

Saskatchewan Telecommunications
Holding Corporation

C

SaskTel 

1993

ANNUAL REPORT



NEW WORLD • NEW DIRECTIONS

THE CUSTOMER

THE VISION

THE PLAN



Corporate profile

SaskTel is a provincial crown corporation providing local and long distance voice, data, image and text services throughout Saskatchewan's 652,000 square kilometres.

The corporation is an acknowledged leader in the telecommunications industry, developing and delivering advanced products and services to approximately 450,000 residential and business customers. From its headquarters in Regina, SaskTel manages assets of more than \$1.2 billion and employs 3,700 people in more than 60 communities across the province.

As a member of Stentor, an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and world-wide long distance communications services. Through SaskTel Mobility, SaskTel provides the most extensive cellular and paging coverage in the province. The corporation also applies the latest technologies to provide a growing number of superior-quality, affordable services, expanding telecommunications options for its customers.

As part of its diversification activities, SaskTel undertakes investment opportunities that have solid potential to make favorable long-term contributions to the growth of the corporation. The corporation also shares its technical and management expertise in the pursuit of diversification opportunities world-wide through its wholly owned subsidiary, SaskTel International.



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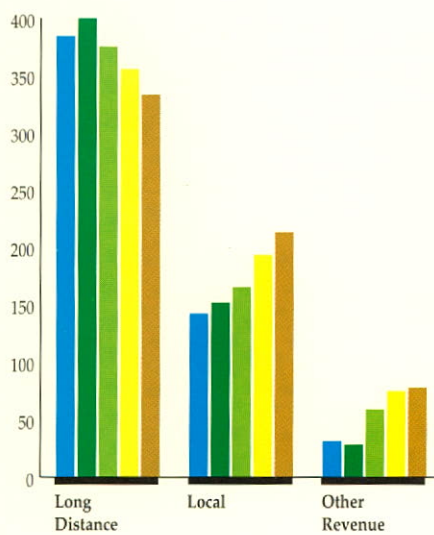
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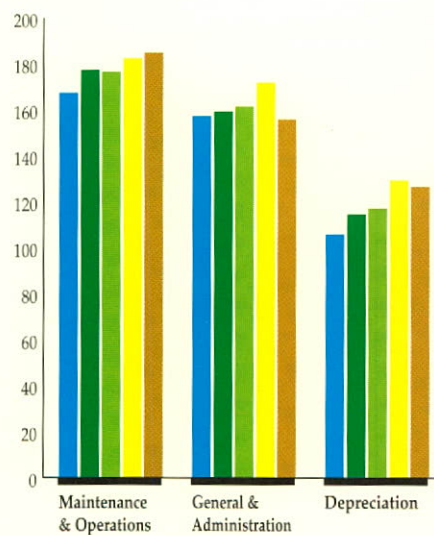
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(\$ Millions)



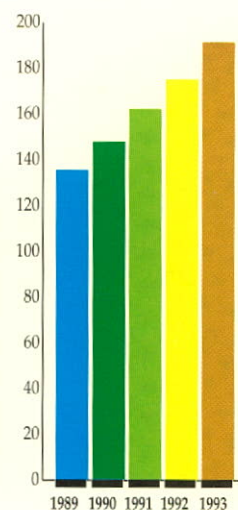
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(\$ Millions)



Long Distance Messages

(Millions)



■ 1989 ■ 1990 ■ 1991 ■ 1992 ■ 1993

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T H E N E W S A S K T E L

Our world is being reshaped by dynamic national and international forces. These changes mean enormous opportunity for those who are strategically positioned to lead.

SaskTel is in the exhilarating process of re-positioning for the future. The story of 1993 is one of new directions: A strategic plan. A market-based vision. Most of all, a focus on being where our customers want us to be.

Our dynamic environment

Entering 1993, we found ourselves surrounded by electrifying change: Strenuous demands on our economy. Immense change on the world's political stage. A re-shaping of international trade. Astonishing new technologies. New relationships and forces within the telecommunications industry. Domestic and international market opportunities increase, but so does competition and the race for technical innovation.

It's true that the telecommunications marketplace is constantly evolving, and so must SaskTel as we capitalize on new opportunities presented by the dramatic, continual change surrounding us.

On the one hand, some of these forces seem threatening. We must provide products and services in the midst of an uncertain national economy. We face new competition for our products, and growing competition in national long distance telephone service is reducing our revenue by millions of dollars a year. Finally, while a moratorium exists today, we can foresee a time when regulation of SaskTel may move from the provincial government to the federal CRTC, bringing with it the burden of higher costs and reduced ability for quick delivery of new services.

On the other hand, SaskTel possesses incredible vitality and flexibility. We are leaders and innovators in many of the products and services we provide,



Fred Van Parys (left), SaskTel's President and Chief Executive Officer, with Honourable Ed Tchorzewski, Minister Responsible for SaskTel, at the corporation's recently renovated Telmart retail store in the Cornwall Centre Mall, Regina.

including network-based technologies. Our international business is growing and diversifying. We have maintained a strong financial base. And at our core is the powerhouse of skill, talent and commitment represented by the people of SaskTel. We are well-equipped for the transformation our changing environment demands.

Our challenge, then, is to develop and apply our strengths in ways that capitalize on the emerging



market opportunities. To succeed, we will have to concentrate on two major priorities: First, a market-oriented approach which focuses on meeting customer needs and anticipating their future demands. Second, re-positioning SaskTel to be a more dominant leader in an increasingly competitive marketplace. This will require that SaskTel successfully transform itself into a low-cost innovator.

Our new directions

In 1993 we developed a bold strategic plan. Implementing that plan in the years ahead will result in a radically different company: a new SaskTel. We will make major strides: improving the quality of our products and the responsiveness of our service; offering superior variety, convenience and reliability, and a very competitive cost base.

The strategic plan will unfold over five years of transition and growth, during which time we will become more diversified, financially stronger and more firmly established as market leaders.

This plan grows out of our vision of a company known for value, flexibility and excellence; and the focus of that vision is our customer. Understanding customer needs will determine our marketing and service strategies. Meeting those needs will provide financial security and corporate stability that will benefit all of Saskatchewan.

Foundation for the future

During 1993, SaskTel's operations laid the foundation on which the elements of our strategic plan are being built. This report will tell you about our activities

over the last 12 months, but there are two that deserve special mention.

Internally, we responded successfully to the long distance revenue shortfall which resulted from the first full year of national long distance competition. Not only was that shortfall offset by growth in core and diversified operations, but we also reduced our operating expenses to provide a 1993 profit which will strengthen SaskTel and provide rate stability for our customers. Our employees deserve special thanks for the key role they played in reducing expenses, streamlining operations and generating new revenue.

Externally, our long distance positioning program promoted the company's unique strengths. Our goal: to give our customers the information they need to make SaskTel their supplier of choice now and in the future. As we watch competition increase across the country, we are determined to inform the people of Saskatchewan about the benefits of their daily partnership with a provincially-regulated telecommunications company providing universal service, competitive prices, and excellence in quality and service.

Meeting these and other corporate objectives in 1993 not only built a basis for future strength, but also provided financial, technological and social benefits for our most important partners, the people of Saskatchewan. Now we move towards the 21st Century with a new central focus on our customers' needs, a vision of how our expanding services can satisfy those needs now and in the future, and a plan to lead us there.

Hon. Ed Tchorzewski
Chairman of the Board

Fred Van Parys
President and Chief Executive Officer



T H E S T R A T E G I C P L A N

As the corporation nears its 86th year of service, SaskTel remains a leader in telecommunications, providing advanced products and services to the people of Saskatchewan. But a new day is dawning in SaskTel's business environment. Increased competition has become our central reality, and our challenge is to map out a new route for continued success in the years ahead.

To chart that course, our focus is set firmly on our customers. We have a clear vision of what SaskTel will become in order to meet, and even exceed, our customers' ever-changing needs. And we have a strategic plan to take us there.

Our customers

A competitive marketplace is customer-driven. SaskTel's continued leadership will depend on how well we focus on our customers. In 1993, we committed ourselves to developing a five-year strategic plan to make us a company whose central goals are providing better customer service, improving our competitive advantage, and containing costs while maintaining a commitment to social responsibility and good citizenship.

To create the plan, we involved employees from various levels, along with customers, representatives from interest groups and others. That team worked hard and consulted widely to create a statement of vision for the new SaskTel, a set of values to guide our transition, and the strategic imperatives necessary to carry out the plan.

