

Crown Corporations Council
A Manitoba Crown Corporation

Second Quarter Report 2002

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Crown Corporations Council

Second Quarter Report

For the Three Months Ended June 30, 2002

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August 29, 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 June 30, 2002.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

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Report on Activities of the Council

During the quarter, Manitoba Hydro and Manitoba Lotteries Corporation made presentations to Council. The presentations focused on corporate goals, strategies and performance.

Council Reports

Manitoba Centennial Centre Corporation

Manitoba Centennial Centre Corporation (MCCC) was established in 1968 for the development and management of the permanent arts centre for Manitoba, in the City of Winnipeg. The permanent arts centre includes the Centennial Centre complex and is the Province's principal memorial of the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province.

MCCC's mandate is to fulfill the significant socio-economic purposes set out in The Centennial Centre Corporation Act.

During the quarter we reviewed MCCC's processes and 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 MCCC's stakeholders, and efficiency and effectiveness in MCCC's business practices. Effective performance in these areas is critical to MCCC's on-going success.

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MCCC pursues its mandate with commercial objectives that balance social purpose with fiscal responsibility. MCCC's business activities remain relevant within identified public policy frameworks and respond to needs of targeted populations for access to premier performance facilities. In discharging their governance and accountability responsibilities, MCCC's Directors demonstrate an appropriate level of diligence.

Since Council's March 2001 "Challenges and Opportunities" report MCCC successfully concluded fiscal years 2000/01 and 2001/02. Government's deficit relief assistance in 2000/01 and MCCC's strategic actions throughout 2001/02, coupled with utilities cost savings arising from mild winter weather, resulted in significant financial and organizational accomplishments.

We believe it important to acknowledge the significant improvements in MCCC's transparency and accountability to stakeholders. We commend MCCC's Board and management for their persistence and diligence in "unveiling" the Corporation's operations and adopting values of openness, transparency and accountability.

While much remains to be done, a number of accomplishments in the areas of financial performance and reporting, customer satisfaction, relationships, communications and information sharing, workplace quality and business effectiveness are noteworthy.

During the year MCCC faced financial challenges arising from inherited, inappropriate budget practices and default by a parking services provider. The implications were brought to the Board and

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Government's attention in a timely and forthright manner. MCCC's Board and management took prudent actions that are projected to result in near breakeven financial performance.

MCCC initiated a Centennial Centre users group as a means of understanding and addressing tenant and performing groups' concerns. MCCC recently established a Labour / Management Committee to serve as a forum to communicate with and ameliorate employee concerns. This Committee will meet at least quarterly to ensure ongoing and timely dialogue.

Together with management, the Board is developing MCCC's first long-term Strategic Plan, targeted for completion during 2002. As an interim step, management prepared a three-year Business Plan that was considered at MCCC's April 17, 2002 Board meeting. Our preliminary assessment is the Business Plan provides a solid foundation to facilitate longer-term goal setting, recognizing the concurrent need to enhance mandate clarity.

MCCC is not able to comply with Council's April 2001 Corporate Performance Measurement and Reporting framework, which was presented to MCCC's Board in June 2001. In part, this reflects a lack of Board approved corporate goals and related measures and targets and in part, a lack of reliable internal data on performance in goal-related areas.

MCCC is committed to improving outcome and goal achievement reporting that demonstrates the benefits and effectiveness of its activities to Government.

MCCC continues to focus its efforts on ensuring that operations effectively safeguard public assets. MCCC

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manages its assets and business operations with due regard for economy, efficiency and effectiveness and takes appropriate actions to mitigate risks.

Our business condition assessment of MCCC's operations is favourable.

During our review, we identified the following areas where we believe there is opportunity for mandate and policy clarification:

- Government and MCCC are encouraged to adopt best practices options and considerations for enhanced governance that include formal clarification of public policy direction through the use of Cabinet directives and ministerial leadership in defining the Mandate and Vision.
- The Board should cause a review of its legislation and propose changes for Government consideration that enhance mandate clarity, modernize commercial and administrative practices and enhance governance and accountability practices.
- Council recommends Government compensate MCCC's Chairman and non-employee Directors in a manner compatible with Government practice, recognizing the Board's level of responsibility, authority and accountability for corporate performance.
- MCCC should refocus resources to facilitate policy and performance based governance.
- MCCC does not have a formal business continuity plan that can be referred to in the event of severe business disruption. The Board should cause a

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formal business continuity plan to be developed, thereby allowing the Board to make informed decisions about acceptable levels of risk and acceptable business resumption timeframes for which it will be accountable.

