And the assets.

Mr. Thomson: — And the assets, okay.

Mr. Innes: — But not the actual . . . the ultimate operation must remain with the Crown.

Mr. Thomson: — Okay, thank you.

The Chair: — Any further questions by members? Okay, we'll go on to the recommendations.

I believe the first one is .12. Can we do them together? Concur and note . . .

Mr. Shillington: — Concur and compliance I think. And I

think .14 is also of the same ilk, is it not?

The Chair: — .12, .13, and .14, is that concur and compliance? Agreed?

Thank you very much to the officials. Appreciate your attendance and your co-operation this morning and we look forward to seeing you again.

Okay, once the officials leave, the members, the Provincial Auditor would like to speak to us for a moment.

Mr. Strelieff: — Madam Chair, members, this has to do with SaskPower and my fall report which is coming out next Wednesday. Now as you know, the Crown Corporations Committee is going to meet on Monday and Tuesday to discuss SaskPower for its year ended December 31, 1997.

And my fall report comes out on Wednesday, the day after. And that fall report also includes a chapter on the results of our audit for SaskPower for the year ended December 31, 1997.

So given . . . when I found out that the Crown Corporations Committee was meeting on the Monday and Tuesday, I decided to provide that committee a report containing our chapter on SaskPower. I discussed the distribution of that chapter on Monday with the Chair of that committee. And earlier today it was provided to the members of the Crown Corporations Committee to help them in their deliberations on Monday and Tuesday.

Also next Wednesday when we table our report, that report still is in the fall report, and as you know gets referred to this committee.

Mr. Shillington: — It wouldn't be till January. Presumably we'll be dealing with it then.

Mr. Strelieff: — Okay. I just wanted to make sure that you knew that. The copies of the report have been reported to the members of that committee and are also available in the Clerk's office, and I have a few extra copies here today, or you could obtain copies directly from the Clerk or from my office. So I just wanted to make sure you knew that.

Ms. Stanger: — You didn't want us to feel left out.

Mr. Strelieff: — I wanted to make sure you were informed.

Ms. Stanger: — Thank you.

The Chair: — Thank you. I believe that we can adjourn until 1:30. And because the 2:30 to 3 o'clock, SaskEnergy and Mines has actually been completed, we may have a little bit more time to deal with Sask Gaming Corporation. It's usually a little difficult to get people to move ahead.

Mr. Shillington: — I was going to raise the same thing. I don't think it would be untoward to ask the other officials to come at 2:30.

The Chair: — Well my only question is I would hate to get them to come ahead like I did yesterday and then find out that

we used the time up.

Mr. Shillington: — Well I'm less . . . I think it's very charitable of you but I'm a little less . . .

The Chair: — You're less charitable?

Mr. Shillington: — Yes. This is a legislative committee. I don't think it's the end of the world if the officials have to wait a few minutes. I mean I believe in being solicitous of their time, but this is a legislative committee and I don't think we should . . .

The Chair: — Okay. All right.

Mr. Gantefer: — I don't see the Gaming Corporation taking more than that hour. That might be generous.

The Chair: — All right. Very well, we'll contact them and see if it's possible. And we'll see you at 1:30.

The committee recessed for a period of time.

Public Hearing: Saskatchewan Gaming Corporation

The Chair: — Good afternoon, everyone. It's wonderful to hear the happiness in the air and everyone agreeable. Should be a really great session.

To get started this afternoon, I'm going ask Mr. Staseson to introduce the officials with him.

Mr. Staseson: — Thank you, Madam Chair. Of course my name's Gord Staseson. I'm president of Casino Regina. And with me is my vice-president of corporate affairs and strategic planning, Kathie Maher-Wolbaum; and to my left the vice-president of finance and administration, Twyla Meredith.

And we're here to answer any questions that you may present to us.

The Chair: — Good afternoon and welcome. Our Provincial Auditor, you have . . .

Mr. Strelieff: — Sure, Madam Chair, members. Mobashar Ahmad is with me again. He continues to lead our audits of the gaming area; and also Tara Kucher, an articling student with our office for the last two or three years, Tara Kucher.

The Chair: — Welcome. And I think the Provincial Comptroller has new officials.

Mr. Paton: — Yes, Madam Chair. In addition to Cindy Ogilvie who was with us this morning, we have Jane Borland joining us. She's a manager in our office.

The Chair: — And welcome to everyone. I'm sure that this afternoon will be very learned for all of us.

Before we go ahead with the agenda, I will read the witnesses statement to you and then we will ask the Provincial Auditor to give us his report and then you can have any comments that you'd like to make.

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

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

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

A witness must answer all questions put forth by the committee. And 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 the document and record it as tabled. And please address all your comments through the Chair.

And so I'll ask the Provincial Auditor to do the overview.

Mr. Strelloff: — Thank you. I'm going to turn it over to Bashar to comment again.

Mr. Ahmad: — Thank you, Wayne. Good afternoon, Madam Chair, and members of the committee.

I am pleased to provide an overview of chapter 13 of our *1997 Fall Report Volume 2*. In this chapter we report our audit findings and conclusions for Saskatchewan Gaming Corporation for the year ended March 31, 1997.

In paragraphs .01 to .03 we provide background information about the corporation and our opinions. In our opinion the corporation's financial statements are reliable. The corporation complied with authorities governing its activities, and the corporation had adequate rules and procedures to safeguard and control its assets, except for the matters reported in this chapter.

In paragraphs .04 to .07 we report management should continue to improve its internal reports.

Madam Chair, the board of directors has defined and documented its information needs. However, for '96-97 management did not provide all required information to the board.

I am pleased to inform you the management is now providing all required reports and information to the board on a regular basis.

In paragraphs .08 to .14 we report the corporation needs to ensure it receives all the money due from Silver Sage Casino.

The corporation has rules and procedures to ensure slot machines revenue is complete. It uses a computer system to do this. The corporation uses these rules and procedures for slot machines at Casino Regina, however management did not establish rules and procedures to ensure there was no

unauthorized access to the slot machines or the systems at Silver Sage Casino. Therefore the corporation did not know if it received all the money due from Silver Sage Casino.

Since November 23, 1997 all slot machines at Silver Sage Casino have been returned to Casino Regina.

This concludes my review of the chapter. Thank you.

Mr. Strelloff: — Thank you, Bashar. Just in general, since the corporation has formed, our office has watched this corporation quite carefully. They have strengthened and done a good job right from the beginning to now in terms of strengthening their management practices. And I've also asked Fred Wendel, the assistant provincial auditor to watch carefully over this — both this and the VLT system — to make sure that the gaming part of what the government does is well managed and they have been, in my view, quite surprising, Madam Chair.

The Chair: — Thank you very much. I'll give you an opportunity to respond, to make any comments you'd like.

Mr. Staseson: — Madam Chair, and members of the committee, with those good comments, I really don't think we have much to add. Certainly the original audit findings were at a time when we were at the start-up stage of the corporation and we've responded to the request of firstly, our finance and audit committee, and then through to our board. And we believe that we've implemented everything that's necessary and we think we're reporting in a thorough and proper manner right now.

With respect to the second part, the other concern which had to do with the Silver Sage agreement, that was a difficult period for us. There was misunderstanding from the get-go with respect to the relationship between Regina Exhibition Association and the Saskatchewan Gaming Corporation and we went through a period, as reported by the auditor, where it was difficult for us to determine accurately just what was happening over there. But as time went on I think that we confirmed to the auditor that we did put proper systems in place whereby we could monitor. And of course most of that is somewhat history now because Silver Sage shut down on November 22 a year ago and the machines are now relocated to Casino Regina.

The Chair: — Thank you very much. I have three on the speaking order right now starting with Mr. Gantefer.

Mr. Gantefer: — Thank you very much, Madam Chair, and good afternoon, Mr. Staseson and officials. I would like to begin by asking you if you have any statistics in terms of how many of your clients or customers that come to the casino would be out of province as compared to domestic customers. Do you have any statistics or any sense of what that ratio is or what that might be?

Mr. Staseson: — We do have those statistics.

Ms. Maher-Wolbaum: — Probably the most recent information that we have that's specific to the breakdown of visitations comes from the economic impact study that was conducted by Saskatchewan Tourism for the year 1996, which was our first year of operation.

And the information there indicates that about 30 per cent of our out of province visitors come from western Canada, which would be Manitoba and Alberta and some from British Columbia. We also have about another 5 per cent which comes from other Canadian jurisdictions.

So altogether I think that you're probably looking at, in that first year of operation, I believe the total was 1.4 million of our guest visits that came from out of province. That was, I guess, roughly about 45 per cent of our overall visits.

Mr. Gantefer: — About 45 per cent of your overall visits were out of province.

Ms. Maher-Wolbaum: — From out of province, yes.

Mr. Gantefer: — Okay.

Ms. Maher-Wolbaum: — During the 1996 year.

Mr. Gantefer: — '96 year.

Ms. Maher-Wolbaum: — Yes.

Mr. Gantefer: — At that time you were also operating or had a relationship with Mr. Canada Tours. Is that correct? And that, I believe, is now discontinued. Would that potentially be swinging this percentage at all? Or would you have a sense that as many as 35 per cent of your clients are coming from out of province currently?

Mr. Staseson: — I think that in answer to that question, the numbers remain similar. We did have an exclusive bus tour contract in place at the outset and that lasted for about 18 months. But we've since adopted an open bus tour policy. And although the number of guests have been reduced, I think the representation of proportions are similar. I can't give you that exact number but I could if you want it later.

Mr. Gantefer: — No, thank you. I appreciate your sense of it. That is close enough.

In marketing the casino, are you ... Like what is your marketing strategy in terms of, again, domestic or out of province? Where do you market the casino into, for example? I have family in Calgary and I recall being there one time where I noticed an advertisement in the Calgary paper. So I'm interested in what your marketing strategy might be.

Mr. Staseson: — Well at the outset our marketing strategy was in co-operation with our exclusive tour operator. The advertising was done by them on our behalf. We don't do any direct advertising out of province.

Mr. Gantefer: — So any of the advertising is done by tour operators or things of that nature who package an experience in Regina which may include tour facilities.

Mr. Staseson: — That is correct. There are a number of tour operators now that do various forms of advertising in their own respective provinces, but that's at their own initiative.

Mr. Gantefer: — One of the discussions that occurred this

morning when we talked to Liquor and Gaming in general was the issue of people that have problems with gambling. And I would ask you if you could comment on what the policy is in your establishment in terms of people that would seem or become apparent that have a gambling problem.

Mr. Staseson: — Yes. I'm going to direct that question to be answered by our vice-president of corporate affairs — Kathie.

Ms. Maher-Wolbaum: — Generally speaking, the corporation is very cognizant of the social responsibility element of our operations. We work very closely with a number of community groups including the Regina Committee on Problem Gambling, to mitigate I guess, if you like, some of the worst impacts that can be demonstrated by overindulgence or irresponsible gaming practices.

In terms of our corporate policy there are four components that we have developed at Casino Regina that speak to that. The first one has to do with an awareness program that we provide for our staff. It's really an educational seminar workshop that's provided on an ongoing basis. Every employee who has a position on the gaming floor of the casino is required to participate in one of those workshops.

Initially the workshops were conducted actually by a facilitator from the Canadian Foundation on Compulsive Gambling. They were four hours in duration and really talked about what people may find in terms of their workplace environment, and the signs and symptoms that can be associated with problem gambling behaviour so that staff would be very much aware and at least sensitized to some of the circumstances that they may encounter.

The second component of our program has to do with the educational material that we provide to our clients. We have done a number of ... put together a number of pieces of literature since our opening, some of which actually have received quite complimentary reviews by not only our clients but other folks who are involved in the field of problem gambling and have recognized the initiative that's taken place there. And we have some of those available if committee members would like to have access to them or be provided with them.

The third component is our voluntary admission ban program. Now the voluntary admission ban I guess is not something that's dissimilar across Canadian jurisdictions and casinos. But it does provide an opportunity for clients who demonstrate some signs, symptoms, or at least the potential for problem gambling difficulties, to really take a first step, if you like, in terms of addressing any issues of controlling gambling behaviour. And we do provide that in our casino. If somebody has requested that a voluntary admission ban be implemented with respect to their visitations to the casino, we will certainly honour that. And if they are found on the premises or noted entering the premises, they will be asked to leave.