Central to this plan is our commitment to provide exceptional products and services to our customers, ensuring that SaskTel remains their partner of choice in the years ahead. Those products and services are not only important to our customers, but will also contribute to the continued growth and prosperity of all business and industry in the province, and to Saskatchewan's economic and social development.

Our vision

This is the new SaskTel we are creating: SaskTel will be a highly competitive business committed to delivering outstanding customer service and value. As a leader in technology, we will anticipate and fulfil our customers' needs for cost-effective communications solutions.

Collectively, our people will be creative, diverse, flexible and highly skilled, accepting challenges and generating personal and corporate successes that will allow all of us to realize increased job satisfaction and security.

We will achieve ongoing market and financial success by working as one team focused on excellence. SaskTel will grow profitably and diversify both in Saskatchewan and around the world, delivering the benefits of advanced communications to our customers and their communities, our employees, owners and partners.

Guiding values

We have committed ourselves to a set of values — our organization's beliefs that will define our corporate culture and guide our daily behavior.

- Honesty, integrity and mutual respect — these will form the base for all behavior and will be inherent in everything we do.
- Open communication — creating trust and common purpose with our customers and stakeholders, and throughout our organization.
- Excellence — serving our customers by providing value in price, quality and service; supporting our customer service through innovative products and processes, and living our values daily as an organization and as individuals.

Our plan

SaskTel must excel in many areas to remain our customers' partner of choice. We call these areas of excellence our strategic imperatives. They are the fundamental elements of our plan.

Financial management

We will approach our markets innovatively and aggressively, carefully containing our operating expenses.

This will include enabling our employees to better use financial information to match products and services to customer needs; implementing a process to manage new products and business units; and achieving self-sustaining growth based on above-average profitability and a competitive capital structure.



Service excellence

We will pursue service excellence, the competitive edge that separates SaskTel from the competition.

To do this, we will redefine our customers by market segments and develop strategies that focus on meeting and exceeding customers' expectations; we will develop employees who "think like the customer" and are empowered to change our business processes to meet customer needs. We will promote a commitment to job performance and service.

Human resources

We will create a more flexible and adaptable workplace that can respond quickly to changing market needs. We intend to earn a ranking among the best 100 companies to work for in Canada.

We will foster a culture where all employees are empowered with a sense of ownership, and have greater incentive to provide optimum levels of service, quality and productivity. The four cornerstones of employee empowerment will be: training, work organization, employee involvement and open, two-way communication.

Core business

We will make marketing our "whole company job."

This will involve a strategic marketing plan linking our initiatives, programs and resources to market priorities; leading in the anticipation and fulfilment of customer needs; positioning the corporation to be highly successful under long distance competition and to maintain a leading industry role in local services. At the same time, we will continue providing all our customers with access to high quality, universal service that is cost-effective and affordable.

SaskTel will also aggressively increase revenues by being first-to-market with customizable, network-based services; and will use a wide variety of sales and distribution channels for more effective, efficient delivery of products and services.

Diversification

We will develop a greater share of our future business from non-traditional markets.

Our diversification will encompass both the pursuit of our existing core business in new geographic locations, and the development of new ventures in Saskatchewan and elsewhere.

Information technology

We will develop cost-effective and competitive information-handling as one of our strongest strategic advantages.

We will focus information technology resources on competitive business processes; create a technology infrastructure plan; and develop the core competencies we need in technology architecture, platforms, applications and skill sets.

Regulatory environment

We will use the existing moratorium on federal regulation to prepare for the future.

This preparation time frame will give us an opportunity to provide new, innovative and flexible customer solutions; to enter new markets; to develop new alliances; and to achieve financial success. Accomplishing these objectives will minimize the negative effects of long distance competition and help build market dominance.

Strategic alliances

We will build new commercial relationships, based on mutual benefit and mutual need.

We will plan a strong role in developing the Stentor alliance. In addition, we will create a vendor management strategy of value to both SaskTel and its suppliers.

We will establish strategic alliances with business customers, carrying out mutual business planning and redirecting efforts to meet each other's needs.

Communications

We will communicate our vision of the new SaskTel, clearly and candidly, to our customers, employees and other stakeholders. We will also encourage feedback and respond to it in a timely manner. Excellent communications, both internal and external, will give SaskTel the critical information we need to work as a team — the competitive edge that will help ensure success in our rapidly changing marketplace.

■ Building the new SaskTel today

Entering 1993, we had our sights clearly focused on two critical objectives. The first was regrouping our resources to take full advantage of changes to our competitive and financial environment. We achieved this by drawing up the strategic plan presented in the previous section.

The second objective was to streamline and redirect our daily business operations in a manner which would improve customer service, develop a stronger position for SaskTel in the marketplace and reorganize our financial structures so that we could enter 1994 with an improved bottom line. The



success of these operational activities builds the base on which our strategic plan will unfold for the benefit of our customers and the people of SaskTel, who serve them. What follows are highlights of our key operational activities which helped achieve these goals throughout 1993.

■ Delivering new benefits to the marketplace

A new, **ON-LINE SALES QUOTE SYSTEM** in 1993 means SaskTel sales people now provide business customers with faster, more detailed quotations, including full breakdowns of costs and maintenance options. A quote that used to take four hours now takes 45 minutes. By year end the system is introduced to Saskatoon, Regina, Moose Jaw, Swift Current, Estevan, Yorkton and Weyburn, and is set to expand to North Battleford and Prince Albert in 1994.



The **SASKATOON COMPUTER REPAIR CENTRE** expands its service dramatically with an agreement covering 1,100 pieces of equipment in 16 schools of the Saskatchewan Valley #49 School Division. Other clients include the Star Phoenix, the Saskatoon Police Department, Royal University Hospital, Revenue Canada and Bedford Road Collegiate. More and more businesses, institutions and individuals turn to our computer centres in Saskatoon, Regina, North Battleford, Prince Albert and Yorkton for repairs, upgrades, and installation of additional memory. They find competitive prices, first-class service and the ability to repair nearly all post-warranty products.



Paperwork and setup costs to install Centrex systems are slashed when employees, brainstorming about internal cost-cutting, decide to completely revamp processes and procedures. The new **CENTREX EXPRESS** system reduces the number of forms from 45 to six, cuts administrative steps by more than half and trims internal costs by more than two-thirds. The result: new customers can now normally get Centrex service in a day instead of a week or more. For SaskTel sales staff, it means

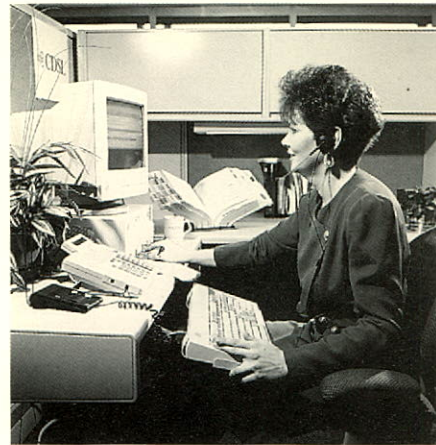


less paperwork and more time assisting customers, explaining the advantages of the network-based Centrex service.

NEW TELMARTS are opened in Regina and Saskatoon. They are located outside the downtown area for greater convenience. Customers now have easier access to face-to-face service and product displays. At the same time, all Telmarts are upgraded with a **CASHIER BILL-PAYMENT SYSTEM**. A scanner reads bar codes, saving time by eliminating keyboard errors. SaskTel's business transactions are streamlined; during peak periods, customer waiting times are substantially reduced. Direct cashier access to central records means customers also get prompt answers to questions about their accounts.

More business customers discover SaskTel's unique ability to create cost-effective **NATIONAL CALL CENTRES**. In Regina, CDSL announces a new Call Centre, and the SEARS Canada Call Centre, announced last year, is officially opened. The new CDSL centre will create up to 50 high-tech jobs. Why Saskatchewan for a national Call Centre? Our central time zone, which makes it easier to provide national coverage; an educated, highly skilled workforce; SaskTel's efficient 800 Service; a technically advanced telecommunications system; and competitive long distance rates. Companies can also benefit from SaskTel's team of experts, who consult with them on their strategic plans and total telecommunications needs. Customers get custom-tailored solutions, as well as the technologies that reduce costs and help business to grow.

