

Crown Corporations Council
A Manitoba Crown Corporation

First Quarter Report 2002

Crown Corporations Council

*First Quarter Report
For the Three Months Ended March 31, 2002*

Table of Contents	Page
Transmittal Letter	
Report on Activities of the Council	1
Special Reviews	1
Council Reports	
Review of Crown Corporations 2002/03 Capital Expenditures	3
Communities Economic Development Fund	4
Manitoba Hydro	6
Submissions to Council	6
Overview - Crown Corporations Council Financial Statements	7
Financial statements for the three month Period ended March 31, 2002 (unaudited)	8

May 23, 2002

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 March 31, 2002.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

Crown Corporations Council

First Quarter Report 2002

Report on Activities of the Council

During the quarter, Manitoba Public Insurance made a presentation to Council. The presentation focused on governance, strategic issues, risk management and financial performance.

Special Reviews

Council was directed by Order in Council 38/2001 to undertake a review and provide a report to the Manitoba Government on Ministerial roles regarding policy direction and operational oversight of Crown Corporation activities, including, cross jurisdictional best practices.

The review and report was to consider the matter within the context of Ministerial public accountability for actions of a Crown Corporation and a Crown Corporation's accountability to the public. As well, Council was directed to undertake a review of and provide a report to Manitoba on the appropriate level of documentation each Crown Corporation should maintain regarding policy decisions.

Council retained PricewaterhouseCoopers to:

- Provide a current state assessment or “snapshot” of practices within Manitoba Crown Corporations concerning Ministerial roles with respect to policy direction and operational oversight.
- Distil a set of best practices for consideration in Manitoba from an environmental scan of accountability and governance structures and practices in other selected jurisdictions.

Crown Corporations Council

First Quarter Report 2002

- Consider corporate governance and accountability practices of Manitoba Crown Corporations within best practices in other jurisdictions, including the accountability framework for Crown Corporations and their relationships with Ministers and the public.
- Provide advice to Council on specific initiatives to improve corporate governance, public accountability, policy direction and operational oversight, including the appropriate level of documentation of Manitoba's Crown Corporations.

Council has completed this work and forwarded a report to the Minister responsible.

Council was also directed by Order in Council 38/2001 to undertake a review of and provide a report to the Manitoba Government on remuneration policies in each of Manitoba's Crown corporations to assist Manitoba in setting realistic and appropriate remuneration policies for all of Manitoba's Crown corporations.

Council retained Deloitte & Touche to conduct a comprehensive review of current management (executive) compensation policies and practices across Manitoba Crown corporations. The purpose of this review was to provide an assessment of current practices, through best practices research, provide examples of leading-edge compensation practices, identify areas that may require redesign and provide conceptual models and "first principles" for doing so.

Council has completed this work and forwarded a report to the Minister responsible.

Crown Corporations Council
First Quarter Report 2002

Council Reports

Review of Crown Corporations 2002/03 Capital Expenditures

Council completed its annual review of the Crown corporations capital expenditure programs. Total capital expenditures of \$501 million are budgeted by the Crowns for F2003. Manitoba Hydro's capital budget of \$391 million comprises the most significant portion of the capital expenditures.

Manitoba Hydro's F2003 capital program of \$391 million are projects deemed necessary to provide a safe and reliable supply of energy in an efficient and environmentally sensitive manner. Capital requirements support Hydro's long term integrated resource planning which encompasses key elements such as supply efficiency improvements, demand side management, timing and choice of new generation, transmission system, all within the context of its sustainable development principles

Total expenditures budgeted by the Crowns for F2003 is \$8.9 million higher than the current forecast for F2002. Although Hydro's capital expenditure program decreased, Lotteries plans call for a substantial increase in capital expenditures incorporating \$55 million in new initiatives and First Nations casino requirements.

Overall, the F2003 capital expenditures reviewed are consistent with the Crowns' mandates, corporate plans and strategies and in most cases reflect replacement, maintenance of business, customer growth needs and safety, legal and environmental related expenditures.

Crown Corporations Council
First Quarter Report 2002

Communities Economic Development Fund

We reviewed the Development Fund's strategies to mitigate business 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 the Development Fund's stakeholders, and efficiency and effectiveness in the Development Fund's business practices.

Effective performance in these areas is critical to the Development Fund's on-going success. Our summarized assessments of risk and corporate performance form an integral part of this report.