The fourth component I guess of the initiatives that we have introduced flow partially from our relationship or our co-operative relationship, I might say, with the Department of Health. And that has to do with our customer assistance program which you may or may not be familiar with, but

certainly has been on the, I guess, cutting edge in not only Canadian jurisdictions but in, in fact North American jurisdictions on problem gambling. The customer assistance flows from what we call our gaming control officers who are essentially the surveillance officers but have responsibilities on the floor of the casino as well.

In our particular circumstance we're certainly fortunate to have a lot of gaming control officers who have crisis intervention experience as well as a very solid policing background. These individuals have received special training and special seminars in the issues associated with problem gambling. So they're not unfamiliar with that environment to start with. And they will in circumstances where there are indications that gambling behaviour has increased in intensity or in terms of the extent of the gambling behaviour, or whatever the symptom may be, if there's an identified symptom of the problem there will be an intervention on the floor.

As I'm sure you can appreciate, this is a very sensitive area for clients and one that requires a great deal of sensitivity, and a balance between respecting the privacy and the personal interest of the client as well as what we see as a responsible intervention when circumstances warrant.

So those are basically the four components. And we certainly take it very seriously and I think we've demonstrated through our work with the community groups that we're certainly onside in our efforts to be responsible gaming operators.

Mr. Gantefoer: — Thank you very much. One of the questions I should have asked in terms of the clients is do you have some sense of the demographics of your clients? This morning we heard from the Gaming Commission that the major group of people playing VLTs out in the province are 25- to 35-year-old males. Do you have a sense of the demographics of the clients that come to your casino?

Mr. Staseson: — Well I think we can provide that information at a later date, but to answer your question correctly now — ours is a more senior audience. We find that the average age of our players is maybe 55 years and over. And I should add, you asked the question earlier about marketing. We consider that our marketing program is not aggressive. We're not hard sell and we would like to think that we market in a socially responsible manner.

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

Mr. Hillson: — I'll defer to other members and come back later.

Mr. Thomson: — I must start by saying I'll tell you what kind of fall I've had; I'm tempted to ask if I can simply have my old job back. But I won't make you answer that ... (inaudible interjection) ... Well in that case then maybe I just don't want it back.

My question this morning to the Liquor and Gaming Authority and I'll ask you much the same one, can you perhaps just give the committee a quick overview of some of the economic impact the casino is having on Regina, particularly in terms of

jobs and tours.

Mr. Staseson: — Well of course at the outset, through the Chair, we create immediately 500 positions within the casino and another 600 for a total of about 1,100 people that are either directly employed or benefit from Casino Regina.

And I guess the thing that I'm most proud of is that those that are directly employed by us, half of them are Aboriginal. And without colouring the background too much, I was the chairman of Regina Economic Development Authority for six years prior to coming to Casino Regina, and I struggled with my colleagues to try and create a better presence and opportunity for Aboriginal people to obtain meaningful employment. And I think Casino Regina is a very tangible evidence of that.

With respect to what we think we do to help the local community, I think our strongest supporters are the downtown association, Regina's Market Square and the chamber of commerce, and REDA (regional economic development authority), R-E-D-A, regional REDA. And we have evidence from testimonials that have been given to us by retail store operators and at least one hotel manager that have indicated that since Casino Regina had been in existence, there has been a decided upward trend in the local economy.

Mr. Thomson: — I asked the committee this morning as to whether fears that there would be an increase in crime as a result of the casino being downtown ... have they in fact materialized?

Mr. Staseson: — In answer to that question I think within the immediate proximity of the casino it's actually gone the other way. It's because of the intense security and the monitoring within our immediate area that I think that that concern before the casino opened has certainly not resulted and it's been otherwise.

Mr. Thomson: — Okay. I guess just a couple of other quick questions. Is there a minimum age for gambling in the casino?

Mr. Staseson: — Oh, most certainly; 19 years.

Mr. Thomson: — And in terms of the partnership that you have with your profit sharing, both with the associated entities fund and the First Nations fund, can you maybe just outline for the committee how that works and who the primary beneficiaries of those funds have been?

Mr. Staseson: — Twyla do you want to handle that one? It's a finance question.

Ms. Meredith: — Well 100 per cent of our profits are turned directly to the General Revenue Fund. From there 50 per cent go to the First Nations fund, 50 per cent of the remaining go there, and 25 per cent to the associated entities fund. Beneficiaries to the associated entities fund include exhibition associations, Metis, and numerous other local charities. But we do not have any direct control over the distribution of those funds.

Mr. Thomson: — But it's contained ... the use of those funds are contained within your Act. Is that correct?

Mr. Staseson: — We turn the money over to the associated entities fund. How that's distributed is others responsibility.

Mr. Thomson: — Okay. I just want to on that note say thank you.

Mr. Shillington: — Thank you very much. I have a couple of comments and then a couple of questions. First of all I want to say how pleased I am to hear the auditor's comments. I said this morning, and perhaps I'll repeat it, that this is an industry which I think brings out the very worst in people. They will . . . gambling is an area of which seems to inspire people to try to beat the system. And I'm pleased to hear the quality of management and the controls and the audits which are done. I think it's essential.

I think this industry is accepted by the Saskatchewan public but I think it lives on a narrow ledge. And any kind of public revelations of fraud involved I think would . . . might imperil the future of this industry.

I want to make a comment about the involvement of natives and then a question about it. The comment is a very sincere congratulations. This has been a stubborn problem over many years. When Ross Thatcher was in office he had formal quotas which did get native people working in government. We took office in '71. We abolished them and tried a different system and the problem just defied us. So the extent that you've involved natives, I think is a real credit to you. And the question which follows is in no sense a criticism and it takes nothing away from your very real achievement. But I'm wondering to what extent aboriginal people are represented in management, either junior or senior, in the corporation. And again I take nothing away from your very real accomplishment in employing them in a corporation.

Mr. Staseson: — Well in answer to that I stated originally, and I understated the number of people employed. It's over 500 now; it's closer to 550.

We have targeted to have 50 per cent representation at all levels, whether it's on the floor or at senior management. And for the most part I'm able to report that we have. I'm extremely proud of the fact that out of five vice-presidents and the president, that two of them are aboriginal; and I'm also pleased to report that two of them are female.

So that we believe that we are achieving our targets. We're slightly down in what we call middle management, and we're working to bring that up to the 50 per cent level. We have internal competitions which are limited to aboriginal applicants in areas where we don't think we have achieved our targets today.

Mr. Shillington: — Well my heartiest congratulations.

The other question is, when I practised law, for \$75 a year I got a survey done by the Canadian Bar Association of all law offices. It set out the average costs, the average revenue per lawyer, and so on. It was a survey by which we could measure our efficiency, measure our marketing success, and so on.

I assume there's a casino association, the Canadian association

of casinos or something. I wonder if they do a similar survey, if you participate in it, and what the results might be if you do.

Mr. Staseson: — Through the Chair, Madam Chair, yes we are members of all of the casino organizations, some in the United States and of course all of them in Canada. But we conduct our own independent surveys on a regular basis because we're in the entertainment business and the business is always in constant change. So we do a constant monitoring of what we should do to stay current with regulations and games of choice by our customers.

Mr. Shillington: — Okay. That's my questions. Thank you.

Mr. Hillson: — Thank you, Madam Chair. We were told this morning that the number of participants and the number of money in the gaming industry seems to be levelling off. And I wonder what's the experience in visits to Casino Regina? What were the most recent figures, and how does that compare with previous years?

Mr. Staseson: — In our initial year we were able to report that we had 1.4 million visits. And we were certainly the top tourist attraction in the province. In this last year we were closer to a million two. And we directly attribute that to the change in our bus tour operation. We went through about a four- or five-month period until we regenerated, reorganized the tour program.

I don't believe that there will be a dramatic increase in the number of visits over the short period of time in the next couple of years. I think if we can achieve a million four or a million five on an annual basis, that will be what I think is our share of the market. And I say that because I think outside forces are increasing the competition. There are other new casinos that are being built in other provinces that may take away from some of our tourism visits. All in all though I think we're still the top tourist attraction in the province.

Mr. Hillson: — And you estimate about 45 per cent of those visits are from out of province.

Mr. Staseson: — To this point yes.

Mr. Hillson: — And what is the amount spent per visit, on average?

Mr. Staseson: — Do you want to answer that question Twyla? I can but you do it better than I can.

Ms. Meredith: — The latest statistics I have — and this is very current — it's a little bit over \$43, is our average spend per visitor.

Mr. Staseson: — We rank, on the latest . . .

The Chair: — Pardon me, Mr. President.

Mr. Staseson: — Yes, excuse me, through the Chair — the latest report received from the national casino organization is that we rank seventh as far as the scale of net spend at \$41.

Mr. Shillington: — Sorry I couldn't hear your comments. You

ranked seventh in what?

Mr. Staseson: — With respect to the net spend as compared to other casinos in Canada. Montreal is well over \$100 and Windsor is tops. But compared to other casinos of our size in similar market areas we stand up very well.

Mr. Hillson: — You mentioned Mr. Canada Tours, of course that has been terminated. How much did that cost us in the end?

Mr. Staseson: — The program lasted about 18 to 20 months, and over a period of two years . . . And your question is cost — \$3.6 million was the cost but it's . . . there were some benefits received from that 3.6. The tour operator committed to provide a million dollars annually towards advertising the program.

And an earlier question was asked, do we advertise out of the province? No, we didn't. But Mr. Canada Tours did. And we believe that at the outside . . . at the outset that was very important to us because it put us on the map so to speak as the largest casino in western Canada in a manner that we couldn't have done otherwise.

But the answer to your question, we directly spent 3.6, although I think we got a benefit back of maybe around \$2 million over the term of the contract.

Mr. Hillson: — And what about the new arrangements?

Mr. Staseson: — Well the new arrangement is as a direct result of consultation with the hotel industry in Regina. It was their recommendation that we not have an exclusive operator any more, and we complied with that.

In addition, we adjusted our commission arrangements with the bus tour operators and any incentives that we gave to the visitors. It's a completely different program. And as a business person you may realize that we accommodated the business community who understood that we also had to improve the bottom line. And we did that.

Mr. Hillson: — And Mr. Canada, did you say they did the out-of-province advertising for Casino Regina?

Mr. Staseson: — Yes they did.

Mr. Hillson: — Any in-province advertising?

Mr. Staseson: — They did . . . with respect to the bus tour program, they did it all in the province and outside the province.

Mr. Hillson: — Okay. Did that include any direct mail?

Mr. Staseson: — Not that I know of. I think theirs was mostly by newspaper advertising and maybe tour operator direct solicitation. He had a network of independent bus operators who in their own little areas maybe conducted some direct approaches but I don't know how they did that.

Mr. Hillson: — Okay. But direct mail is not part of Casino Regina's advertising program?

Mr. Staseson: — No, no. Our contract with Mr. Canada Tours

was to bring customers to the casino. How and where he got them from was his responsibility.

Mr. Hillson: — And the Silver Sage employees have all been accommodated within Casino Regina, have they, if they wished?

Mr. Staseson: — Yes. That was a long, difficult negotiation. We have . . . I think we've got close to 70 that are now relocated and at the moment we're interviewing another half dozen or so. We have reached a negotiated settlement that I think is fair to all parties.

Mr. Hillson: — But were you able to find placements for everyone who wanted . . .

Mr. Staseson: — Not immediately. We committed to give them preference when openings result because we had to respect our partnership agreement with the Aboriginals and we also had to respect our PSAC (Public Service Alliance of Canada) union contract. So as openings come available, the Silver Sage employees have preference over those off the street.

Mr. Hillson: — Okay. And from time to time we do hear reports of the possibility of the sale of Casino Regina. I take it from the look on your face, Mr. Staseson, that you intend to continue operating it for the foreseeable future.

Mr. Staseson: — Well, I'm somewhat puzzled by your comment because it was only last January 21 that our minister indicated publicly that Casino Regina was not for sale. And certainly I would hope that we wouldn't create some kind of idea that it would be for sale again because it's very, very hard on the morale of our staff. We don't like that to be some kind of an idle rumour that would float around because we've just got our people so that they do feel comfortable and that the casino will be owned by the government for the foreseeable future.

Mr. Hillson: — And as far as you're concerned, that is the situation?