In 1993 CDSL announces the establishment of a new national Call Centre in Regina. Shown is Donna Wolfe, CDSL's Call Centre manager.



SASKTEL INTERNATIONAL continues to pursue worldwide opportunities, expanding its business in consultation, network planning and project management. The company also markets software, systems and services around the world, and forms strategic alliances and partnerships for long-term business ventures. A \$3 million contract is signed to complete the installation and commissioning of telecommunications equipment in the Anglo-French **CHANNEL TUNNEL**, the 20th Century's largest construction project. At the peak of activity, 23 SaskTel engineers and technicians with leading-edge expertise in digital technology and fiber optics are on site, the majority working inside the tunnel on its signaling, control and voice communications. This caps four years of involvement with the tunnel for SaskTel International, beginning with technical review of the telecommunications system and continuing with contracts to audit the data transmission system, and to design and install telecommunications facilities and control systems.



SaskTel provides computer repair services to a growing list of customers including Bill Salt (sitting) of the Saskatoon Star Phoenix. Listening to Bill is Facilities Technician Terry Clarke.

SaskTel International continues to make international sales of **MARTENS SOFTWARE**. A \$1 million-plus sale in 1993 to Commonwealth Telephone

Company of Dallas, Pennsylvania, is the third sale in the United States. Six clients now use the industry-leading telecommunications facilities management system. MARTENS, complemented with Switchgate,

allows users to provide their customers with "service on demand."

A phone call to Canada from President Fidel Ramos of the **PHILIPPINES** inaugurates telephone services engineered by SaskTel International under his government's Municipal Telephone Project. This achievement is part of a multi-year, \$48 million project to extend services to 250 communities in remote areas of the Philippines. SaskTel International provides engineering, design, procurement, installation, commissioning, training, maintenance and support to the country's Department of Transportation and Communications.

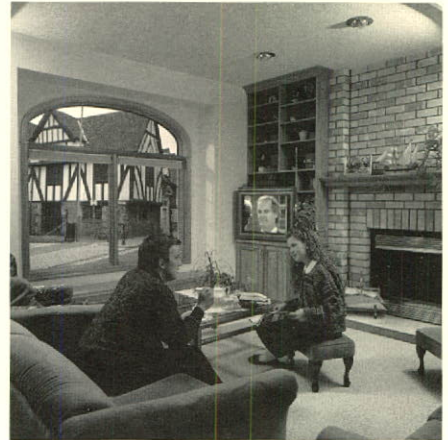


SaskTel International continues work on a major telecommunications project in the Philippines. During the year Philippine President Fidel Ramos makes a call to launch the Negros Oriental/Siquijor Municipal Telephone Project. Beside him (left) is Jesus B. Garcia Jr., Secretary of Transportation and Communications, Philippines.

In England, the first phone call from a business customer to **LCL CABLE COMMUNICATIONS LTD.** launches

telephone service for the new company, 55 percent owned by SaskTel. SaskTel International has been the project manager for LCL's development from the ground

A new multi-media network is being built in England to provide telecommunications and cable TV services to the communities of Leicester and Loughborough.



up, including laying a cable network of optical fiber rings. LCL continues construction of its unique multi-media network, extending both cable TV and telecommunications services to 600,000 potential customers in the cities of Leicester and Loughborough and their surrounding areas.

Increasing the value of communications services

Early in 1993, SaskTel begins work on a three-year, \$29 million **NORTH SASKATCHEWAN MODERNIZATION** program. The remaining sections of the original, 20-year-old analog network are being replaced with computerized facilities that improve service to northern customers, while lowering operational and maintenance costs for SaskTel. Several remote communities will gain access to telephone service for the first time. Components of the project include

three new



digital radio routes, new computerized switching equipment for the communities involved, a new fiber optic route, and satellite service to areas of the far north. The result will be better access to the full range of telecommunications services for northern residents, and improved service for outfitters and other northern businesses.



SaskTel's Advantage long distance calling program is enhanced, providing new customer benefits and simplifying existing services. **ADVANTAGE PREFERRED** is introduced, providing thousands of Saskatchewan business customers with an opportunity to reduce their monthly



Lorna Arcand, Games Manager of the Saskatchewan Indian Summer Games, is one of thousands of SaskTel Mobility customers who have instant access to the province's most extensive cellular network.

telephone bills by as much as 60 percent when volume discounts are included. Business customers who make a minimum of \$80 worth of long distance calls a month can benefit from the new discount program. WATS, Advantage



Global and Advantage PLUS services are incorporated into the seamless Advantage Preferred savings plan. A simplified price schedule is introduced and the increments for toll billing can now be as short as six seconds.

ADVANTAGE VNET software allows large companies to custom-build their own private telecommunications network within Stentor's public network. Federated Co-op is the first SaskTel customer to tap the Advantage Vnet benefits, including designing the company's own billing packages for better control and accountability, and gaining larger toll discounts by aggregating customer locations.

SIGNATURE SERVICE, introduced in 1992 for larger business clients with complex telecommunications infrastructure, high skill levels and significant growth potential, continues to be highly successful. The service develops a blueprint of each customer's strategic needs, and uses the blueprint to develop customized services that support the client's long-range business plans. This investment in stronger client relationships and service includes commitment to each blueprint from all the Stentor telecommunications companies across the country, assuring the client of national support for its telecommunications activities. In 1993, the SaskTel Signature Service account team develops client blueprints for Saskatchewan Wheat Pool and Wascana Energy (formerly SaskOil). In doing so, SaskTel moves from being a supplier of equipment and services to a strategic

**S I G N A T U R E
S E R V I C E**
BEYOND EXPECTATION

partner, contributing to each company's success.



SaskTel's Signature Service program helps meet the unique needs of major customers like Interprovincial Pipe Line. At the pipeline company's Regina district office, SaskTel Account Manager Sam Chernoff (left) discusses future communications requirements with District Manager Art Meyer.

SaskTel's service to national business customers is upgraded through its

membership in Stentor's **OPERATIONS DEVELOPMENT ALLIANCE (ODA).**

The ODA pools operations and

systems expertise from the nine Stentor members to speed the development and delivery of Stentor's new products and services. This provides SaskTel with faster access to new technical solutions as they are developed. Reduced costs and superior customer service result from improved methods and procedures, development of new systems, and enhanced operation standards and information technology.

SaskTel's **800 SERVICE** becomes more flexible and affordable for customers. There are now a total of



11 calling features in the complete 800 Service package: FlexRoute, Courtesy Response, Call Prompter, 800 Caller Identifier, Area Code Route, Exchange Route, Overflow Route, Dialed Number Identifier, Control Route, Emergency Route and Call Allocator. Businesses use 800 Service to expand markets, improve customer service and increase productivity. In addition, the **PROVINCIAL SALES TAX IS ELIMINATED** on 800 Service in 1993, directly lowering customer costs.

Another 31 rural communities gain the benefits of information-age technology with the installation of **DIGITAL SWITCHING SYSTEMS** in smaller



Saskatchewan centres. This is part of SaskTel's \$128 million, multi-year, **NETWORK UPGRADING PROGRAM.** With new

touch tone phones, residents in these communities can now join the majority of Saskatchewan customers in most communities, who already have the option of services such as Call Display, Call Forwarding, Call Waiting, Speed Calling, Three Way Calling, Call Return and Call Trace. Zero Plus long distance services such as calling card, third-number billed and collect calls are now available without the assistance of an operator.



COMPANION 100 is introduced to provide personal communications service. The digital pocket telephone adjunct unit is smaller, lighter and more portable, with greater security features than cordless

telephones. Because personal communications service is designed to cover customer-specified areas, it is priced lower than cellular service. The Companion units work on a network of small base stations and are ideally suited for shopping malls, airports, construction sites and larger offices that have on-premises switching equipment or SaskTel Centrex service.



In its first full year of service, the **INTEGRATED SERVICES DIGITAL NETWORK (ISDN) MICROLINK** provides new services to Saskatchewan businesses. ISDN allows the high-speed



Saskatoon City Hospital's advanced Meridian digital switching system can be easily modified to accommodate future telecommunications services. Diane Smith (seated), and Annette Mireau like the convenience and flexibility the hospital's new Meridian system provides.

