Crown Corporations Council

A Manitoba Crown Corporation

Second Quarter Report 2003

Cette information existe également en français.
Composez le (204) 949-5270

Crown Corporations Council

Second Quarter Report
For the Three Months Ended June 30, 2003

Table of Contents **Page**

August 26, 2003

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, 2003.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

Crown Corporations Council
Second Quarter Report 2003

Report on Activities of the Council

During the quarter, Manitoba Lotteries Corporation and Manitoba Hydro made presentations to Council. Presentations focused on governance, strategic issues, and financial 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.

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 April 2002 Corporate Performance Report MCCC successfully concluded fiscal year 2002/03, showing strong financial performance and organizational accomplishment in relation to plan.

During this period, MCCC management focused on identifying and resolving basic management and operating issues in virtually every part of MCCC's operations. Efforts directed at building human resource and technology infrastructure align organizational capability with corporate direction. Comprehensive change in these areas positions MCCC for future effectiveness.

A performance culture, where measurement is meaningful, is now rooted at operational levels. MCCC is starting the transition from process improvement to a focus on performance measurement and management of intended outcomes.

During the year MCCC faced financial challenges arising from indebtedness of the Winnipeg Symphony Orchestra. The implications were brought to the Board and Government's attention in a timely and forthright manner. MCCC's Board and management took prudent actions to mitigate financial impact.

MCCC's planning processes are inclusive and consultative. MCCC strives to achieve specific goals in five broad areas: Support Arts and Culture in Manitoba, Social Responsibility, Customer Satisfaction, Workplace Quality and Business Effectiveness.

MCCC is not yet able to comply with Council's April 2001 Corporate Performance Measurement and Reporting framework. MCCC is committed to improving outcome reporting that demonstrates the benefits and effectiveness of its activities to Government.

Absent a Board approved corporate risk policy, MCCC takes ongoing risk mitigating actions. MCCC carries comprehensive insurance coverage for administered properties and contents valued at approximately $104.5 million. MCCC's capital investments mitigate deterioration of facilities while maintaining premier performance and exhibition conditions.

MCCC focus its efforts on ensuring that operations effectively safeguard public assets. MCCC manages its assets and business operations with due regard for economy, efficiency and effectiveness.

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

Since our last review, the Board has taken action to address Observations related to mandate clarity. Opportunity for policy clarification continues in the following areas:

- MCCC should focus 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 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

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. Consistent with best practices, MPI reports high-level corporate performance in relation to goals and targets in its Annual Report.

MPI concluded fiscal 2002/03 with unfavourable financial results, reflecting a second consecutive year of losses in Basic Autopac that could not be offset by improved overall results from competitive Extension Insurance and Special Risk Extension.

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 improved corporate relationships with employees as measured by the May 2003 Employee Opinion Survey.

The Corporation advanced its life long learning strategy to create safety conscious Manitobans with the introduction of two new teaching tools in Manitoba classrooms. "Learning Resources," (Kindergarten to

Senior 2 age appropriate road safety lessons) and "Wrecked," an anti-impaired driving kit aimed at senior high school students, will reach nearly a quarter million Manitoba students.

During the year MPI's Board and management continued to adopt or pursue best governance and business practices. The Board updated its Governance Manual, corporate policies and risk management practices. Management enhanced corporate planning processes to improve planning input and enhance individual and Divisional Directional Plan alignment with the Corporate Strategic Plan.

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, on balance, 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 is relentless in its focus on controlling costs, providing adequate insurance coverage and ensuring Autopac rates are fair and equitable. MPI's business processes and service delivery are customer focused, balanced with fiscal prudence and supported by strategic investments in information technology. MPI has provided Manitobans with low-cost, high-quality automobile insurance for over 30 years.

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.

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, but with heightened risk in the short term.

Since our June 2002 review, MPI took appropriate action to address areas where we believed mandate and policy clarification was warranted. These are not fully resolved. During our current review, we identified opportunity for mandate and policy clarification in the following areas:

Council believes budgeting for losses is not a sound business practice. We believe filing a 2004/05 General Rate Application for Basic Autopac premiums that results in a planned loss heightens the risk that unfavourable financial results may necessitate larger premium requirements from ratepayers in the future.

The Basic Insurance Rate Stabilization Reserve (RSR) is well below the Board approved target range. Instead of seeking dedicated revenue increases, excess retained earnings from MPI's competitive business as well as any future surpluses from Basic will be used to rebuild the RSR.

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 Six Month Period Ended June 30, 2003
(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 six month period decreased by $12 thousand compared to the same period last year. The decrease is primarily attributable to a revision in accounting for vacation accrual, and lower professional development expenses.

Balance Sheet
(unaudited)

	June 30 2003	June 30 2002
	(thousands of dollars)	
Assets		
Current		
Cash	$ 430	$ 304
Accounts receivable	1	$ -
	431	304
Capital assets (note 2)	6	8
	$ 437	$ 312
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	$ 46	$ 36
Levies received in advance	190	119
Due to Manitoba Crown corporations	142	116
	378	271
Retirement allowances and other benefits payable	53	33
	431	304
Reserve reflecting net investment in capital assets	6	8
	$ 437	$ 312

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

	Six Months Ended June 30	
	2003	2002
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 291	$ 304
Interest	3	2
	294	306
Expenses	295	307
Excess of expenses over income	$ (1)	$ (1)
Reserve reflecting net investment in capital assets, beginning of period	7	9
Reserve reflecting net investment in capital assets, end of period	$ 6	$ 8

Notes to Financial Statements
June 30, 2003

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	
	2003	2002
	(in thousands of dollars)	
Cost		
Office furniture & equipment	$58	$58
Computer equipment	56	56
	$114	$114
Accumulated Depreciation		
Office furniture & equipment	53	51
Computer equipment	55	55
	108	106
Net Book Value	$6	$8

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.