Mr. Staseson: — That's the situation and I happen to agree with it.

Mr. Hillson: — Okay. Thank you, Mr. Staseson. No further questions.

The Chair: — Before we go on to recommendations, I have a couple of questions. Can you tell me how you become a board member?

Mr. Staseson: — How I became a . . .

The Chair: — No, how the board members — are they appointed, are they . . .

Mr. Staseson: — Well, I can tell you how I was appointed a board member because I was a chairman at the outset. I was approached by the minister and asked to be Chair of a six-member board that would be separated from the operation at the casino and would reach into the community for participation. I think it was a ministerial appointment.

The Chair: — Okay.

Mr. Staseson: — Yes, by OC (order in council).

The Chair: — Part of the grounds of the casino is the parking lot. And I'm wondering, can you tell me what the funding is? How much you make from the parking lot?

Mr. Staseson: — I will turn that over to Twyla again. She can give you that information more accurately than I can.

Ms. Meredith: — The latest financial statements we have for the full year would be 1997-98, and net revenue from the parking lot to the casino was \$336,000. At that time it was an arrangement with a contractor. We did not operate the parking lot directly ourselves.

The Chair: — Do you still have the contractor?

Ms. Meredith: — No, that arrangement was . . . it was altered early this current fiscal year where the contractor, I guess, approached that he . . . we re-examine the relationship there so we have entered into running the parking lot directly ourselves.

The Chair: — So now you have more employees yourself, then.

Ms. Meredith: — Yes.

The Chair: — Is part of the job of the parking lot attendants to ensure that there is no children in vehicles?

Mr. Staseson: — Yes, very much so. That's a great concern from the outset of the opening of Casino Regina, and there are tours done regularly by the parking lot attendants to ensure that that doesn't happen.

The Chair: — Okay. I understand that all the profits go into the General Revenue Fund but I'm wondering, is there any monies kept in case at some time there is a — I guess it can't be a deficit — but is there any monies kept for maintenance, the building, or something?

Mr. Staseson: — Again, I'll turn that to Twyla. Yes we do have some kind of replacement fund but it's taken out of general . . . of current revenues, and maybe you can answer that more quickly than I can.

Ms. Meredith: — Yes, there's no direct fund set aside for those kinds of emergencies. It would all be funded from our operating in the current year. So a hundred per cent of our profit is turned over to the General Revenue Fund every year.

The Chair: — I see. And the debt of the casino, is that considered your debt? And I know I should know this if I looked at your statement, but I didn't. And so I'm just wondering if the debt that the casino had or the monies that was spent on it, is that considered a debt to the casino?

Mr. Staseson: — The debt is ours and we're paying it off on an annual basis and still are able to produce increased profits each year.

The Chair: — And the interest rate that's paid on this debt?

Mr. Staseson: — Can you answer that, Twyla?

Ms. Meredith: — Yes, we actually have two loans outstanding. One was a five-year loan for \$12 million for the equipment and that was at seven and half, and three quarter per cent, I believe.

Mr. Staseson: — That was seven and a half.

Ms. Meredith: — There was a 115-year loan for the property, the building, and land. And that was at 9.2 per cent, I believe. It's in that range.

The Chair: — Okay, thank you. And I just have one other question. I noticed, gleefully today, that when the officials came in both for Gaming and for Liquor and Gaming, that this is the first time that's there's been an . . . more or an equal number of women than men.

Mr. Staseson: — We're pretty proud of that fact.

The Chair: — And so that's wonderful. And I also understand that you talked about 50 per cent of the people employed would be native. And you said there was two Aboriginal people that were vice-presidents. Are either of them female?

Mr. Staseson: — Yes. Well we have three females on our board that are vice-presidents, and one of them is Aboriginal.

The Chair: — Thank you.

Mr. Thomson: — Madam Chair, may I follow up on one question?

The Chair: — Yes.

Mr. Thomson: — I'll ask about appointments to the boards. While appointments are order in council appointments, in fact, some of them are nominated by the FSIN, is that correct?

Mr. Staseson: — Yes, and thank you for bringing that to my attention. The board is structured so that half of the representation is from FSIN and those appointments are made by them.

Mr. Thomson: — Thank you.

The Chair: — So the remuneration for these board members, are they paid through Gaming or are they paid through FSIN then, for the . . .

Mr. Staseson: — For the aboriginal members, it would be done . . . the recommendations would be made by FSIN to the minister and then the OC would be done accordingly. Am I correct . . .

The Chair: — Okay, thank you very much. Any further questions? I believe that a number of recommendations are . . . (inaudible)06 — I noticed concur, note compliance.

Mr. Shillington: — Concurrence and compliance.

The Chair: — Agreed. And .13.

Mr. Shillington: — Yes, the same I think.

The Chair: — Concur and note compliance. Okay. Agreed.

Thank you very much for your time. We appreciate the input and dialogue today.

Mr. Staseson: — Thank you for . . .

The Chair: — We have 15 minutes. We do have the other group coming in a half an hour early, so we'll recess for 15 minutes and be ready to start promptly at 2:30.

The committee recessed for a period of time.

Public Hearing: Saskatchewan Transportation Company

The Chair: — To the officials and to the members, we appreciate seeing some new faces here. And we appreciate the fact that you came early today and that probably inconvenienced yourselves. But we do appreciate your effort to get here this afternoon.

We usually start by asking you to introduce the officials and then we'll ask the auditors to make sure you're aware of the people that he's brought with him. And then we will ask the auditor to go through the recommendations and an overview. And then you'll have an opportunity for comments before the members ask questions.

So if you'd introduce your officials.

Mr. Hadfield: — Hi, I'm Jim Hadfield. I'm president and CEO of STC (Saskatchewan Transportation Company). On my left is Shawn Grice, director of finance and controller. On my immediate right is Don Wincherauk, vice-president, corporate services. And next to Don is Tracy Kuhtz, the director of corporate development and the internal auditor.

The Chair: — Thank you very much. And Provincial Auditor, if you'll introduce everyone with you so we're aware of your people.

Mr. Strelieff: — Okay, thank you, Madam Chair. With me are Phil Creaser — he leads our work at STC — and Corrine Rybchuk.

The Chair: — Thank you very much. And now I'll ask you if you can go through the overview of this chapter, chapter 4 on STC.

Mr. Strelieff: — Okay, I'm going to hand that off to Phil.

Mr. Creaser: — Thank you, Madam Chair and members. As we know from Monday's meeting they identified some issues that STC has to face. And in our chapter in the spring of '98 report, we identified two key issues that we felt STC should manage. And these are in the chapter.

One was to identify the current level of passenger service within the subsidy provided by CIC and to remain a profitable

freight service with deregulation of the trucking industry and increased competition.

During the course of this audit we worked with Price Waterhouse, the appointed auditor, and Brian Drayton, the auditor in charge, sends his regrets today.

Our work, we came to agreement on the opinions. One, that the financial statements presented fairly, that they complied with all related authorities and adequate rules and procedures except for a few matters that we will discuss right now.

The recommendations that we made were that they should improve their . . . have a complete and approved formal information security and confidentiality policy; that STC should complete a documented and tested contingency plan; and STC should establish corporate project management system development policies based on an analysis of the lessons learned from the express system project; and STC should establish adequate systems and practices to ensure that all revenue is recorded and billed on a timely basis.

The project management point and the point on the billing services relate to work that we did on, and results of, our audit last year, that STC had put in a new express system for their freight system in 1996, and in 1997 decided that it wasn't working properly. It was creating some errors and it was expensive to run. And these errors were resulting in late billing which in our opinion could result in making collections difficult.

STC then replaced this system with a manual procedures rather than trying to fix it. And our conclusion was that, based on our review of the project management practices, was that it probably wasn't adequately tested before this system was put into production. And we had recommended the establishment of good project management practices as a corporate goal for the corporation and have talked to them about this.

Finally we also had made the recommendations on publishing a list of persons who have received money from them and amounts received following the PAC (Public Accounts Committee) minimum disclosure requirements; we had made that recommendation for STC.

As well in reviewing their annual report, we also made the recommendation that the corporation should show their plan versus actual results. But we also wanted to bring to the committee's attention that they do show a lot of their objectives in quantifiable terms in their annual report and we've got to commend them for the work they did with their annual report this last year. So that's all my comments.

The Chair: — Thank you very much. And before we proceed, I have neglected to read a statement by the Chair for witnesses.

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. And where a member of the committee asks for written information, I ask that 15 copies of that information be submitted to the Clerk who will distribute it as a tabled document. And please address all your comments through the Chair.

So I'd ask Mr. Hadfield if you have any comments you'd like to make before we go to the members.

Mr. Hadfield: — That's all.

Mr. Gantefer: — Thank you, Madam Chair, and good afternoon, Mr. Hadfield and officials.

I would like to touch a couple of areas, a number of areas, I suppose; and the first is how the project on the smaller vehicles is working. I certainly notice them in my community. In fact I picked my mother off of one the other day when she came to visit and she was less impressed with that than the big bus, but I explained the realities of how much she paid to get from Watson to Melfort and it settled her down. So you can thank me for that.

Anyway I'd like an update on the small bus project, if you'd like.

Mr. Hadfield: — Fine. We presently have three small buses replacing the larger buses, and that would be on the Eastend route, the Lanigan route, and the Hudson Bay route. We have plans for rightsizing in the future some of our buses and we're looking at three additional routes for next year. It's working very, very well.

Mr. Gantefer: — So the bus that would have been the Hudson Bay route, you'd have called it that, it comes up from Regina?

Mr. Hadfield: — Yes.

Mr. Gantefer: — And goes to Hudson Bay. Okay.

Have you done a cost analysis in terms of the relative cost saving between these small buses or is that ongoing and you will only know after a certain period of time or how . . .

Mr. Hadfield: — Well our initial results indicate approximately 30 to \$35,000 a year per bus per route savings on maintenance costs, etc.

Mr. Gantefer: — The operating costs in terms of the driver and some of those things would be the same irregardless.

Mr. Hadfield: — They remain the same.

Mr. Gantefer: — So it's the amortization of the capital would be a much smaller capital investment, I would assume, and fuel costs and things of that nature.

Mr. Hadfield: — Considerably less.

Mr. Gantefer: — Over the period of time, have you identified how many routes in the province it may be appropriate to look at the smaller bus system?

Mr. Hadfield: — That is an ongoing exercise. We will be examining our routes in the new year on a regular basis to look at not only passenger complements but freight complements. And it will be as in any business, you examine these on a ongoing basis. We probably will be identifying at least three; our goal is to find three and I'm sure there are three to downsize to a smaller vehicle.

You have to be . . . take into consideration a full year's business if you will, because there are peaks and lows of particularly passenger complements, not only during the week, but depending on seasons and holidays and that sort of thing. So it's an ongoing exercise.

Mr. Gantefer: — I noticed the bus on the Hudson Bay route I guess, then it would be specific, on some occasions is pulling a trailer. Would this be for passenger luggage and/or courier business or freight?

Mr. Hadfield: — It's for freight and for luggage, yes.

Mr. Gantefer: — Okay. And so that is only done as required, or how is that? Because again — correct me if I'm wrong — I think I've seen occasions where it had the trailer and occasions when it did not.

Mr. Hadfield: — Well depending on how many agencies and stops we have from point A to point B, you will find that more so the trailer will be on, because not only are we dropping off freight, we are picking up freight in some instances. And depending on the number of locations that you stop at on a route will depend on whether . . . If there are no locations and there's no freight going, yes, you may not see the trailer. But I would hazard that in pretty well all cases the trailer will be accompanying the van.

Mr. Gantefer: — Is there also a separate route that is done just by, like a truck that's hauling freight or courier stuff, independent of the bus routes?

Mr. Hadfield: — We have a few of those routes left that we have truck service on. We are presently evaluating those to determine whether there is a more economical way to provide that service rather than putting a truck on the route.

Mr. Gantefer: — Well I wouldn't be familiar where the route actually goes, but it struck me as strange that the truck would be there shortly after the small bus that didn't have a trailer. It would seem more sensible to put the trailer on the small bus and leave the truck at home.

Mr. Hadfield: — It's a timing issue depending on where the origin was. Quite often our customers are used to dropping off

their freight at a later time and guaranteeing that it would get on the truck later than what the bus or the van leaves, and therefore arrive a little bit later. That way you hope to capture as much freight as possible, particularly from the larger centres going out to rural Saskatchewan. So that gives the shipper adequate time to get it to the depot and to get on the truck.