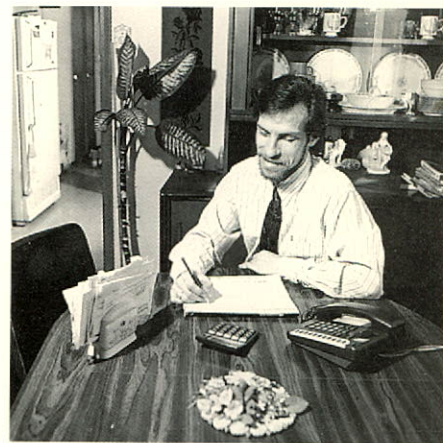
exchange of voice, data, image and video information over the same telephone line. Customers use ISDN for file transfers between offices in different cities, working on the same document and independently accessing computers located elsewhere. Saskatchewan customers were the first in Canada to use Microlink when it was introduced in 1992. Microlink dramatically increases the speed and effectiveness of telecommunications services. For example, customers can send a one-page fax in less than 10 seconds, or use the same line to

speak face-to-face with clients via videoconferencing. They can lower costs by reducing courier charges, and benefit from lower line charges thanks to the increased speed at which electronic data is transmitted over long distance lines.



Regina, Saskatoon, Prince Albert, North Battleford, Moose Jaw and Yorkton businesses now have access to Microlink. The University of Saskatchewan begins using Microlink to develop the SASKnet computer network and also to allow faculty members access to the university's computer network from their homes.

The **VISTA** family of single-line, rental telephones is launched. The visual display Vista 200 and Vista 100, and the Vista 10 phones are worry-free units manufactured



The Vista family of rental telephones makes its debut in 1993. Miles Myers of Swift Current is one of the first customers in the province to use his Vista 200 phone for a new service called Name Display.

with advanced technology. The phones meet not only today's customer needs, but also future demands as technology develops new customer calling options such as Name Display, which is set to undergo a market trial in Swift Current early in



1994. Vista 200 and Vista 100 have a lamp that notifies Message Manager customers that someone is trying to reach them. The three Vista telephones are exclusive to SaskTel and have a variety of other convenience features, depending on the model selected.

SaskTel's **RESEARCH AND DEVELOPMENT** program is attracting attention with two trial runs of new technology. A **MULTI-MEDIA LOCAL AREA NETWORK** in Regina's Campbell Collegiate completes its first full-year trial. The system uses fiber optics and optical switching to transport remote



screen and keyboard links to a central processing unit from various locations throughout the school. Central storage

eliminates the need for disk access at every terminal. Any terminal user can develop multi-media presentations from wherever they may be located in the network. Students benefit from more effective learning programs and the school system gains an efficient, cost-effective educational tool.

Home-based entertainment services are also being tested in a near video-on-demand pilot project in Regina as SaskTel and ACME Video team up to form **HOLLYWOOD AT HOME**. This project, the first of its kind in the world, could eventually involve up to 200 homes. Residents can receive current movies via telephone or a special remote control device. The movie appears within five minutes and can be fast-forwarded or reversed at the customer's convenience.

ACME Video and SaskTel are partners in a technology trial that uses fiber optics to deliver videos on demand to residential customers. Rather than picking up a video from an ACME employee like Jason Martin, a movie is available to Regina trial participants at the touch of a few buttons.



The viewer gets instant access to movies at standard video rental cost without



leaving the home. Participants in the fiber optic-based project also include major motion picture studios, as well as several Saskatchewan

high-tech companies who supply equipment.

■ Turning challenges into opportunities

The **STRUCTURE OF THE TELECOMMUNICATIONS**

INDUSTRY in Canada is in a state of flux. A major cause of this is the 1992 landmark decision of the Canadian Radio-television and Telecommunications Commission (CRTC) to permit long distance competition in territories regulated by the federal government. The federal government has long sought CRTC control over SaskTel, but in 1992 the Saskatchewan government negotiated a moratorium over telecommunications regulation. The moratorium is scheduled to expire in October, 1998.

Two challenges face SaskTel as a result of these separate issues involving the CRTC.

First, the **LONG DISTANCE COMPETITION** which the CRTC permitted in other provinces has had a spill-over effect on Saskatchewan.

SaskTel, through its membership in the national Stentor network, receives a share of revenue from inter-provincial calls originating in, terminating in or passing through Saskatchewan. Stentor revenues decreased in 1993 as a result of the competition from new national telecommunications carriers. The resulting lost revenue from this source is especially significant, because SaskTel has traditionally used long distance revenues to subsidize local service in a province where our small population is spread over a large, costly-to-service geographic area. In 1992, for example, SaskTel used \$165 million of its long distance revenues to subsidize local service. SaskTel continues to look at ways of gradually restructuring its rates to more accurately reflect the real cost of providing service, while maintaining affordable local service.

STENTOR



The second challenge before us is the threat of **CRTC REGULATION** and the dramatic cost increase that SaskTel would face should regulation of the company be turned over to a federal commission. CRTC regulation would mean millions of dollars of new expenditures to meet

added federal requirements for studies, legal experts, consultants and public hearings. These costs would ultimately be passed on to SaskTel's customers. The situation demands that SaskTel, the provincial government and the people of Saskatchewan work together to maintain control of the operations of SaskTel.

Despite these challenges, SaskTel has two **STRATEGIC ADVANTAGES** upon which to build for the future: our resourceful, highly skilled employees, and one of the world's most technologically advanced networks. With these as our strengths, SaskTel is using the five-year moratorium as a window of opportunity to reposition ourselves by:

- Assisting in the development of A **REGULATORY FRAMEWORK** that will serve the unique needs of Saskatchewan Telecommunications customers.
- **ENHANCING OUR MARKET POSITION** as a high-quality, reliable, low-cost provider of services that generate optimal returns to the people of Saskatchewan.
- **STRENGTHENING THE CORPORATION** for increased competition by developing superior services and technology; solidifying our financial position and reducing operational costs; and continuing to develop the most efficient, flexible, high performance team of employees.



The **STRATEGIC PLAN**, developed in 1993 and described in detail earlier in this report, becomes the blueprint for achieving SaskTel's long-range objectives. When the plan is unveiled via satellite to all of SaskTel's 3,700 employees at 24 sites throughout the province, it receives an enthusiastic welcome.



SaskTel's employees at numerous locations throughout the province simultaneously receive, via satellite, the details of the company's new strategic plan from SaskTel President Fred Van Parys.

The year also brings many important **INTERNAL CHANGES** at SaskTel as the foundation is laid for renewal and growth in the future envisioned in the strategic plan.

To prepare SaskTel for greater success in the competitive marketplace, and to compensate for declining toll revenues, we are involved in major process re-engineering to **STREAMLINE OPERATIONS** throughout the corporation. The goals are to reduce costs, improve efficiency and increase productivity. Employees develop new ideas to improve operating procedures, control costs and reduce expenses.

An **EARLY RETIREMENT PROGRAM** is introduced to reduce salary and benefit costs, which account for approximately 35

percent of SaskTel's operational costs. More than 200 people retire in 1993 under the new program, as well as the enhanced retirement program launched in 1992. Through various retirement programs and attrition, SaskTel's workforce is now approximately 20 percent smaller than it was six years ago.



Corporate ownership is restructured to better manage SaskTel's diverse holdings and to prepare for a more complex and competitive business environment. A **SASKATCHEWAN TELECOM-MUNICATIONS HOLDING CORPORATION** is created as the parent company for SaskTel and several business units formerly held by SaskTel. This restructuring encourages better accountability, a more competitive culture and greater incentive to improve service in the various business units. In addition, the new structure will protect non-integral assets should provincial regulation of SaskTel be replaced with federal regulation through the CRTC.

The final phase of a long-term program to **UPGRADE ALL SWITCHING AND TRANSMISSION FACILITIES** to digital



operation is on schedule as the year ends. The \$29 million North Saskatchewan Modernization program will be completed in 1995. When this

happens, SaskTel will achieve the distinction of having one of the largest serving areas in North America with a 100 percent computer-driven network in place.