Since Council's November 2000 report the Development Fund successfully concluded fiscal 2000/01. The TEAM Loans program was introduced and six loans approved, Fisheries Loans exceeded budget while Business Loans were below budget, primarily due to reduced forestry sector lending. Fisheries portfolio performance remained healthy, reflecting strong commercial fish harvests while forestry sector Business Loans were negatively impacted from the effects of international softwood lumber trade disputes.

In addition to acceptable financial performance there was progress in achieving non-financial goals. Government announced its new Northern Development Strategy (NDS) in September 2001; the Development Fund is leading Economic Development initiatives in support of NDS. In September 2001, the Fund entered into a Memorandum of Understanding with Manitoba Intergovernmental Affairs (IGA) for the delivery of certain IGA community and economic development programs and services in northeastern Manitoba.

Crown Corporations Council
First Quarter Report 2002

The Development Fund's mandate is to fulfill the significant socio-economic purposes set out in The Communities Economic Development Fund Act. The Development Fund's business activities respond to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. The Development Fund pursues this mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, the Development Fund's Directors demonstrate an appropriate level of diligence.

The Development Fund's planning processes and assumptions are appropriate to the Fund's business environment. The Fund continues to focus on ensuring that intended outcomes are achieved and that operations safeguard public assets.

The Development Fund is meeting its mandate to provide financial and other assistance to entrepreneurs and Government in support of enterprise development and expansion in northern Manitoba through the Business Loans and TEAM Loans programs.

The Development Fund is managing the Fisheries Loan Program in support of both Manitoba's commercial fishery and community enterprise development.

The Development Fund manages its lending portfolios and business operations with due regard for economy, efficiency and effectiveness.

The higher risk inherent in the Development Fund's lending portfolios reflects the nature of its mandate. The Fund has appropriate strategies to identify and mitigate credit risk and concentration in its lending portfolios.

Crown Corporations Council

First Quarter Report 2002

Our assessment of the Development Fund's operations continues to be favourable. In summary, we view the business risk confronting the Development Fund as Medium, with a Positive risk trend, unchanged from our November 2000 Risk Assessment.

Manitoba Hydro

During the quarter, the Minister responsible for Crown Corporations Council requested Council comment on the potential acquisition of Winnipeg Hydro by Manitoba Hydro. The scope of the review was undertaken within the parameters of Council's legislated mandate. It included the strategic rationale for acquiring Winnipeg Hydro, due diligence process, the valuation basis for the offer and financial implications. The review focused on the benefits and implications of the acquisition to Hydro.

Submissions to Council

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

Crown Corporations Council
First Quarter Report 2002

Overview

Crown Corporations Council

Financial Statements

For the Three Month Period Ended March 31, 2002
(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 three month period decreased by \$3 thousand compared to the same period last year. The decrease is primarily attributable to not filling a vacant staff position on a term basis.

Balance Sheet
(unaudited)

	March 31	
	2002	2001
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 319	\$ 495
Accounts receivable	6	6
	325	501
Capital assets (note 1)	8	15
	\$ 333	\$ 516
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 42	\$ 49
Levies received in advance	119	152
Due to Manitoba Crown corporations	131	289
	292	490
Retirement allowances and other benefits payable	33	11
	325	501
Reserve reflecting net investment in capital assets	8	15
	\$ 333	\$ 516

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

	Three Months Ended March 31	
	2002	2001
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 153	\$ 149
Interest	1	5
	<hr/>	<hr/>
	154	154
Expenses	<hr/>	<hr/>
	155	158
Excess of expenses over income	\$ (1)	\$ (4)
Reserve reflecting net investment in capital assets, beginning of period	<hr/>	<hr/>
	9	19
Reserve reflecting net investment in capital assets, end of period	<hr/>	<hr/>
	\$ 8	\$ 15

Notes to Financial Statements
March 31, 2002

1. Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the 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. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

2. Capital assets and depreciation policy

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

	March 31	
	2002	2001
	(in thousands of dollars)	
	<hr/>	
Cost		
Office furniture & equipment	\$58	\$52
Computer equipment	56	55
	<hr/>	<hr/>
	\$114	\$107
Accumulated Depreciation		
Office furniture & equipment	51	50
Computer equipment	55	42
	<hr/>	<hr/>
	106	92
Net Book Value	<hr/>	<hr/>
	\$8	\$15
	<hr/>	<hr/>

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.

3. 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.