Mr. Gantefer: — Thank you. When I was in the depot in my local community to send a package to my granddaughter last week, they had a computer system that sort of seemed to have this all automated, which looked encouraging, but I was a little nervous that something would go missing. And when I asked them if it was interconnected as a network, the answer I understood from the local agent was that it was not; it was pretty much stand-alone.

And so I'm wondering in light of the fact that a fair bit of billing for freight went missing, what is the status of the computer system then in the network?

Mr. Hadfield: — We are presently operating on a manual system and in some cases yes, stand-alone computer systems. We are presently investigating the system that Greyhound uses — if we can call it, it's called the gateway system — to see whether it would be appropriate to have that system working in our environment.

Mr. Gantefer: — So that the local agent is just a stand-alone system that would facilitate his procedures rather than a standardized system.

Mr. Hadfield: — We also have a tracing department which is in constant communication with all our agencies in order, if there is a lost shipment or a shipment sent on a route in error, then they would track that down.

Mr. Gantefer: — How are you making out in collecting the lost revenues from the freight bills that went missing in the last effort at computerization?

Mr. Hadfield: — I'll defer that question over to Mr. Wincherauk.

Mr. Wincherauk: — What we've done over the last year is that when we identified the problem, we turned off the existing system and we went to a manual billing. Before we arrived at that we had to go back to see what other options we had. We dispatched one of our staff to Grey Goose bus company in Manitoba, of similar size, had a look at what they were doing, and they're roughly the same size as we are so we brought their manual system back and at the end of last year turned off the existing system.

We then had to sit down and match up the invoices to the waybills and we broke that exercise down into two parts. One was identifying one batch and then shipping that out at the end of July. And then presently we are looking at the second batch which should be going out by the end of this week.

I think of the monies involved we're looking at close to 88 per cent to be billed out. Now how much of that we get back — we have a rough estimate on it, but we've been very happy with the response we've had from the Saskatchewan public and people.

You know, even if the bills are about a year and a half behind, they'll still manage to send us in their cheques.

Mr. Gantefer: — The CIC department yesterday indicated that you're expecting that the subsidy or the grant, I think is the correct word, that is going to be required for the social needs that STC provides in transportation, particularly rural Saskatchewan, is estimated to be significantly less than what the trend has been in the past.

Can you outline what steps you've taken to diminish the requirement for that subsidy?

Mr. Hadfield: — In 1997 the company went through, I guess you could call it, a cost compression measure where several things were looked at and efficiencies were introduced — that is ongoing.

There have been staff reductions. There has been an unprofitable contract that STC chose not to renew and that eliminated a considerable amount of cost. And our administrative costs if you call them head office costs have been reduced substantially.

Having said all of that, when you operate a business you are never finished looking for efficiencies in order to operate your business in a more efficient manner. Considering STC is a business and it's also, if you will, we have a social obligation here to provide passenger service to the residents of Saskatchewan. We will continue to look for ways to provide that service in an efficient manner.

Mr. Wincherauk: — If I could just touch on some of the numbers between 1997 and 1998. On the expenditure side we reduced our expenditure side by about 21 per cent. Our staff counts were reduced by about 22 per cent and our administrative costs dropped by about 35 per cent. And if we continue going at the rate we are, we're looking at 1999 at being around 50 per cent reduction from where we were in '97.

So to give you an idea, and I think our deficit will fall well under \$3 million this year if things continue to go as they are.

Mr. Gantefer: — How is the revenue side? Is your revenue holding up? You've identified expenditure reductions. How's the revenue side looking?

Mr. Hadfield: — Our revenue is actually fairly flat. Eliminating of course that contract that I spoke about was a considerable amount. Putting that aside for a moment, our revenues are reasonably flat. And we're looking at ways in the new year of perhaps boosting those somewhat through active marketing, through looking at our express revenues, our express base, and improving on that end of the business.

Mr. Gantefer: — Have you considered options of contracting with private operators on certain routes?

Mr. Hadfield: — Yes we have, and we do that already. We have partnerships and alliances with two or three different private operators in the province. And it's one of the exercises we will be going through when we examine a route as to, first of all: whether it should be maintained; whether we can operate

it with a smaller coach; or we can partner with a local community to provide the service and form an alliance that way. So there's all sorts of options to us, and yes, we are examining those.

Mr. Gantefer: — In your cost reductions have these type of alliances or rationalization of routes, or whatever you know description we want to use on them, have they contributed to your cost savings?

Mr. Hadfield: — Yes, they have.

Mr. Gantefer: — Have they contributed in a significant way or minor way?

Mr. Wincherauk: — Most of our savings last year we looked at the administrative side of our operations. And what we tried to do is keep intact the bus service and the express service as best we could. And we went through, like, our executive side; I think our executive unit we cut by 37 per cent, finance 29 per cent, human resources by about 48 per cent.

So last year when we started the exercise we concentrated on the monies that we figured we could take out right away without hurting our service to the public.

Mr. Gantefer: — When someone tells me my costs are going down for some reason, the question, as a businessman, I always ask is why in the world were they that high all this time? The question I guess begs itself — I think we went from subsidies, or grants, or whatever you want to call them in the \$6 million plus level to now you're indicating that we can look forward to under \$3 million — I guess the obvious question that begs is: why did it take this long?

Mr. Hadfield: — To answer that question, and not in anyway criticizing or commenting really on the previous administrations over at STC, but the decision was made that STC should stick to its knitting; in other words, provide passenger and freight service. That's what the company was originally designed to do, and over the years they have gone and tried to venture into other types of businesses as an ancillary concept to their business, i.e. the trucking business, the courier business, and so on.

And the decision was made sometime ago, I believe 12 to 18 months ago, that STC should operate as a passenger and freight service and that is what we should do. So having said that, cost reductions could be made because we were no longer offering some of the business that we were offering previously.

Mr. Gantefer: — Obviously very non-profitably.

Mr. Hadfield: — That is correct.

Mr. Gantefer: — With deregulation, I believe, approaching in terms of competition in routes or delivery of passenger service, perhaps I'm mistaken, but I believe that somewhere in the relatively near future are you going to get nitpicked on your profitable routes which will make it even more challenging for you to deliver service in the small routes or the less travelled routes?

Mr. Hadfield: — Yes, in a deregulated environment . . . we have approximately three routes that are profitable, we have maybe six or seven that are marginal and the rest are losing routes. You can look at it from a number of different avenues. Yes, we will be cherry-picked. And we are attempting to put the wheels in motion . . . we already have put the wheels in motion to get ready for deregulation.

Now deregulation may hit as early as January of the year 2000. We were informed recently that it may take much longer than that. The federal government has indicated unofficially that they may be giving the province, particularly our province and other provinces, more time to get ready for deregulation, and to get everything in hand.

Having said all of that, we operate in an environment where we are providing a social service to the people of Saskatchewan as far as passenger service is concerned. A private concern coming in and taking over routes and so on would probably look twice at perhaps offering that service.

We presently, as I've previously said, have some partners who are private carriers in the province, operating small routes. And their success is marginal and the profitability is marginal, and they're basically there to provide the service to their communities.

So any big operator coming in to cherry-pick our routes, yes, will be faced with that. But we've already initiated some things in order to get ready for deregulation so that we hopefully can compete by offering safe, affordable service to the people of Saskatchewan.

Mr. Gantefer: — Thank you, Madam Chair.

Mr. Hillson: — Yes, Madam Chair. You said that you have already moved to, I believe three routes in the past year to the smaller buses.

Mr. Hadfield: — Yes.

Mr. Hillson: — And you're planning a further how many routes, did you say?

Mr. Hadfield: — A possibility of three.

Mr. Hillson: — And three more in the coming year. Can you tell me, does that mean that you're in a position to sell off some of the large size buses?

Mr. Hadfield: — What we will be doing . . . that is an issue within itself. Average age of our coaches is around 11 years. The industry standard is around 7 years. We're faced with . . .

Mr. Hillson: — I think you've already answered my question. Not worth a lot anyway.

Mr. Hadfield: — No. We will be looking at selling off some of our coaches that are roadworthy — yes, that are roadworthy. And there will be a couple of instances where we have some coaches that are not . . . that will not be roadworthy and are not saleable. We'll be stripping those for parts.

Mr. Hillson: — So the blunt fact is that there's not a lot of value in the salvage then that might be excess . . . in the excess inventory, I guess I should call it.

Mr. Hadfield: — No.

Mr. Hillson: — We've already had a discussion with Mr. Wright, I suppose you're aware, on some of the challenges facing us, and you've mentioned too that deregulation may face you with the problem of the few profitable routes being cherry-picked. And you're left with the challenge of trying to service less favourable areas of the province.

I'd like to ask you a few questions in that regard. And the first question I'd like to ask is, Mr. Wright told us yesterday that sometimes in government we do things for social reasons even if from a fiscal standpoint they don't make a lot of sense. I think that's a proposition that we all accept. The question I have for you though is when you have an unprofitable route, do you have any mechanism or criteria by which you assess that there is a compelling social reason for that route? Do you have any way of answering that question? It's not fiscally viable, but what are the criteria? Do you have this criteria to assess that there are compelling social reasons why a route has to be maintained or maintained at a particular level?

Mr. Hadfield: — Yes, I can answer that two ways. Number one is that the government has given us a mandate to provide that service to the existing routes, and that mandate will continue.

Secondly, we do surveys on an annual basis by looking at our routes, particularly the ones that we want to downsize — downsize equipment on — to see first of all a public acceptance of the route; to ask questions like whether they feel that the service is valuable as it exists; whether it would be continued to be valuable using downsized equipment; whether it would be valuable if the frequency were less or the frequency were the same.

And we're getting an overwhelmingly positive response from the surveys that we have done as late as last summer, the summer of '98, that the service that is provided is important particularly to the rural people in the province and they want that service maintained.

They may not necessarily use the service; may not necessarily use the service. But on the other hand, when things such as elevators and so on are disappearing from rural Saskatchewan and school districts are being consolidated or proposed to being consolidated, it is an important link for them to the health and well-being of the rural community.

Mr. Hillson: — I take it from what you've said that there are no present existing routes that are up for possible abandonment. They may be up for downsizing in terms of equipment but not for abandonment. Is that correct?

Mr. Hadfield: — That is correct.

Mr. Hillson: — That's where you're at in terms of your long-term planning.

Mr. Hadfield: — Yes.

Mr. Hillson: — Okay. May I ask if you do track some other provinces which must be faced with some of the same issues? How does say Manitoba or the interior of B.C. deal with some of these same challenges of providing some basic bus service in the unfavoured areas where private enterprise may not be able to see a profit in it? Do you follow those sorts of issues? Do they offer any enlightenment for us?

Mr. Hadfield: — That information is not readily available at the present time. We will attempt to do some research on it and provide you with that information at a later date.

Mr. Hillson: — Now I realize they don't have . . . Well it's not so much a thing for you. They don't have provincial bus lines, but do you know . . . Like do they offer grants to private small bus lines to ensure service in some isolated areas, do you know?

Mr. Hadfield: — That information I don't have.

Mr. Hillson: — You don't know. So we are the only provincial bus company. Is that correct?

Mr. Hadfield: — Northern Ontario I believe.

Mr. Hillson: — And you say you really don't know how other . . . Are other provinces strictly laissez-faire in terms of bus service . . .

Mr. Wincherauk: — In the case of Alberta, I believe it is. Most of the bus lines now are owned by Laidlaw which has recently, about a year ago, purchased Greyhound. And Laidlaw has been in the process of buying up all the other bus companies across Canada. I think last week they bought out Voyageur in Quebec, and so . . .

Mr. Hillson: — I guess my only point is that . . . I don't claim to know, but I find it hard to believe that other provinces would have a strictly laissez-faire policy because all provinces have to some extent or another the same issue we have of small, isolated communities that need some service.

Mr. Wincherauk: — I think if you look . . .

The Chair: — Can I ask the official if you can move forward a little bit. They're having a difficult time hearing you.

Mr. Wincherauk: — Sorry . . .

The Chair: — Thank you.

Mr. Wincherauk: — I think in the case of Manitoba which has service from Grey Goose and from Greyhound, is that so much of it is concentrated around the city of Winnipeg that they just don't have the same concentration . . . (inaudible) . . .