Our wireless network also continues to grow in 1993 as **SASKTEL MOBILITY** dominates the marketplace, adding customers and expanding its coverage to the communities of Eastend, Humboldt, Melfort, Nipawin, Shaunavon, St. Brieux, Tisdale, Unity and Wakaw. Cellular service now reaches 80 percent of the population,

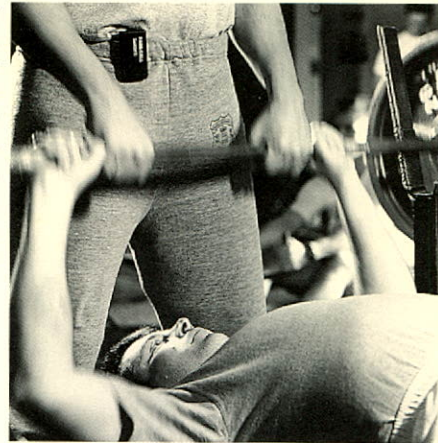


all cities and nearly all major towns and highway corridors, making it the most comprehensive cellular coverage in the province. Through **MOBILITY CANADA**, SaskTel customers also have the widest coast-to-coast coverage in the country. At year end, SaskTel announces that Assiniboia, Biggar, LaRonge, Meadow Lake and Shellbrook will join the network in 1994.

In addition, **PAGING SERVICES** and **FLEET NET 800**, an advanced mobile-radio service that provides a cost-effective way to dispatch voice and data communication, continues to prove popular with customers.



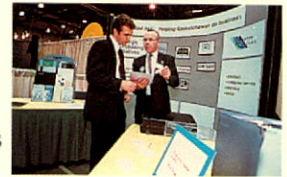
Even when working out at the gym, members of the Regina City Police's Special Task Force depend on SaskTel's paging service to stay in constant touch in case an emergency strikes.



Committed to improving the quality of life in Saskatchewan

SaskTel's **SUPPLIER DEVELOPMENT GROUP** is dedicated to

increasing the number of competitive, Saskatchewan-based SaskTel suppliers, consistent with SaskTel's needs for high quality, cost-effective equipment. For example, SaskTel is working with Develcon Electronics on the innovative video-on-demand project. The



Develcon Electronics of Saskatoon is a strategic supplier that provides equipment for a number of SaskTel research and development projects. At Campbell Collegiate in Regina, Develcon's Ken Mayhew checks the operation of equipment used for a multi-media technology trial.

Saskatoon-based company has undertaken a number of research contracts and also developed several products in conjunction

with SaskTel's Research and Development department.

In 1993 the Supplier Development Group launches new programs to improve the quality of the products and services offered to SaskTel. Through its

SASKATCHEWAN VALUE ADDED PROGRAM, the corporation looks for ways to increase Saskatchewan content in



goods and services currently purchased, and then negotiates such changes with suppliers.

This also applies to the

many specialized products which can't be made in Saskatchewan, but in which some provincial content can be incorporated.

More provincial value added means direct economic spin-offs to the people of Saskatchewan. **VENDOR QUALITY MANAGEMENT** is a program adopted by SaskTel in 1993 to improve the quality of the goods and services it buys. By rating vendor performance, then helping vendors to improve their service, SaskTel encourages greater economic spin-offs to the province while maintaining SaskTel's cost-effectiveness and quality of service to its customers.

RATE CHANGES benefited our customers in 1993. Basic local rates were increased to more accurately reflect the cost of providing service, but these were more than offset by decreases to long distance

rates. The result: a net saving of \$12.7 million for SaskTel customers



in 1993, with a projected \$18.7 million saving in 1994. SaskTel continues to use long distance revenues to subsidize approximately two-thirds of the real cost of local service.

SaskTel and its employees help improve the **QUALITY OF LIFE** for Saskatchewan communities in many ways. The company actively supports community activities by employees, contributes to hundreds of worthwhile organizations, and continues to develop new educational initiatives. For example, six university students receive support under the **SASKTEL SCHOLARSHIP PROGRAM**. The scholarships are for post-secondary studies in fields related to telecommunications. The program encourages applications from minority groups and those demonstrating financial need and community involvement.

SaskTel employees contribute more than \$257,000 to many charitable and community organizations through **TELCARE**, a fund representing voluntary donations contributed by employees through monthly payroll deductions.



TelCare

SaskTel contributes 50 cents for every dollar donated by employees. Employee-administered TelCare funds now exist in nine

Saskatchewan cities. Through its **CORPORATE CONTRIBUTIONS PROGRAM**, SaskTel also donates directly to hundreds of charitable and non-profit groups throughout the province. In addition, hundreds of SaskTel employees, who are members of Saskatchewan Chapter 59, **TELEPHONE PIONEERS OF AMERICA**, donate generously of their

time and talents to more than 50 worthwhile community service projects.



SaskTel, through its membership in Stentor, is one of the sponsors of the **CONFERENCE BOARD OF CANADA'S NATIONAL AWARDS** for Excellence in Business/Education Partnerships. In 1993 two of these awards are presented in Saskatchewan. One is to the University of Saskatchewan/Saskatchewan Wheat Pool partnership in a post-secondary distance education program for Pool employees in remote areas. The second award goes to a resources-sharing project in Regina between Robert Usher Collegiate and Hoechst Canada.

In an educational partnership involving the **PRINCE ALBERT SCHOOL DIVISION NO. 3**, students "job shadow" SaskTel



Job shadowing is part of a new partnership program between SaskTel and the Prince Albert School Division No. 3. At the Prince Albert business office Clerical Associate Gloria Sabo explains some of her job duties to John Winger, a student at Riverside School.

employees through a typical day's work, and use SaskTel's electronic bulletin board to communicate with other students across the province. The two partners plan to participate in special family and student events such as science fairs, career days,

family safety nights and safety services. Both the partners will also explore professional development opportunities for employees, as well as future joint technology initiatives.

ST. ANGELA SCHOOL IN SASKATOON continues a second year of community partnership with SaskTel Mobility. Enthusiastic teachers and SaskTel employees contribute voluntary time, developing and leading creative games, to provide students with insights into business operations and wireless telecommunications. The school also donates artwork, provides access to facilities and extends invitations to SaskTel Mobility employees to participate in science fairs, guest reading programs,



SaskTel and the Regina Catholic school board are partners in a TalkMail trial, an innovative voice messaging service taking place at two Regina high schools.

sports competitions, and other community events.

THE REGINA CATHOLIC SCHOOL BOARD partners with SaskTel to prepare and test-run the innovative TalkMail voice messaging service between high schools and parents. The trial, to



begin in 1994 at Michael A. Riffel and Miller Comprehensive, involves a mailbox on each family's home telephone line. By entering a simple code, parents will receive information from the school and be able to send messages back. School messages about meetings and events can be sent to students in selected groups, such as sports teams, the student council or graduating students needing information on university admission. The benefit will be faster, better communications with families, including the opportunity for parent response, and the cost is expected to be half that of conventional, mailed notices.

A similar project tested in 1993 at the same board's St. Timothy elementary school uses SaskTel's MessageManager service. The 24-hour **HOMEWORK HOTLINE** allows parents to dial in and select information on individual classroom work, specialty

teaching areas, the Parent-Teacher Association and school events. The interactive system allows parents to leave messages for teachers. Families are assured of receiving up-

to-date information and the school reduces the number of printed notices it must otherwise send home.

In another educational initiative, 15 aboriginal students in grades 8 to 10 from across the province participate



in a **SUMMER SCIENCE CAMP** sponsored by SaskTel and the

SaskTel, as part of its employee equity program, hosts events like the Federation of Saskatchewan Indian Nations' summer science camp.



Federation of Saskatchewan Indian Nations. The week-long camp in August uses Regina high school and university facilities, and gives students cultural and historical experiences throughout the city. A central feature of the camp is the chance for students to learn "hands-on" about telecommunications technologies and operations from SaskTel staff. The camp helps provide skills to aboriginal people and encourages young people to remain in school.

Sponsorship of the camp is part of SaskTel's **EMPLOYMENT EQUITY** program that involves working with school boards, educators and students throughout the province to enhance academic growth and personal development.





