

Crown Corporations Council
A Manitoba Crown Corporation

Third Quarter Report 2001

Crown Corporations Council

*Third Quarter Report
For the Three Months Ended September 30, 2001*

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October 25, 2001

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C OV8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a quarterly report. Enclosed is the Report for the three months ended September 30, 2001.

Yours truly,

Arthur V. Mauro
Chairman

Crown Corporations Council

Third Quarter Report

For the Three Months Ended September 30, 2001

Report on Activities of the Council

During the quarter, Manitoba Liquor Control Commission officials made a presentation to Council on current strategic issues facing the corporation.

Council Reviews

Venture Manitoba Tours Ltd. (Venture) Mandate and Strategy Review

During the quarter Council conducted a review of Venture, of which the principal focus was to update the status of the situation identified in August 2000.

At the time of the previous review, Venture's short-term outlook was not favourable. Occupancy levels had been materially impacted by two incidents of guest illnesses from an unidentified source. In addition, infrastructure deficiencies were identified as a result of two independent engineering inspections conducted to reduce property and liability risks.

Some progress has been made to address these issues. A Departmental Working Group headed by a representative of the Community and Economic Development Committee of Cabinet was established to develop options to address the problems at the Resort. The Working Group anticipates potential options will be completed for consideration in the latter part of this year.

Venture was authorized to proceed with priority upgrades to the Resort and to engage expertise to conduct a market research survey/study that would assist in determining any lingering impact the past outbreaks may have along with a general examination of Resort awareness and customer expectations and attitudes.

The Corporation is pursuing clarification with the Province on its existing interpretation of the mandate, objectives, strategies and shareholder expectations and options regarding its debt.

Financial results reported for the first quarter of F2001/2002 indicate some improvement compared to the prior year. There have been no developments since the last review that would increase the likelihood that Venture will be able to retire its debt obligations in the future and fund the ongoing need for capital investment.

Council's overall assessment of risk remains High with a Negative trend. There have been no significant developments that warrant a change at this time. Venture continues to face long term operational and financial challenges.

Manitoba Public Insurance (MPI) Corporate Performance Report

During the quarter MPI's mandate and strategic initiatives were reviewed. We reviewed MPI's strategies and processes to mitigate risk (i.e., to reduce the uncertainty of achieving intended outcomes) and to influence and seize current opportunities. We sought citizen-focused outcomes that demonstrated client service satisfaction, capability to continue to improve and innovate, value for MPI's stakeholders, and efficiency and effectiveness in MPI's business practices. Effective performance in these areas is critical to MPI's on-going success.

MPI successfully concluded fiscal 2000/01, delivering strong financial performance and advancing realization of corporate strategic goals. The results of an Employee Opinion Survey served notice that MPI needs to improve its relationship with employees.

MPI sold its discontinued Reinsurance Assumed runoff exposure effective February 28, 2001 at a cost to MPI of \$4.4 million, allowing complete exit from this book of business.

Manitoba Public Insurance's mandate is to fulfill the significant socio-economic purposes set out in The Manitoba Public Insurance Corporation Act. MPI's business activities remain relevant, responding to the needs of Manitobans for access to universally affordable automobile insurance, within the identified public policy framework. MPI pursues its mandate with appropriate

commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, MPI's Directors demonstrate an appropriate standard of care and diligence.

Among its original objectives, MPI was to: offer compulsory universal auto insurance; return at least 85% of premium revenue in the form of claim benefits; operate at a lower cost than private insurers; offer lower rates than private insurers; provide comparable or superior coverage to that available in other jurisdictions; provide convenient and accessible service to all Manitobans; invest primarily in securities issued in Manitoba and earn comparable yields to private insurers; pursue loss prevention and traffic safety programs; and operate as a self-sufficient entity.

Council's annual reviews confirm that MPI continues to achieve these objectives. The growth and diversification of MPI's investment portfolio and available Manitoba investment opportunities results in investments that are not primarily in securities issued in Manitoba, although investment yields are comparable to private insurers.

MPI's planning processes and assumptions are appropriate to the Corporation's business environment. MPI continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MPI has appropriate strategies and processes to identify and mitigate risk in its compulsory Basic Autopac and competitive lines of business, Extension and Special Risk Extension insurance. MPI's Board and management are implementing these strategies effectively.

MPI delivers outstanding service and value in a manner that is consistent with broad Government policy. MPI manages its investment portfolio and business operations with due regard for economy, efficiency and effectiveness.

Our business condition assessment of MPI's operations remains favourable. In summary, we view the risks confronting Manitoba Public Insurance as Low, with a Positive risk trend, unchanged from August 2000.

Since our previous review, MPI took appropriate action to address areas where we believed mandate and policy clarification was warranted. Not all are fully resolved and continuing action is being taken.

As MPI approaches its 30th Anniversary we reflected on some of the key changes in MPI's environment which influence its current operations. During our current review, we identified the following areas where we believe there is opportunity for mandate and policy clarification:

Council believes it important that MPI and Government assess practical, sustainable and transparent actions that clarify public policy imperatives where these might conflict with rate setting considerations and processes.

Little has been done to modernize MPI's legislated financial, administrative and regulatory environment. In the context of significant environmental changes which influence its current operations, it may be timely and appropriate to initiate a comprehensive review of MPI's governing legislative frameworks.

Submissions to Council

There were no submissions made to Council during this reporting period concerning allegations or complaints against any Crown corporation under Council's purview.

Overview
Crown Corporations Council
Financial Statements
For the Nine Month Period Ended September 30, 2001
(unaudited)

Operating expenses are recovered from the Crown corporations through assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

Expenses for this nine month period increased by \$60 thousand compared to the same period last year. The increase is primarily attributable to filling a vacant staff position on a term basis and consulting fees for work in progress on the two reviews being undertaken on Crown remuneration policies and Ministerial roles regarding policy direction and operational oversight of Crown corporation activities.

Balance Sheet
(unaudited)

	September 30	
	2001	2000
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 520	\$ 473
Accounts receivable	3	6
	<u>523</u>	<u>479</u>
Capital assets (note 1)	7	23
	<u>\$ 530</u>	<u>\$ 502</u>
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 63	\$ 47
Levies received in advance	153	181
Due to Manitoba Crown corporations	307	251
	<u>523</u>	<u>479</u>
Reserve reflecting net investment in capital assets	7	23
	<u>\$ 530</u>	<u>\$ 502</u>

**Statement of Income and Reserve
Reflecting Net Investment in Capital Assets
(unaudited)**

	Nine Months Ended September 30	
	2001	2000
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 490	\$ 432
Interest	13	11
	<u>503</u>	<u>443</u>
Expenses	<u>515</u>	<u>455</u>
Excess of income over expenses (expenses over income)	\$ (12)	\$ (12)
Reserve reflecting net investment in capital assets, beginning of period	<u>19</u>	<u>35</u>
Reserve reflecting net investment in capital assets, end of period	<u>\$ 7</u>	<u>\$ 23</u>

Notes to Financial Statements
September 30, 2001

1. Capital assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

	September 30	
	2001	2000
	(in thousands of dollars)	
Cost		
Office furniture & equipment	\$52	\$57
Computer equipment	56	55
	<u>\$108</u>	<u>\$112</u>
Accumulated Depreciation		
Office furniture & equipment	50	55
Computer equipment	51	34
	<u>101</u>	<u>89</u>
Net Book Value	<u>\$ 7</u>	<u>\$23</u>

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.