Mr. Hillson: — Yes, I am aware of this. Obviously nearly 60, over 60 per cent of the provincial population's at Winnipeg. But I mean, none the less, they do have isolated rural communities. And you do tell us that you expect that the total losses have been more than cut in half in the current year.

Mr. Hadfield: — That is correct.

Mr. Hillson: — So some significant progress has been made. Okay. Thank you sir.

Mr. Koenker: — I found it very interesting that at a time when some are saying that private operators can do a better job of moving passengers and providing service to rural Saskatchewan, you referred to the private operators as marginal. Can you elaborate on that, why they would be marginal to rural Saskatchewan?

Mr. Hadfield: — They're marginal in their profitability is what I was referring to.

Mr. Koenker: — Now why would that be?

Mr. Hadfield: — Why that would that be is because they're presently charging tariff rates both on passenger and express, and that the cost of operation being the drivers and the maintenance costs on the vehicles and costs related to that, are in most cases higher or close to the revenues they are generating.

They are strictly providing the service to the community as a community need. And we are partnering with them, for instance the Little Red Bus Line is an example. It operates down in Pangman-Ogema area. I'm familiar with that area because I'm from that area. But they are providing a service that is required for those communities.

We are unable to provide the service down there in the same form that they can provide it and it would cost us far too much money, and obviously the people of the province far too much money to provide that service. So they are providing it.

Mr. Koenker: — So you'd basically call that a community-driven solution, but not necessarily one that provides better service than STC or even better profitability to the parties involved.

Mr. Hadfield: — They're not looking to make a profit. They're looking to have the service and they're willing to invest money, their own money. I believe it's a group of senior citizens and a couple of businessmen who got together to offer the service, and they're providing the service because they need it. And they're getting the same service that we would provide, but at a far less cost because we cannot afford to provide it. The volumes don't warrant it.

Mr. Koenker: — Basically then, we the province of Saskatchewan are providing a similar service to other communities that need it even though it isn't profitable.

Mr. Hadfield: — That is correct.

Mr. Koenker: — Which takes us to the social obligation to provide transportation.

Mr. Hadfield: — Yes.

Mr. Thomson: — I want to follow up on this line of questioning actually started by Mr. Hillson. Because I think it

raised an interesting question, and that is, what would happen if we did not have a provincial bus line? Now currently the bus system you're saying is subsidized by about \$3 million this year.

If we were to maintain a similar network throughout the province and sold off STC the idea would be . . . let me just understand this. We would not likely sell off STC and all of its routes. There would be no appetite for that in the market. Greyhound would likely only want to pick up the profitable routes. There would still then, under Mr. Hillson's observation and I think it's a correct one, still have to be some kind of government subsidy essentially to maintain feeder lines. Is that your understanding what would happen? Is that a likely scenario?

Mr. Hadfield: — Yes.

Mr. Thomson: — Okay. I wanted to tell you I had lunch the other day with one of the fellows who is involved with the Little Red Bus Line and he spoke quite favourably about the relationship with our bus company, with STC. He was quite pleased with the relationship that was being worked on. And I think that that is an important thing to identify. Previously we had talked in this committee about . . . I think one of the members, Mr. Goohsen in fact, I think had identified the Little Red Bus Line as an example of what should happen instead of STC.

Now in this case this gentleman was saying that it worked because there was a partnership established. There was not . . . There was no sense of simply feeding in if there was not the ability for the person to be redirected off to Yorkton or one of the other lines. And I think that that's an important thing for us to make sure we understand when some members of the Assembly start talking about privatization or alternatives of bringing in smaller bus lines, is that this is not . . . this patchwork solution would not work without a central system, a backbone, to attach things onto.

So although there's no question in there I simply wanted to state that I think when people get looking at privatization in terms of a cost saving with STC that it's really been, as the Premier would say, a monk's game. And so I'll just leave with that comment.

Mr. Shillington: — I may have missed part of this when I went out to take that call. If I have just say so and I'll check the record but . . . I used to . . . For 10 years in the '80s, almost 12 years actually, I had a branch office in the town of Coronach, down on the Montana border. And I was going to say every day, I'm not sure it was; it might have been three times a week . . . anyway, regularly, several times a week a big bus rolled in with one or two people on it and some freight in it.

The issue came up of STC's losses at the time, so the person I rented the office from was . . . his roots went back very deep. His father had been the first postmaster in the village, he was the second, and his wife actually was the third, and he'd retired to sort of a small accounting office. But since it was a current topic I asked Cecil one day what would happen if the bus service ceased?

His response was fairly automatic — oh the village would have to do it — in the sense that the bus service was needed and the community would have to do it. Which leads me to my question . . . is there scope for community co-operatives to provide bus services? I'm not sure the village would do it but it struck me perhaps what he was saying is the community would have to do it.

Is there scope for community co-operatives to provide the service with again either STC or CIC or perhaps the Department of Municipal Affairs providing a grant to the co-operatives to assist them in flowing along? I very much agree with Andrew. Without a province-wide service, without the backbone of the STC, it obviously wouldn't work. Is there some scope for that? Has it been . . .

Mr. Hadfield: — Yes I believe there is but I do firmly believe that is an option to us, for co-operatives, for local people, to provide the service. But I do believe the control of the service and the maintenance of the service and the route scheduling, etc., has to be centralized in the form that it is now in order to keep the efficiencies good and the costs at a minimum and to keep everything controlled.

If you went to a series of — particularly in a deregulated environment which is coming soon — if you went to a series of individual carriers all over the province you might be faced with a terrible situation of different rates, connecting rates, and so on and then the end result, the people of the province would be paying more in order to make these individual independents and co-operatives viable. And the service I believe would be far inferior to what it is now.

Mr. Shillington: — Yes I suppose perhaps that's true. A comment made by Mr. Hillson, what do other provinces do? I know in Montana there just was no such service when a rancher or businessman in Scobey, by way of example, needed a package. You had to pay private carriers and you paid them a lot. It would be a lot of money to take a package out to Scobey, Montana. And so I think other provinces just don't have it and it is one of the advantages we have.

I have one final question and then I'll relinquish the floor. SaskTel faced a somewhat similar problem with deregulation in the sense that for generations we cross-subsidized. We over-charged by a long way on long distance and used that to subsidize rural service. When I was in Coronach again on the Montana side, their telephone service was about three times the cost of the telephone service in Canada. It was — and much inferior — it was provided by a local co-operative actually. It was much inferior. And the clients who were in Montana, they often used to remark on the telephone service here.

That whole system is threatened now with deregulation of the communications system and SaskTel's imminent, 20-month hence I guess, loss of its status as a provincially controlled Crown corporation.

One of the things that Intergovernmental Affairs has urged upon the CRTC (Canadian Radio-television and Telecommunications Commission) is a rate equalization fund which would assist in taking telephone service to northern and rural areas. The U.S. (United States) has such a service — I think it's called the

national equalization fund — and it subsidizes telephone service such as it is in northern Montana, and the CRTC is considering that. I'm wondering if you people have given any consideration to a similar equalization fund for rural transportation services as distinct from rural communications services so that the cost can be equalized through an equalization fund.

Mr. Hadfield: — No, we have not considered that.

Mr. Shillington: — It might be something to think about. If it makes sense in the communications industry and I think it makes imminent sense and I think there's a growing acceptance of the idea by the CRTC. It seems to me it makes equal sense in the area of transportation as with communications. So I'll leave it with you.

The Chair: — A couple of more speakers.

Ms. Stanger: — I just want to say congratulations that you people have done a wonderful job because when we were running \$6 million deficits it was a temptation, and people said, well we'll just sell the thing. And just on paper and when you say that quickly, when you see a \$6 million dollar deficit it almost might sound like an option.

But you have to understand, I think, the nature of Saskatchewan. This is a very sparsely populated province. There's only a million people. And to take that bus company out, I have to say, I thought at first, well maybe just sell the thing, you know; somebody will pick up the service. But I do believe philosophically, when I look back over the last 50, 60 years, I believe that would have been a really negative thing to do.

Just like I believe with my whole heart, ripping up the railway lines is negative. I think that we have to be a little more farsighted. This province is so different from other provinces. And I never realized how different it was until I've had the opportunity the last 10 or 12 years to travel across Canada. It is the things like SaskTel and SaskPower and STC that have kept this province viable and kept it as a community.

Because when you have such . . . I mean that's the thing that worries me now is the sparseness. If we lose more of our producers, the sparseness is very difficult for people to come together and to feel like a part of something. We're far different than Manitoba who's populated in one-third, or Alberta who has its population in two large cities.

So for people to throw out these silly, I think they're silly solutions, without looking at them carefully, they would really do damage to the psyche of Saskatchewan.

And I think that subsidization of \$3 million you can live with. I mean every public transport, I don't care if you live in Regina or Toronto, it's all subsidized by the taxpayer. Urban people are subsidized constantly by the tax dollars; why cannot rural people and rural communities be subsidized by the tax dollars.

And I just want to say that, like I said for a few months when we looked at three or four options in caucus, just discussing them you might think okay, just sell it. I think it would really do

damage to rural Saskatchewan.

And I was so happy to hear — I don't know where you come from, Mr. Hadfield, I don't know your history — with you saying that would just compound on top of the rail line abandonment and the elevators going and the banks which are going to evacuate rural Saskatchewan. Thank God for the credit unions. Not that I got anything against banks, I deal with both entities.

But I'm just saying that I think it's more . . . to pay \$3 million for that type of subsidized service in rural Saskatchewan I think is worth it. I think 6 million maybe was on the outer edge, because that's \$6 per capita. But \$3 per capita per year subsidization doesn't sound like a bad thing.

And I think when people that live in Saskatchewan throw out solutions that aren't well thought of. And I'm not saying this to be political; I'm honestly saying this, that you change the face of a province when you do things like this.

The reason we don't have more private companies is because they couldn't make a profit when this place was settled. They couldn't have private . . .

The Chair: — Is there a question?

Ms. Stanger: — I'm making a comment.

The Chair: — Okay, sorry. Pardon me. I was just wondering . . . (inaudible) . . . I was just trying to look at this. Pardon me.

Ms. Stanger: — I didn't appreciate that, Madam Chair. Everybody else has the opportunity to make the comments that they want and tell the stories that they want.

The Chair: — I am . . . I am just looking at . . .

Ms. Stanger: — And I think this is a very, very strong, basic philosophical view of mine. And I'm going to make it in this committee.

So I just wanted to say that I appreciate what you're doing and I think . . . and my line of thought is completely gone; I'm sorry, Mr. Hatfield. But good job; carry on.

Mr. Hatfield: — Thank you.

The Chair: — I have four more on the speaking list, starting with Mr. Koenker.

Mr. Koenker: — Could you comment on the student passes and the medical pass programs that you introduced. Are they still in place?

Mr. Hatfield: — Yes they are, but we're presently looking at our rates and our whole pass structure and will be coming forth with a completely revised system of rates and discounts and programs in the new year.

Mr. Koenker: — Recognizing those two areas still?

Mr. Hatfield: — Recognizing seniors, students, and medically

disabled individuals.

Mr. Koenker: — I want to commend you for that, because again it puts flesh to the notion of the social obligation that a public transportation system can provide. And particularly for older people who are unable to drive and who may not have family and may feel reluctant to impose on neighbours, these medical discounts that you've provided over the years I think are just a fine example of the kind of society Saskatchewan is at its best. And you certainly at STC help to facilitate and foster that. So I really commend you for that.

Mr. Hatfield: — Thank you.

Mr. Hillson: — No, I'm sorry, Madam Chair, I just wanted to thank Ms. Stanger for her comments. I agree with what you had to say. My only point was that all provinces of course do have isolated areas. I know that Saskatchewan has a particular challenge and a smaller population, very spread out, and I agree in full with the comments she's made. And I was interested to hear her share that she has too much money to fit into just one financial institution.

Mr. Gantefer: — Thank you very much, Madam Chair. It's an interesting discussion and I'd like to make a couple of comments. I certainly absolutely do support the idea of a social responsibility to provide support, to provide transportation services, into rural communities. I think the discussion becomes, what is the best vehicle for delivering those services, and I think it's an open question.

I would like to indicate for committee members that this discussion is not particularly new, and this administration and members of it have obviously entered into the discussion.