SaskTel

Financial review

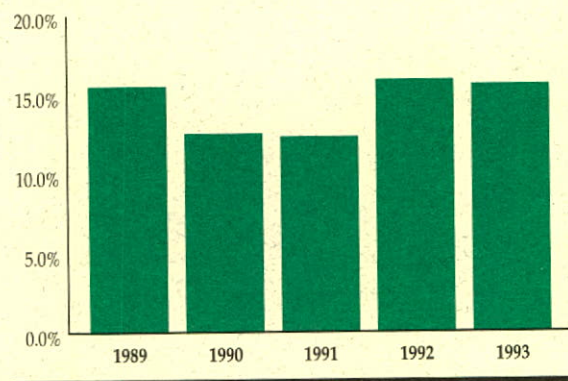
Financial highlights

The Saskatchewan Telecommunications Holding Corporation (the corporation) began operations on May 1, 1993. On this date the assets and operations of Saskatchewan Telecommunications not considered core to the provision of telecommunications services were transferred to the corporation. This new structure will enable the corporation to manage these assets as separate business units. The consolidated financial statements that follow include the operations of the Saskatchewan Telecommunications Holding Corporation, Saskatchewan Telecommunications, Saskatchewan Telecommunications International, Inc. and LCL Cable Communications Limited and are for the year ended December 31, 1993. The 1992 comparatives are those of Saskatchewan Telecommunications.

Net earnings

Consolidated net earnings totalled \$88.5 million for 1993, an increase of \$8.6 million (10.8%) from 1992 earnings of \$79.9 million. This represented a return on net assets of 15.6% (15.9% - 1992).

Return On Net Assets (RONA)

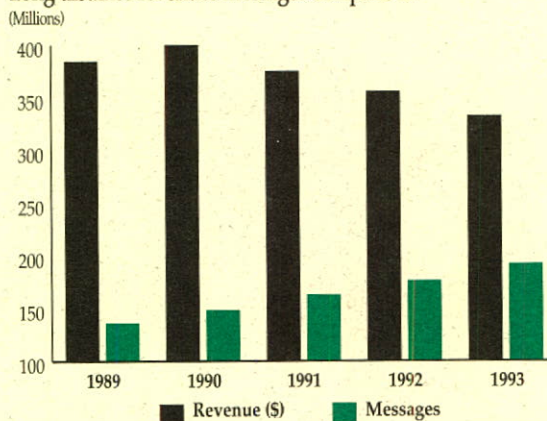


Operating revenues

Operating revenues for 1993 totalled \$619.7 million, down \$1.2 million (0.2%) from 1992 revenues of \$620.9 million. The primary reason for this is the continuing decline in long distance revenues. Rate reductions for both intra-provincial and inter-provincial calls and long distance competition in many provinces resulted in a \$23.2 million (6.5%) drop in long distance revenues from 1992. Continued strong growth in long distance messages (9.1% increase over 1992) was not enough to offset these reductions. Although declining, long

distance revenues of \$332.4 million still represent 53.6% of the corporation's total revenues.

Long distance revenues/messages comparison



Local service revenues, which are comprised primarily of charges for network access and features, equipment rentals and service connection charges, totalled \$212.6 million in 1993, an increase of \$19.2 million (9.9%) over 1992. During the year local service rates were increased to partially offset the reduction in long distance rates as the corporation continues its efforts to restructure rates to reflect the actual cost of providing the various services. Strong growth in cellular revenues also contributed to the increase in local service revenues.

Other revenues, which include the sales of SaskTel International, LCL Cable Communications Limited revenues, directory advertising revenues and sales and service of terminal equipment totalled \$77.5 million in 1993, an increase of \$2.4 million (3.3%) from 1992. Increasing revenues from these diversified operations continues to be a priority for the corporation.

Operating expenses

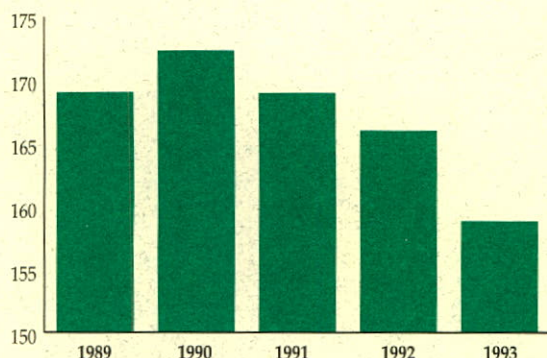
Operating expenses for 1993 totalled \$466.7 million, down \$17.4 million (3.6%) from 1992. Salaries and benefits are down \$17.1 million (9.5%) from 1992. Salaries and benefits for 1992 included a one-time charge of \$12.3 million for an Early Retirement Program that was announced in December, 1992. This program assisted in reducing manpower levels from 3,861 in December, 1992 to 3,699 in December, 1993 and contributed to the additional salary savings realized.

Financial highlights

Depreciation expense decreased \$3.1 million from 1992 mainly due to a reduced capital program in 1993. Increases in Stentor expenses, advertising and research costs partially offset the reductions in salaries, benefits and depreciation.

Salaries earned

(\$ Millions)



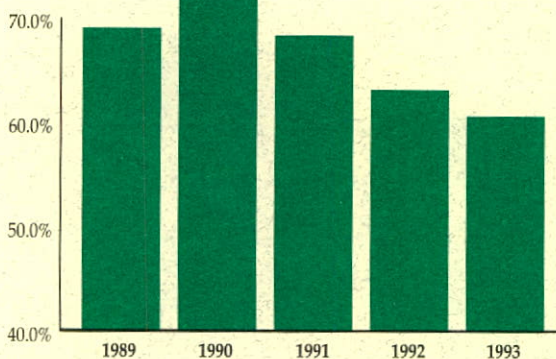
Other income

Other income totalled \$6.8 million in 1993, up \$4.1 million from 1992. This increase was primarily due to the buyout of signal delivery commitments by various cable operators in the province.

Interest and related costs

Interest and related costs for 1993 totalled \$73.8 million, down \$13.4 million from 1992. During the past two years the corporation has focused on early repayment of long-term debt in an effort to reduce its debt ratio to a level similar to that of the other Canadian telecommunications companies. As a result the debt ratio has dropped from 68.3% in 1991 to 60.6% in 1993 and the corporation's interest charges have decreased accordingly.

Debt ratio

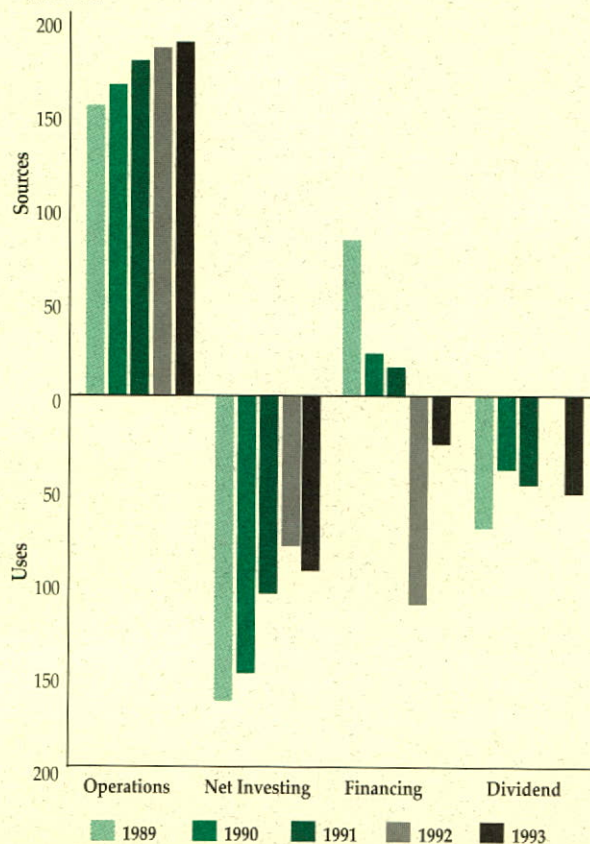


Cash flows

Cash on hand at year end increased from \$30.3 million in 1992 to \$46.8 million in 1993. Cash provided by operating activities totalled \$187.7 million, up \$3.1 million (1.7%) from 1992. Net financing activities, primarily the repayment of long-term debt, required \$26.2 million (\$111.4 million - 1992), dividend payments totalled \$51.7 million (\$0.0 million - 1992) and net investing activities required \$93.3 million (\$80.0 million - 1992). The resulting increase in cash of \$16.5 million was invested in short-term securities.

Sources and uses of cash

(\$ Millions)



Financial position

The financial position of the company continues to strengthen. Despite erosion of long distance revenues, profitability remains strong. The corporation continues to manage costs downward by reducing salary expenses and repaying long-term debt. The revenue base is diversifying with 13% of revenues now derived from non-traditional sources.

Segmented information

While all of Saskatchewan Telecommunications Holding Corporation's activities fall within the telecommunications industry sector the following information is presented to illustrate the relative proportions of the major subsidiary of Saskatchewan Telecommunications Holding Corporation, Saskatchewan Telecommunications, and the other subsidiaries.