Manitoba Public Insurance

Manitoba Public Insurance (MPI) was created in 1971 as a response to serious social concerns arising from a lack of compulsory automobile insurance legislation in Manitoba. MPI's mandate is to fulfill the significant socio-economic purposes set out in The Manitoba Public Insurance Corporation Act.

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.

During the quarter Council 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

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practices. Effective performance in these areas is critical to MPI's on-going success.

Consistent with best practices, MPI commenced public reporting of corporate performance in relation to goals and targets in its recently released 2001 Annual Report.

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

Council's annual reviews confirm that MPI continues to achieve its original 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 concluded fiscal 2001/02, including its 30th Anniversary. For the first time, MPI returned almost \$81 million to Autopac policyholders through a one-time 16.6% surplus dividend from the Basic Insurance Rate Stabilization Reserve (RSR) that reduced the amount that insureds were required to pay.

Overall corporate financial results were unfavourable, reflecting losses in Basic Autopac and Extension Insurance, but Special Risk Extension (SRE) and Discontinued General Insurance results were positive. The Board established an upper limit on SRE retained

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earnings and, for retained earnings in excess of the approved target, authorized the transfer of surplus to the Basic RSR.

MPI is relentless in its focus on controlling costs, providing adequate insurance coverage and ensuring Autopac rates are fair and equitable. Changes to MPI's business models are customer focused, balanced with fiscal prudence and supported by strategic investments in information technology. MPI's performance allows it to continue providing low-cost, high-quality automobile insurance on a self-sustaining basis.

MPI continued strong customer service performance and progress towards realization of strategic corporate goals. Continuing focus on addressing issues arising from a November 2000 Employee Opinion Survey is reflected in an improvement in MPI's relationship with employees.

During the year MPI's Board and management continued to adopt or pursue best governance and business practices.

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. MPI's Board and management are implementing these strategies effectively and are in the process of enhancing corporate risk management practices.

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MPI's risk mitigation practices contribute significantly to overall corporate performance. Improved corporate-wide understanding of risk management and mitigation can contribute to improved corporate performance.

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.

Since our August 2001 review, MPI took appropriate action to address areas where we believed mandate and policy clarification was warranted. These are not fully resolved and, while action is being taken, we continue to believe there is opportunity for mandate and policy clarification in the following areas:

- 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 current environmental factors which influence MPI's operations, we believe it timely and appropriate that MPI and Government initiate a comprehensive review of MPI's governing legislative frameworks.

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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.

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Overview

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Financial Statements

For the Six Month Period Ended June 30, 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 the six month period decreased by \$25 thousand compared to the same period last year. The decrease is primarily attributable to not filling a vacant staff position on a term basis, lower depreciation and general expenses.

Balance Sheet
(unaudited)

	June 30	
	2002	2001
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 304	\$ 531
Accounts receivable	\$ -	4
	304	535
Capital assets (note 1)	8	12
	\$ 312	\$ 547
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 36	\$ 43
Levies received in advance	119	178
Due to Manitoba Crown corporations	116	303
	271	524
Retirement allowances and other benefits payable	33	11
	304	535
Reserve reflecting net investment in capital assets	8	12
	\$ 312	\$ 547

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

	Six Months Ended June 30	
	2002	2001
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 304	\$ 314
Interest	2	10
	<u>306</u>	<u>324</u>
Expenses	<u>307</u>	<u>331</u>
Excess of expenses over income	\$ (1)	\$ (7)
Reserve reflecting net investment in capital assets, beginning of period	<u>9</u>	<u>19</u>
Reserve reflecting net investment in capital assets, end of period	<u>\$ 8</u>	<u>\$ 12</u>

Notes to Financial Statements
June 30, 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:

	June 30	
	2002	2001
	(in thousands of dollars)	
Cost		
Office furniture & equipment	\$58	\$52
Computer equipment	56	57
	\$114	\$109
Accumulated Depreciation		
Office furniture & equipment	51	50
Computer equipment	55	47
	106	97
Net Book Value	\$8	\$12

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.