A question in Crown Corporations was asked by Mr. Bjornerud, asking about STC if that was the only Crown that there was no decision to privatize. And the answer by Mr. Lingenfelter was, as he said, that that's a fair way of putting it, inferring that there was still consideration being given to the fact that STC should be privatized. And he makes a comment that there wasn't much there to privatize.

And I would refer members to *Hansard* July 22, 1997 to have the whole text. But I would like to read an interesting excerpt from Mr. Lingenfelter into the record. And he says, and I quote, that they're reducing services in rural Saskatchewan but actually enhancing it. We have been spending less by using regional transportation authorities, where Mayor Clary out of Leader has been very active in providing such a system.

But interestingly enough at one point in time STC withdrew from their communities. They have established a thriving small bus company, and where STC was providing service and couldn't afford it, they now have set up a little system where a family has set up a bus venture — I don't think anybody earns a lot of money at it, but they probably supplement their farm income by having a small bus system. They have four or five jobs that they've created out in that area where there were no bus jobs before when STC had the service, because they were located somewhere else.

So they've achieved two things out of a situation where STC withdrew their service, where there were no transportation jobs in the past, even when they had the service; they now have four or five jobs and Mayor Clary would argue they have a better service than when STC was servicing them.

So I think the point of this is, is that what we have to do is be able to look at alternatives. And I would encourage STC to look at those types of alternatives because I believe in that is the real solution to provide the social responsibility that's required to rural Saskatchewan particularly, and to find ways for you to continue to diminish the requirements that you have for financial support to maintain these routes. So I encourage you to continue that type of willingness to look at those alternatives in order to provide that service. Thank you.

The Chair: — Before I go on to Mr. Thomson I do want to apologize to Ms. Stanger. I was not trying to cut her off. I just . . . Yesterday we discussed trying to keep on, not only not to get really partisan, but at the same time keep our time schedule. And I wanted to make sure that we talked about the bus company and that type of thing, rather than banks and elevator closures. So that was what my point was. So I do apologize.

Mr. Thomson: — Well, thank you, Madam Chair. I hope the officials will indulge us for a second as we just make sure we all understand what we're talking about here. There's a difference between turning over small, unprofitable lines to . . .

A Member: — In co-operation . . .

Mr. Thomson: — In co-operation with the community to those communities, than privatizing the transportation company. And I think we need to make sure it's clear that it is not this government's policy to privatize STC.

A Member: — You said you were looking at it.

Mr. Thomson: — Unlike the policy . . . As I read a summary of Mr. Gantefer's position in the *Leader-Post* of April 4, when he was seeking the leadership of his party, he says, quote, Gantefer says he has to be convinced that a government agency can do anything more efficiently than a properly regulated, properly accountable private agency. He would privatize the Saskatchewan Transportation Company and SaskTel. Now I mean that's not a quote — that's simply a summary of your position.

Mr. Hermanson, your leader, is quoted as saying:

I definitely support the sale of STC. It's been a money loser for the province. And I think when it comes to major Crowns like Tel and Power, we need to consult the people. But obviously that's not the case with STC.

I think what we need to make sure is that there's a clear understanding as to what privatization means. Privatization means that we will eliminate SaskTel — well SaskTel, but also in this particular case, STC — we would sell off its routes and we would retain none of it under the public domain. It's not a case of turning it over to the communities. As the officials have testified before is they don't believe there's a market for all of

STC's routes. And in fact what we would see is cherry-picking on the part of major companies.

I just think that that's important in terms of this public debate, that we're very clear about what those options mean. This is not a case of turning over some lines. Privatization means the outright sale of that corporation. And we need to understand, as the officials have testified, that that likely means that this corporation would be dismantled and cherry-picked just as happens with every other corporation that gets sold off.

Thank you.

The Chair: — Unless there's other questions, I have just a couple of quick questions.

A couple of comments were made about a contract that was a money-losing contract. Is it public information — what type of contract that you decided not to renew?

Mr. Wincherauk: — That was the Lynden Freight contract last year.

The Chair: — I see, okay. I know that a number of your routes out to small town Saskatchewan, one of my towns being one of them, the buses actually stop on the highway a couple of evenings or, you know, different days, not always quite the same day — probably for that town it's the same day.

I'm wondering how customers know if you decide you want to take the bus from Spalding to someplace, how you know that on Sunday you have to stop at the highway and on Monday you can get it at the café? Like is there any way that customers know where . . .

Mr. Hadfield: — Are you talking about communities that don't normally have a stopping . . . those that don't have an agency?

The Chair: — I know that during some days they stop right at the bus depot in town, and I think it's Sunday nights they stop on the highway.

Mr. Hadfield: — Well each of our coaches is equipped with a telephone. And if the driver or operator perhaps would call ahead to see if there's any passengers, if he doesn't have any passengers to let off or any freight to let off, he would probably call ahead to the agency in that community to see if there are any passengers that are afraid of going out of the community. If there are not, then he probably would only stop on the edge of town.

The Chair: — I see.

Mr. Hadfield: — Or not at all.

The Chair: — And my last question is the use of seat belts. Is it something that's being considered? Or is it never considered on a bus?

Mr. Hadfield: — It's never been considered on a bus.

The Chair: — Okay. Is there any further questions? Okay, we have recommendations.

Recommendation .10 — STC should complete and approve a formal information security and confidentiality policy.

Mr. Shillington: — There appeared to have been compliance with .10, doesn't there. That appears to be the effect of .12.

The Chair: — Concur and comply? Agreed?

A Member: — Agreed.

The Chair: — .11 — Should complete the documentation and testing of its contingency plan.

Mr. Shillington: — Frankly if the auditor's office commented on this one, it got by me. And I can't remember what your comments were — whether there's been compliance or where we're at with this thing.

Mr. Strelloff: — Members, the comment on paragraph .12 says that management is making . . . has told us that they're making progress on that. We haven't been back since then, so you should ask management whether they are making progress on .10 and .11.

Mr. Shillington: — All right, why don't we do that, actually.

Mr. Hadfield: — STC, in regards to .10, STC is just completing the information security manual as suggested, and once it's completed, the external auditor will be reviewing this document. It is anticipated that the information contained within this document will be sufficient to address the Provincial Auditor's concerns.

On 11, on .11, STC has developed a contingency plan and while STC does not have a complete back-up system available and does not require one, there are other procedures that ensure the system will not be down for more than 48 hours including a four-hour response time to the main CPU (central processing unit) including replacement, nightly and weekly back-up of programs and data with off-site storage.

The peripheral systems can continue to function without the central hub being up, ensuring that information continues to be captured and allows the primary shipping to continue. In the past three months, STC has moved to simplify its information systems, thus reducing the need for a complete contingency plan.

Mr. Shillington: — Sounds like we might have got it backwards. It sounds as if there's progress on .10 and compliance with .12, actually — .11, I should say.

The Chair: — Okay.

Mr. Shillington: — So I move that.

The Chair: — Okay .10 concur and progress and .11 is concur and compliance. Agreed?

A Member: — Agreed.

The Chair: — We have .22: STC should establish corporate project management and system development policies based on

an analysis of the lessons learned from the express system project.

Mr. Hadfield: — Corporate project management system development policy has been developed and will be considered by our board of directors on November 28 of this year. A director of corporate development position has been created and staffed and this individual will oversee all significant projects.

The Chair: — Thank you. Concur and compliance? Agreed?

A Member: — Agreed.

The Chair: — .23: STC should establish adequate systems and practices to ensure that all revenue is recorded and billed on a timely basis.

Mr. Hadfield: — Effective the January 1, 1998, the express billing process was changed to ensure that revenues are complete and billed on a timely basis. An internal auditor position has been created and staffed. This individual will ensure policies and systems are designed to ensure the proper recording and billing of revenue. The finance division of STC has been reorganized with the addition of professional staff.

The Chair: — Thank you. I understand concur and compliance. Agreed?

A Member: — Agreed.

The Chair: — .29: STC should ensure its annual report includes a comparison of planned results to actual results.

Mr. Hadfield: — STC's 1997 annual report includes operating goals for 1998, pages 22 and 23 of the annual report. The Provincial Auditor supports this inclusion and has encouraged SCT — STC, pardon me, to continue to experiment with methods of presenting key plans, targets and results. The 1998 annual report will compare the 1998 operating goals to actual results. In addition, the '98 annual report will disclose STC's 1999 operating goals.

The Chair: — Then I believe concur and compliance?

Mr. Shillington: — It seems if we have compliance here, there's a little point . . . (inaudible) . . .

The Chair: — Agreed?

A Member: — Agreed.

The Chair: — .32:

STC should publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or

discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.

Mr. Hadfield: — Like other Crowns, STC does not publish a list of persons due to competitive confidentiality. We

understand that the matter has been referred to Crown Corporations Committee for review and STC will abide by the recommendation of the Crown Corporations Committee.

The Chair: — Okay.

Mr. Shillington: — Move that we refer . . . ask the Assembly to refer the matter to the Crown Corporations Committee.

The Chair: — We concur and ask for a referral to the Assembly. Okay. Agreed?

A Member: — Agreed.

The Chair: — Okay. I guess that's it. And we thank you very much for your attendance this afternoon and for answering all of our questions.

Mr. Hadfield: — Thank you, Madam Chair. This is a new experience for me and I certainly welcomed the opportunity to meet with you folks this afternoon. Thank you very much.

The Chair: — Thank you.

Mr. Shillington: — The questions were well and clearly addressed, so thanks very much. Congratulations on your first effort.

The Chair: — Without taking a break then we'll just ask the deputy minister to come in and we can . . .

Public Hearing: Department of Executive Council and Electoral Office

The Chair: — Good afternoon, Mr. Marchildon. Did I say that right?

Mr. Marchildon: — Yes.

The Chair: — Thank you. Welcome and welcome to your officials, and you'd like the opportunity to introduce to the committee members.

Mr. Marchildon: — Yes, thank you very much, Madam Chair. I'd like to introduce on my immediate right, Bonita Heidt, who is the director of administration for the Department of Executive Council. And to her right is Jan Baker, the Acting Chief Electoral Officer. And I'm Greg Marchildon, deputy minister to the Premier and cabinet secretary. Thank you.

The Chair: — Welcome, and thank you for getting here early this afternoon. I guess we have one new member . . . person here with the Provincial Auditor.

Mr. Strelloff: — Yes, we do. And that is Rodd Jersak. He does a lot of our work with Executive Council and a lot of other different places across the province; as well as Mike Heffernan.

The Chair: — Thank you very much, and welcome.

I'm going to read this statement to witnesses and then we will ask the Provincial Auditor to overview the chapters, and then any comments you want to make before we go on to the

members.

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 forward by the committee. Where a member of the committee asks for written information, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as tabled.

And please address your comments through the Chair.

I'll ask Mr. Strelloff to take it away.

Mr. Strelloff: — Okay. Thank you very much. And I'm going to pass it along to Mike Heffernan. Mike.

Mr. Heffernan: — Thank you, Wayne. Madam Chair, members, I'll take about five to seven minutes to take you through this chapter and then I'd be pleased to answer any questions you have.

In paragraphs .01 to .03 we briefly describe the department's mandate, its major programs, and spending. In paragraphs .06 to .30 we discuss the Electoral Office and its role in ensuring compliance with The Election Act, recently replaced with The Election Act, 1996.

We think the public wants to know who gives money to political parties and candidates. They also want to know who receives money from government agencies. To meet with the public need, The Election Act requires candidates from political parties to file returns showing who gave them more than a hundred dollars in a fiscal year, \$250 in the new Act. Any anonymous donations must be paid into the General Revenue Fund.

Most government agencies now annually make public a list of persons who receive money from them.

Due to public concern regarding the use of special funds to finance provincial political parties and candidates, the Electoral Office investigated the special funds. As a result of this investigation, the office concluded that most of the special funds are controlled by political parties and thus are agents of the parties under The Election Act. However, the Electoral Office has now required the special funds to disclose the names of the original donors and remit any anonymous donations.

Donations from anonymous donors are a debt-due to the Crown. If the Electoral Office decides not to collect these donations from the political parties, it should ask the Board of Revenue Commissioners to cash those debts due to the Crown. Therefore we conclude that the office does not ensure political parties and candidates complied with The Election Act, 1996.