	Saskatchewan Telecommunications	Others & Eliminations	Saskatchewan Telecommunications Holding Corporation
(In thousands)			
Statement of earnings data			
Operating revenues	\$ 575,606	\$ 44,121	\$ 619,727
Operating expenses	432,016	34,667	466,683
Income from operations	143,590	9,454	153,044
Other income	6,295	467	6,762
Interest and related costs	61,161	12,673	73,834
Minority interest in earnings	–	2,575	2,575
Net earnings	88,724	(177)	88,547
Statement of financial position data			
Telecommunications property	833,319	117,199	950,518
Investments and notes receivable	12,606	8,062	20,668
Current assets	165,347	(9,888)	155,459
Other assets	25,116	4,138	29,254
Total Assets	1,036,388	119,511	1,155,899
Long-term debt	398,761	102,834	501,595
Minority interest	–	767	767
Accounts payable and accrued liabilities	239,190	16,087	255,277
Province of Saskatchewan's Equity	398,437	(177)	398,260
Total Liabilities & Province of Saskatchewan's equity	\$1,036,388	\$119,511	\$1,155,899

Five-year record of service

For the year ended December 31

	1993	1992	1991	1990	1989
Network access services**	574,962	573,464	569,785	562,179	553,137
Originated long distance messages					
(In thousands)					
Telephone	162,126	145,488	134,845	123,053	113,496
Data, and other voice services	28,931	29,669	27,198	24,490	21,951
Total messages	191,057	175,157	162,043	147,543	135,447
Finance					
(In thousands of dollars)					
Operating revenues	\$619,727	\$620,882	\$594,698	\$593,764	\$568,960
Operating expenses	466,683	484,065	454,445	449,974	429,755
Other income (losses)	6,762	2,615	(8,414)	(4,911)	9,775
Interest and related costs	73,834	87,250	80,822	86,946	75,072
Net earnings	88,547	79,916	51,017	46,873	77,760
Dividend	58,400	51,700	0	46,873	38,880
Gross construction expenditures	94,762	114,039	106,520	155,960	177,906
Property, plant and equipment*	1,795,708	1,729,728	1,673,228	1,628,206	1,530,393
Long-term debt - gross*	718,289	751,318	887,077	847,658	854,777
Financial ratios					
Return on net assets	15.6%	15.9%	12.3%	12.5%	15.5%
Debt as a percent of year-end capital	60.6%	63.1%	68.3%	72.2%	69.0%
Internally generated funds as a percent of net construction expenditures	158.0%	182.3%	131.3%	84.9%	51.3%
Employees and payroll					
Number of employees (excluding part-time)*	3,699	3,861	3,981	4,216	4,373
Salaries earned (thousands of dollars)	\$158,875	\$166,021	\$168,991	\$172,346	\$169,053

** Represents each working facility having primary connection to our network as at December 31

* At December 31

Management's responsibility for financial statements

The accompanying consolidated financial statements included in the annual report of Saskatchewan Telecommunications Holding Corporation for the year ended December 31, 1993, are the responsibility of management of the corporation and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

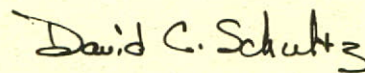
To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal and the external auditors. The Audit Committee is responsible for engaging or re-appointing the services of the external auditor. Both the internal and external auditors have free access to this committee to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The audit committee has met with management and the external auditor to review the corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of Deloitte & Touche, Chartered Accountants. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on page 25.



Fred Van Parys
President & Chief Executive Officer



David C. Schultz
Vice President Finance

Regina, Saskatchewan
February 28, 1994



SaskTel

Auditors' report

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Telecommunications Holding Corporation as at December 31, 1993 and the consolidated statements of earnings, retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Regina Saskatchewan
February 28, 1994



SaskTel

Consolidated statement of earnings

For the year ended December 31

	1993	1992
	(Thousands of dollars)	
Operating revenues		
Long distance service	\$ 332,352	\$ 355,568
Local service	212,620	193,391
Sales, directory, other	77,476	75,020
Uncollectible operating revenues	(2,721)	(3,097)
	<u>619,727</u>	<u>620,882</u>
Operating expenses		
Maintenance and operations	184,576	182,526
General and administrative	155,589	171,897
Depreciation	126,518	129,642
	<u>466,683</u>	<u>484,065</u>
Net operating revenue	<u>153,044</u>	<u>136,817</u>
Other income (Note 4)	<u>6,762</u>	<u>2,615</u>
	159,806	139,432
Interest and related costs (Note 5)	<u>73,834</u>	<u>87,250</u>
Net earnings, before the following	<u>85,972</u>	<u>52,182</u>
Minority interest in earnings	<u>2,575</u>	<u>-</u>
Gain on sale of investment	<u>-</u>	<u>27,734</u>
Net earnings	<u>\$ 88,547</u>	<u>\$ 79,916</u>

Consolidated statement of retained earnings

For the year ended December 31

	1993	1992
	(Thousands of dollars)	
Retained earnings at beginning of year	\$ 118,113	\$ 89,897
Net earnings	<u>88,547</u>	<u>79,916</u>
	206,660	169,813
Dividend	<u>58,400</u>	<u>51,700</u>
Retained earnings at end of year	<u>\$ 148,260</u>	<u>\$ 118,113</u>

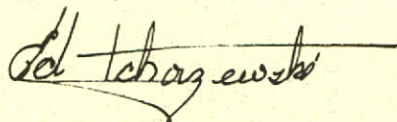
See accompanying notes

Consolidated statement of financial position

As at December 31

	1993	1992
	(Thousands of dollars)	
Assets		
Property, plant and equipment (Note 6)	\$ 950,518	\$ 964,145
Other assets (Note 7)	29,254	23,585
Investments (Note 8)	12,697	18,788
Investment in leases (Note 9)	5,582	8,208
Notes receivable (Note 10)	2,389	3,604
	<u>1,000,440</u>	<u>1,018,330</u>
Current assets		
Short-term investments	52,942	30,795
Accounts receivable	80,962	75,998
Inventories	6,493	6,915
Prepayments	15,062	13,352
	<u>155,459</u>	<u>127,060</u>
	<u>1,155,899</u>	<u>\$ 1,145,390</u>
Liabilities and Province's equity		
Long-term debt		
Province of Saskatchewan (Note 11)	488,243	\$ 512,911
Other long-term debt (Note 12)	13,352	103,271
	<u>501,595</u>	<u>616,182</u>
Minority interest	767	-
Province of Saskatchewan's equity		
Equity advance (Note 13)	250,000	250,000
Retained earnings	148,260	118,113
	<u>398,260</u>	<u>368,113</u>
Current liabilities		
Bank overdraft	6,157	509
Accounts payable	54,038	64,953
Accrued interest	16,456	16,876
Dividend payable	58,400	51,700
Service billed in advance	10,170	13,388
Current portion of long-term debt (Notes 11, 12)	110,056	13,669
	<u>255,277</u>	<u>161,095</u>
	<u>\$ 1,155,899</u>	<u>\$ 1,145,390</u>

Approved by the Board



Honourable Ed Tchorzewski



Betty-Jane Thomas

See accompanying notes

Consolidated statement of changes in cash position

For the year ended December 31

	1993	1992
	(Thousands of dollars)	
Operating activities		
Net earnings	\$ 88,547	\$ 79,916
Add: Items not affecting cash from operations (Note 14)	119,973	91,759
	208,520	171,675
Net change in working capital (Note 15)	(20,805)	12,900
Cash provided by operating activities	187,715	184,575
Financing activities		
Proceeds from notes receivable	1,605	4,194
Net repayment of long-term debt	(27,812)	(120,296)
Proceeds from long-term debt	-	4,732
Dividend payment	(51,700)	-
Cash used in financing activities	(77,907)	(111,370)
Investing activities		
Capital expenditures - net	(94,040)	(101,265)
Long term investments - net	731	(15,170)
Proceeds from sale of investments	-	36,413
Cash used in investing activities	(93,309)	(80,022)
Increase (decrease) in cash	16,499	(6,817)
Cash at beginning of year	30,286	37,103
Cash at end of year	46,785	30,286
Comprised of:		
Short-term investments	52,942	30,795
Bank overdraft	(6,157)	(509)
	\$ 46,785	\$ 30,286

See accompanying notes

Notes to consolidated financial statements

Note 1 — The corporation

(a) Nature of the business

Saskatchewan Telecommunications Holding Corporation (the corporation) markets and supplies a range of voice, data, text and image products, systems and services. Its membership in Stentor Canadian Network Management enables it to extend services throughout Canada and to connect its customers to the rest of the world.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan. As a provincial Crown Corporation, the corporation is not subject to Federal or Provincial income tax.