In paragraph .29 we recommend that the Electoral Office improve their rules and procedures by identifying anonymous donations of over a hundred dollars in the fiscal year, 250 in The Election Act, 1996 to candidates and political parties.

The Electoral Office has since prepared directives for candidates and political parties setting out the office's interpretation of The Election Act, 1996. We've assessed these directives and will report the results in our next report for 1998 *Fall Report Volume 2*.

Paragraphs .31 to .34 note that in 1994 we made our report to this committee regarding election expenses of candidates. We recommended changes be made to The Election Act, 1996 to give the office authority to issue directives to candidates. The Election Act, 1996, gives the offices this authority. The office has now issued directives to candidates. As I just mentioned, we have assessed these directives and will report the results in our 1998 *Fall Report*.

In paragraphs .35 to .40 we recommend that the department prepare an annual report. We think it's important that all the government organizations prepare an annual report that sets out objectives, the risks they must manage to achieve those objectives, performance measures, and actual results.

In paragraphs .41 to .49 we recommend that all government agencies publish the list of persons who received money from the agencies and the amounts. We've made this recommendation for many years. Most government agencies now make public a list of persons who received money from them. There are, however, still many agencies that do not. As a result, legislators and the public do not have this information for about 40 per cent of all government spending.

As we state in paragraph .09, we think the public and legislators want to know who gave money to political parties and candidates. They also want to know who receives money from government agencies. However, only one piece of legislation requires this information. The Election Act, 1996, requires candidates and political parties to report publicly who gave them money. The Act also requires the electoral officer report to the Assembly the names of candidates and political parties who have been reimbursed for election expenses.

Paragraph .44 notes that this community has recommended lists of payees should be provided by all government agencies including Crown corporations unless otherwise stated in the mandate of the corporation.

The table at the end of this chapter lists those government agencies that did not make public a list of payees, therefore types of government agencies that generally do not make this public, make public this information, these are CIC and its subsidiaries, agencies created under The Agri-Food Act, agencies created under The Health Districts Act and some other

agencies.

Also in our 1995 *Spring Report* we stated the Board of Internal Economy could improve public accountability if it made public a list of persons who received money from caucus offices and from members' special allowances.

In paragraph .48 we recommend that all our government agencies make public a list of persons who received money from them.

That concludes my remarks.

Mr. Streliaff: — Thank you, Mike.

The Chair: — Thank you very much. Do you have any comments you'd like to make?

Mr. Streliaff: — No, not at this time. Thank you.

Mr. Gantefoer: — Thank you, Madam Chair, and welcome Mr. Marchildon and officials. And I'd particularly like to suggest to Ms. Baker that we look forward to when we can drop the "acting" from your title and look forward to working with you.

I am not sure, in the auditor's recommendation no. .29, does not the current elections Act resolve this issue or this issue? Would you bring us up to date please on . . .

Ms. Baker: — The Chief Electoral Officer . . . (inaudible) . . . power under section 5 of the Act to issue and distribute financial administrative guidelines to facilitate compliance with the new extended financial reporting rules and procedures which came into effect on January 1, 1997 and which apply to reporting of contributions.

Section 240 of the Act now expressly provides that any bundled funds received by a political party must be broken down into individual contributions, federally registered political party, corporations, constituency associations, and trust funds, and reported as such.

This is in both the case of annual return of the political party under section 250 and of the individual election expenses return of the candidate under section 261. Failure to comply with the provisions would constitute an offence and is punishable under section 216 of The Election Act, 1996 by a fine in the amount not exceeding \$5,000, two years imprisonment, or both.

Mr. Gantefoer: — As I understand it then in the new — correct me if I'm wrong — you mentioned constituency association, corporations, whatever. Do donors who contribute to those associations, they also have to be disclosed above \$250 limit — is that not correct?

Ms. Baker: — Yes, those that I mentioned. The registered political party, corporations, constituency associations, and trust funds are required to file a supporting . . . The political parties in Canada are required to file supporting documentation prepared by said, and it has to be included in their filings, their annual filings or election filings.

Mr. Gantefer: — So other than the \$250 threshold, there's complete transparency now for political donations through the system through all levels?

Ms. Baker: — Yes. The statement is all-inclusive. It is the total contribution. However, they have to identify those within . . . that comprise that contribution with a donation of over 250, so you have listings of individuals and then you have listings in the aggregate for a total contribution in all circumstances.

Mr. Gantefer: — Thank you very much. That's all the questions I have.

Mr. Hillson: — Yes, first of all a follow-up there. If I may, Ms. Baker, you've given the law and the penalty, but is it actually being complied with now in the returns you are seeing?

Ms. Baker: — Yes.

Mr. Hillson: — Are all primary donors being identified where required?

Ms. Baker: — They are. The documentation, the guidelines, et cetera, were prepared in time for distribution for preparation at the 1997 fiscal period filing of the political parties. The support documentation, directives and the political parties filed under the provisions of The Election Act, 1996 in this circumstance.

Mr. Hillson: — In paragraph .26, though, I note that one political party has provided amended returns to show primary donors, the others have not; and no request has been made of them to do so. Could you tell us why you've decided not to make that request?

Ms. Baker: — I'm not sure I understand the question.

Mr. Hillson: — Well, paragraph .26. I'd refer you to . . . (inaudible interjection) . . . Yes, .25 and .26.

Ms. Baker: — Mr. Kuziak's report, the former chief electoral officer, conducted an investigation and it was all-inclusive of those filings.

At the time of the release of his report in June 1997, it was concluded that the practices of all the parties fell short of best efforts to provide detailed disclosure as to the party financing. However, for a number of reasons the report did not recommend prosecuting the political parties or their financial agents or taking any further action under the Act. This recommendation was based on the advice of the Department of Justice, public law division, that prosecution would not be in the public interest and that there was no reasonable probability of obtaining a conviction.

Mr. Hillson: — But what about simply . . . 26 raised the issue, why not simply ask the parties to file supplementary returns to comply?

Ms. Baker: — I'm sorry I don't have the background on that information. I'll have to respond to that at a later date.

Mr. Hillson: — Okay, so you're not aware at this time why the parties weren't asked to provide information as to the primary

donors.

Ms. Baker: — It's my understanding that during the time that the former chief electoral officer was doing his investigation that he requested information of the political parties and that information is available to the public.

Mr. Hillson: — According to this it wasn't. Maybe you could check into that and get back to the committee.

Ms. Baker: — Okay.

Mr. Hillson: — But according to this no request was made and has not been complied with.

Ms. Baker: — I'll have to get back to you at a later date.

Mr. Hillson: — Okay, thank you. I appreciate that. Now what if . . . Can you tell us, under the existing law now, if a political party ceases operation, what is the ramifications of that in terms of its assets?

Ms. Baker: — Under the new provisions of the legislation, and I'm not . . . I do not know the specific section, but if a political party requests to deregister, and doesn't field 10 candidates in a provincial general election, they would have to liquidate their assets, which would be held by the office of the Chief Electoral Officer for a period of two years.

Mr. Hillson: — And then they would revert to the province.

Ms. Baker: — At such time the political party can request to reregister under the new provisions of the legislation or they would be . . . I think its forwarded by the Chief Electoral Officer into general revenue.

Mr. Hillson: — So under the terms of the present law, if any of the registered political parties elect not to run candidates in the forthcoming provincial election they would be deregistered.

Ms. Baker: — Yes.

Mr. Hillson: — Automatically.

Ms. Baker: — Yes.

Mr. Hillson: — And their assets would go into trust with your office for a period of two years.

Ms. Baker: — Yes.

Mr. Hillson: — And if the party at that time reregisters they would be returned to the party.

Ms. Baker: — Yes.

Mr. Hillson: — Otherwise they would fall to the province.

Ms. Baker: — Yes.

Mr. Hillson: — That would include all assets including trust funds I take it.

Ms. Baker: — Yes.

Mr. Hillson: — So while your office has decided apparently not to press the issue of primary donors having not been identified in the past, you say you are satisfied now that all primary donors are being identified as required by legislation.

Ms. Baker: — Yes, the office, as I said, had prepared guidelines, support documentation for the year 1997 fiscal period filings and the political parties . . . The office continues to work with the political parties. As to the intricacies of the legislation, however, all of the political parties have been extremely co-operative and are forwarding the documentation required of them through the legislation.

Mr. Hillson: — And for trust funds that may have existed prior to January 1, 1997, does the view of your office continue to be that nothing should be done about those?

Ms. Baker: — Yes.

Mr. Hillson: — That's the view at the office?

Ms. Baker: — The office adopted the recommendation of the Department of Justice following Mr. Kuziak's report in an acting capacity. I requested civil opinion. I am comfortable with the opinion that I got in respect of the regulatory offences and I consider it closure.

Mr. Hillson: — Okay, I'm sorry. I wasn't referring to prosecutions. I was referring to the issue referred to in paragraph .23, that where there is an ongoing refusal to disclose the names of original donors, the funds should be remitted to your office. I think that's a different issue than the question of prosecution.

You've been addressing the issue of whether or not charges and prosecution is warranted. But as I see it, the auditor has been addressing the issue of unidentified donations should be remitted to the province.

Ms. Baker: — I was not involved in Mr. Kuziak's investigation. I would have to look back on the documentation to speak to it.

As I said, the office has adopted the conclusions of the Kuziak report following further opinion from Department of Justice. And it was the opinion to effect closure on all past issues with respect of filings under The Election Act, 1996.

Mr. Hillson: — But would I not be right though that while the issue of charges it probably closed, there is an ongoing non-compliance. If there continued to be trust funds for whom the donors have not been identified, the non-compliance is ongoing and current. It's not an historic issue.

So therefore while the issue of charges may well be out of date and past and dealt with, there's still the question of ongoing non-compliance and there, as I understand, a registered political party has the option of either making disclosure or remitting the funds to the province. Is that your understanding of the law?

Ms. Baker: — It's my understanding that under The Election

Act, 1996, the Chief Electoral Officer was not by virtue of any provisions of the Act expressly empowered to issue rules, procedures, for identifying anonymous donations to the registered political parties. The filings that we are discussing here today are applicable to that legislation.

Mr. Hillson: — Can I ask then that the auditor's office they'd explain how they interpret paragraph .23 of the report that they have provided here. If I'm understanding them correct.

Mr. Heffernan: — What we're saying here is that if the Electoral Office has information that there are anonymous donations out there in . . . being held by special funds or other agents of the parties that either that the funds have to be donated to the — those anonymous funds — have to be donated to the Electoral Office who will then pass them on to the General Revenue Fund.

Mr. Hillson: — But what about the situation that we've been discussing here where the original donation may have been made many years ago but the donor has still not been identified and the trust fund continues in existence. What's your view on that? Is there an ongoing non-compliance?

Mr. Heffernan: — Yes, well yes, we believe so. There's no limits set in the Act that if you don't submit your donations in the first year — that you didn't announce donations in the first year — that you wouldn't have to submit them in subsequent years.

Mr. Hillson: — So the failure to comply is ongoing?

Mr. Heffernan: — Yes.

Mr. Hillson: — No further questions.

The Chair: — Do other members have questions? Okay. We can move on to the recommendations. .29. The Electoral Office should improve the rules and procedures for identifying anonymous donations of more than \$100 in a fiscal year, \$250 in The Election Act, 1996 to candidates and political parties.

I believe that that was dealt with in February, 1998. Pardon me?

Mr. Strelieff: — The department has done significant progress on this but we're . . . I'd rather you concur and note . . .

An Hon. Member: — Progress

Mr. Strelieff: — Progress. There's still some issues that we think need to be brought to your attention again that don't relate to reaching back and getting the anonymous donations but making sure that the future is strong.

A Member: — Agreed.

The Chair: — Okay, concur and note progress. Agreed?

A Member: — Agreed.

The Chair: — Okay. .40, The Department should prepare an . . . Oh, I missed one. I missed one. .33: The Electoral Office should issue directives which: specify the information to be

contained in and accompany candidate's returns; require candidates' business officers to maintain adequate rules, procedures, books, and records to prepare proper candidate returns; and require auditors to comply with generally accepted auditing standards and to verify compliance with the Electoral Office's directives.

Mr. Shillington: — It appears from the following paragraph that there is either progress or compliance and perhaps Mr. Marchildon may want to comment on where we're at with this.

Mr. Marchildon: — I think in terms of the Electoral Office, I have to turn that over again to Jan Baker.

Ms. Baker: — The proclamation of the new legislation in January 1, 1997 necessitated the establishment of documentation to ensure compliance with the financial reporting provisions of the Act. The Electoral Office has prepared the administrative materials and guidelines directed at ensuring full and adequate disclosure in respect of the contributions received and reported by political parties and candidates.

Specifically six guidelines, including working documentation, have been compiled to facilitate the application of part VII of The Election Act, 1996 dealing with registered political parties and candidates' finances and the control of their respective election expenses.

Said documentation and materials have been forwarded for use by the political parties and candidates in order to expedite the financial recording and reporting obligations of their respective fiscal and election campaign period activities specific to the 1997 fiscal year.

The aforementioned documentation has also been forwarded to the Provincial Auditor.

Mr. Shillington: — I guess compliance then.

The Chair: — Concur and compliance. Agreed?

Mr. Strelloff: — The same comment that I made last time that they've made significant progress but there's some tightening that we would like to bring to your attention and discuss with you.

Mr. Shillington: — Progress then.

The Chair: — Concur and note progress. Okay.

Mr. Shillington: — Significant progress, right.

The Chair: — Okay.

.40 — The department should prepare an annual report on its performance. I believe again this was dealt with on February 19. That's right, on February 19 we voted not to concur with this one. Your committee is not of the view that a report is necessary consequently your committee does not concur with the recommendation is what happened on February.

Mr. Koenker: — Do we note our previous disposition?

The Chair: — Those in favour? Those opposed? So it's carried. There's two opposed, six in favour.

And then the last one is .48 — All government agencies should make public a list of persons (e.g., employees, suppliers) who have received money from them.

Mr. Koenker: — We're at the same point with this one where we dealt with this same issue did we not in February? Namely that we basically agreed with the recommendation in principle but noted that there were circumstances in which agencies might make a case not to make public a list, for example the Crowns.

Mr. Shillington: — Yes, it seems to me the health districts were another exception that seemed to us a little awkward. I was going to ask for a list of the agencies which don't . . . Oh, on the next page.

The Chair: — Okay, can I ask Mr. Paton? Maybe you have some information.

Mr. Paton: — Yes, Madam Chair. I think my recollection of your discussion of this was that you were going to deal with the entities more on an individual basis. What you've got here is a grouping of health agencies that I think Executive Council perhaps finds it difficult to address, including the agricultural agencies who made specific representation to this committee previously and provided reasons why certain corporations perhaps shouldn't supply that information. I think you agreed that you would address those on an individual basis with appropriate departments.

The Chair: — So what is your preference? What would you like to do with this recommendation?

Mr. Koenker: — Well I think that we note our previous disposition.

The Chair: — There wasn't anything in the minutes in this department? No.

Mr. Shillington: — Can I try a suggestion for the members of this committee to consider. That we note the auditor's recommendation, that we note these issues have been, with respect to the Crown corporations and the Crown Investments Corporation, these matters have been referred to the Crown Corporations Committee.

That with respect to the agencies under The Agri-Food and The Health Districts Act and the other agencies, that these various entities work co-operatively with the Provincial Auditor to research various means by which they might maximize public disclosure; and that members of Executive Council report back at a subsequent meeting with respect to their progress in meeting these objectives.

This is complex. Having made the motion, it's complex because you've got some very different agencies. You've got the health districts which are elected independently. You've got a whole whack of agri-food agencies for which it is operated. So that's the basis for my motion.

The Chair: — If it's a motion, then I have to get you to write it out.

Mr. Shillington: — Oh dear, I would have been more succinct, had I known.

Mr. Gantefer: — Madam Chair, if I may, while the member is outlining this, I think it's a dilemma in many ways for us. And I look at some of these agencies. I, in a past life long time ago, spent six years on the Saskatchewan Chicken Marketing Board and we paid rent, and you do the things that an agency normally does.

But if the disclosure is to have everybody that received a cheque from the Saskatchewan Chicken Marketing Board, is required in order to have open and transparent activities of government agencies, is required — boy, I'm really not convinced to be quite honest with you — that it has to be to that level, I think the requirement of filing financial statements and reports is certainly appropriate. And you know, I really do appreciate the fact that transparency and those types of principles are extremely important in the way we function both now and into the future.

But I would hope that the member's suggestion of having something maybe worked out between the auditor and I don't know who else, I mean I'm just wondering how we deal with this. Because it is a dilemma, and I hate to see us coming back year after year after year with the same resolution, and standing committees of Crown Corporations defer theirs, we defer ours, and nothing gets resolved on this. And I don't know what the right methodology is to work it all out, but I do agree some method of coming to resolution on this is important. If it's our committee or not I don't know, but . . .

Mr. Shillington: — I concur with those comments. And what I had hoped was that the Executive Council might work with the Provincial Auditor and bring back a recommendation for us by which some would be asked to comply, some would be exempt, and some might find other more appropriate means of maximizing public disclosure. That was the thrust of my motion, if I ever get it written out here.

The Chair: — I have Mr. Thomson, Mr. Paton, and Ms. Stanger.

Ms. Stanger: — I was just going to suggest that the comptroller add to this because he'd have some information.

Mr. Paton: — Madam Chair, the only thing I'd like to draw to your attention is, first of all, I think the auditor would agree that he's bringing these agencies to you on the recommendation of this committee. This is a recommendation that was made by the committee, and I think he's simply applying your recommendation and the way he has interpreted what the committee wants.

The second thing that I'd encourage you to do is to involve the affected departments. I think it will be probably very difficult for Executive Council to speak to the issues that were presented in regards to something like the Chicken Marketing Board where it's the Department of Agriculture that will have a better understanding of how they're held accountable to their various

boards and agencies.

So I'd just encourage you to consider that.

The Chair: — Okay. I have Mr. Thomson and then Mr. Shillington.

Mr. Thomson: — Well if I may just say looking at this list, with the exception of the Crown corporations that are listed — and we've asked for the Crown Corporations Committee to deal with that — I'm not sure that there is a great public interest or need to have a list of payees for any of the agencies under The Agri-Food Act, Health Districts Act, or these other agencies listed. I'm not sure what the public interest would be served by having those payees.

CIC Crowns are a different issue, and I think something that Crown Corporations hopefully will turn their mind to soon in terms of how they want to deal with it.

But I would be . . . I'm somewhat swayed by Mr. Gantefer's argument, particularly under Agri-Food Act agencies. I just don't understand what the necessity of reporting that to the public and the legislature would be, assuming that we continue to get good financial statements.

Mr. Strelloff: — Thank you, Madam Chair. An update since this report was issued last fall. As you stated, the lists of payees for Crown corporations had been referred to the Crown Corporations Committee. So if someone refers that motion in the House, then maybe the Crown Corporations Committee will get their minds around this one.

The second one, on The Agri-Food Act, if you remember earlier this week the Department of Agriculture came in and said that as a result of earlier recommendations you've made, you asked us to get together on the reporting of the marketing boards. And in the Ag and Food chapter that you reviewed earlier, there was a series of recommendations that were agreed to by the department, our office. And I think the deputy minister of Agriculture said that they were going to try to make sure that they're also acceptable to the marketing boards.

So they have dealt with this one and are proposing that lists of persons be reported by those marketing agencies. But I don't think it includes things like all the payments to milk producers, for example. It's more of the suppliers to the council or to the board, not the payments made on the check offs and things like that.

On the health districts, as you can see there's about a half of them, half the health districts have chosen to provide lists of people that they pay and another half haven't. And that's an issue that's been moving around the community. And I'm not sure what the resolution of that is, other than to say that about half of the districts have said that that's important to them to make sure that their communities know who receives money from their boards and half have chosen not to.

The other agencies are just a potpourri of things that come up from time to time. This issue in the fall of '97 was put in the Executive Council chapter just to provide some opportunity for some central policy decisions on these issues. Now since we've

done that, you've also said that you think that it should be addressed sector by sector, or department by department, or Workers' Compensation Board by the auto fund separately.

And that in general is the status. First, Crown Corporations Committee; second, the Agri-Food Council is addressing it; health districts — some are, some aren't— and then just a potpourri of agencies.

And that's just an update. It's all yours.

Mr. Shillington: — Before this thing goes into volume 2, let me try this, because I think the motion achieves what I think is a consensus here. Move:

That the members note the recommendation of the Provincial Auditor, and recommend that Executive Council work co-operatively with the agencies involved, the affected departments, and the Provincial Auditor to develop a process that will achieve the required degree of public disclosure, and report back to Public Accounts Committee.

Okay?

A Member: — The required degree. You see that's . . .

Mr. Shillington: — Well, it leaves a little running room. I think what we want is Executive Council to report back on the thing with something that will work. Some have already gone before. It was brought to my attention that the Workers' Compensation Board in September. I don't think I would say they left with a gladsome heart when we asked them to consider this; they were resistant.

So it seems to me that this is a request by Executive Council to develop something that's workable for these various agencies in co-operation with one and all.

Ms. Stanger: — Just before we vote on this. Could I have the comptroller comment on this?

Mr. Paton: — Well, Madam Chair, the only comment I would make would be to continue to reiterate my previous comment where I think this is a difficult issue for Executive Council to deal with.

The auditor has stated that he brought it under Executive Council to bring kind of a collective view of the problem. I'm not sure if he would state that the accountability of the agri-food group would be in any way related to Executive Council. It's something that my office has worked with in the past. If you're looking for a central agency to perhaps do it, maybe it's my group that should help with this. We developed the accountability for the Treasury Board agencies previously, and if it's a central agency that you want to coordinate this perhaps it's my office as opposed to Executive Council.

A Member: — Ned, did you hear that?

Mr. Shillington: — No, I have to confess I didn't.

Mr. Paton: — Yes, Madam Chair, just to repeat, I was stating

that again this is a difficult issue for Executive Council. I think the auditor brought it under Executive Council to get a joint view of what the problem was. I'm not sure he would say that it's necessarily their responsibility to develop this type of accountability. And in the past, my office has worked with the Treasury Board Crowns to coordinate this type of disclosure and perhaps would be more suitable for my office to assist at this time.

Mr. Shillington: — So you want to do it?

Mr. Paton: — I don't want to do it — I will do it.

The Chair: — Pardon me, before we go further, I want to see if there's a comment from the Provincial Auditor. Do you want to get involved in this or not? No.

Mr. Whitmore: — Yes, in light of the comments that the comptroller has made, and I think that is the more spirit and intent of the resolution, I would certainly urge either a change in that resolution that it be directed towards the comptroller's office or it be amended.

Mr. Shillington: — Already done. Since the Provincial Comptroller is salivating over this chore, we'll turn it over to them and I'm sure the Executive Council won't be too broken-hearted at losing control of it.

The Chair: — The motion wasn't made, so it now reads, and I think I can read this:

With respect to recommendation .48, the members note the recommendations of the Provincial Auditor and recommend that the Provincial Comptroller work co-operatively with the agencies involved, the affected departments, and the Provincial Auditor to develop a process that will achieve the required degree of public disclosure and report back to PAC.

This is the motion. All in favour? Those opposed? It's carried.

Mr. Shillington: — *Nemine contradicente*.

The Chair: — I believe that's . . . Now I have to repeat it.

Mr. Shillington: — How's that?

Mr. Putz: — She has to repeat it.

Mr. Shillington: — Yes, *nemine contradicente*. You have to repeat that.

Mr. Whitmore: — Are we done with this motion? I want to make some comments.

The Chair: — No, I have to repeat it now. We'll go on.

Mr. Whitmore: — Yes, Madam Chair, before we see Executive Council leave, I would just like to make the comment for the record, in light of the changes that have taken place in the, I think, in the spirit of open and accountable government where we see now the change. The Chief Electoral Officer is now being created as an independent agent and now we'll be

dealing with directly in terms of budget and other areas through the all-party committee of Board of Internal Economy, and budgets and that will be going through the Committee on Estimates too. So I wanted to note that now the change of the independent agency of the Electoral Officer.

The Chair: — I thank you for attending today. I think that again we appreciate your responses and your help and your answers to the questions. And if there isn't anything further, then I'll ask for an adjournment for today.

Mr. Shillington: — I so move.

A Member: — Agreed.

The committee adjourned at 4:22 p.m.