(b) The reorganization

In December, 1992, The Saskatchewan Telecommunications Holding Corporation Act (the Act) was proclaimed to facilitate the reorganization of Saskatchewan Telecommunications. Pursuant to the Act, on May 1, 1993, Saskatchewan Telecommunications transferred to the corporation assets and operations not considered core to the provision of telecommunications services.

Assets and operations were transferred May 1, 1993, at their carrying values as previously recorded in the records of Saskatchewan Telecommunications as follows:

	(Thousands of Dollars)
Telecommunications property	
Buildings and equipment	\$ 116,392
Less: Accumulated depreciation	39,986
	76,406
Land	5,648
Plant under construction	5,091
	87,145
Investments	11,518
Accounts receivable	5,179
Inventory	1,278
Prepayments	212
Deferred charges	3,612
Notes receivable	2,838
Investment in leases	1,645
Accounts payable and accrued liabilities	(4,986)
Net assets transferred from Saskatchewan Telecommunications	\$ 108,441

The net assets transferred from Saskatchewan Telecommunications were paid for as follows:

Assumption of long term debt	\$ 144,901
Less: Unamortized discount thereon	847
	144,054
Equity in sinking funds	(36,368)
	107,686
Accrued interest to April 30, 1993	5,634
	113,320
Balance due from Saskatchewan Telecommunications	(4,879)
Total consideration	\$ 108,441

Effective May 1, 1993, the corporation, its subsidiaries and the reorganized Saskatchewan Telecommunications continued operations of the telecommunications business previously operated by Saskatchewan Telecommunications.

Note 2 — Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidation

These consolidated financial statements include the accounts of Saskatchewan Telecommunications, Saskatchewan Telecommunications International, Inc. and LCL Cable Communications Limited (Leicester). All significant intercompany transactions and balances have been eliminated.

Property, plant and equipment

Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily quantifiable and identifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Notes to consolidated financial statements

Depreciation

Depreciation is computed on the straight-line, equal-life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telecommunications property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Discount and issue costs on long-term debt

Discount and issue costs relating to long-term debt are deferred and amortized on a straight-line basis over the term of the respective debt issue.

Goodwill

Goodwill is being amortized on a straight-line basis over twenty years.

Revenue

Operating revenues from the sale of goods and services are recognized at the point of sale or when services are performed.

Investments

Investments in companies in which the corporation has significant influence are accounted for by the equity method. Accordingly, the corporation's proportionate share of earnings or losses is recognized in the consolidated statement of earnings and the carrying value of the investment is adjusted accordingly.

The corporation's portfolio investments are carried at cost and dividend income is recognized when received.

Short term investments are carried at the lower of cost and market value. The market value of these investments at December 31, 1993 was \$53,211,000.

Leases

Where the corporation is the lessor, rental revenues from operating leases are recognized as service is rendered to customers. Revenues from sales-type lease transactions are recognized at the inception of the lease. The investment in sales-type leases represents the present value of future lease payments receivable. Finance

income is recognized in a manner which produces a constant rate of return over the term of the lease contract.

Where the corporation is the lessee, assets recorded under capital leases are amortized on a straight line basis over their expected useful life. Obligations recorded under capital leases are reduced by lease payments net of imputed interest. All other leases are accounted for as operating leases.

Inventories

Materials, supplies and inventories are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Pension costs

The cost of pension benefits earned by employees who are members of the corporation's defined benefit plan is determined using the accrued benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

This plan is actuarially valued at least every three years. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains and losses are included in other assets and amortized on a straight-line basis over the remaining life of the related assets and liabilities.

Leicester is considered a self-sustaining foreign subsidiary and its financial statements are translated in accordance with the current rate method. Assets and liabilities are reflected at their Canadian dollar equivalent at the exchange rate prevailing at the balance sheet date. Income items are reflected at their Canadian dollar equivalent at the average exchange rate for the year.

Notes to consolidated financial statements

Note 3 — Acquisition of LCL Cable Communications Limited

In March, 1993, the corporation acquired control of Leicester, a communications company incorporated in the United Kingdom. The corporation's ownership in Leicester increased from 30.9% to 55% in exchange for a commitment to fund £7,350,000 (\$13,953,000) between 1993 and 1995. The operating results of Leicester have been included in the consolidated results of the corporation effective March, 1993.

Note 4 — Other income

	1993	1992
	(Thousands of dollars)	
Signal delivery buyouts	\$ 4,090	\$ —
Interest income	1,577	2,237
Share of earnings of equity investments	45	469
Other	1,050	(91)
	<u>\$ 6,762</u>	<u>\$ 2,615</u>

Note 5 — Interest and related costs

	1993	1992
	(Thousands of dollars)	
Interest expense	\$ 81,515	\$ 92,868
Premium and foreign exchange adjustment on repayment of long term debt	7,472	19,792
Amortization of discount	1,285	1,488
Amortization of unrealized net foreign exchange losses	947	665
	<u>91,219</u>	<u>114,813</u>
Less:		
Sinking fund earnings	13,817	21,593
Interest on short-term investments	3,041	5,528
Interest charged to construction	527	442
	<u>\$ 73,834</u>	<u>\$ 87,250</u>

Note 6 — Property, plant and equipment

	1993	1992
	(Thousands of dollars)	
Buildings, plant and equipment	\$ 1,734,847	\$ 1,653,254
Land	8,911	8,826
Plant under construction	17,792	33,429
Materials and supplies	9,561	9,927
Assets under capital leases	24,597	24,292
	<u>1,795,708</u>	<u>1,729,728</u>

Less:

Accumulated depreciation	845,190	765,583
	<u>\$ 950,518</u>	<u>\$ 964,145</u>

The composite depreciation rate on the average depreciable telecommunications property in service was 7.30% in 1993 (7.80% - 1992).

As at December 31, 1993, the ratio of accumulated depreciation to depreciable telecommunications property was 48.0% (45.6% - 1992).

Note 7 — Other assets

	1993	1992
	(Thousands of dollars)	
Unrealized net foreign currency losses	\$ 21,787	\$ 15,307
Discount on long-term debt	3,866	3,806
Goodwill	3,486	3,674
TeleBond issue costs	115	798
	<u>\$ 29,254</u>	<u>\$ 23,585</u>

Note 8 — Investments

	1993	1992
	(Thousands of dollars)	
Accounted for by the equity method:		
Investment in Regional Cable TV (Western) Inc. (formerly 2793091 Canada Inc.)	\$ 2,000	\$ 3,536
Investment in Leicester (Note 3)	—	5,438
Other	125	203

Notes to consolidated financial statements

Portfolio investments at cost:

Alouette Telecommunications Inc.	8,392	7,431
Investment in ISM Information Systems Management Corporation (ISM - Market Value \$12,254,000)	2,180	2,180
	<u>\$ 12,697</u>	<u>\$ 18,788</u>

Note 9 — Investment in leases

	1993	1992
	(Thousands of dollars)	
Total minimum lease payments receivable	\$ 10,321	\$ 15,618
Less: Unearned finance income	2,952	4,608
Investment in leases	<u>7,369</u>	<u>11,010</u>
Less: Current portion included in accounts receivable	1,787	2,802
	<u>\$ 5,582</u>	<u>\$ 8,208</u>

Finance income earned during the year amounted to \$1,214,000 (\$1,707,000 - 1992).

Note 10 — Notes receivable

	1993	1992
	(Thousands of dollars)	
11% ISM debenture, due January 1, 1995	\$ 1,800	\$ 1,800
Cable operators, primarily due in 1996	911	1,262
Other	—	1,148
	<u>2,711</u>	<u>4,210</u>
Less: Current portion included in accounts receivable	322	606
	<u>\$ 2,389</u>	<u>\$ 3,604</u>

Note 11— Long-term debt, Province of Saskatchewan

Rate (%)	Issue date	Maturity date	1993	1992
(Thousands of dollars)				
7.563	1973	1993	—	\$ 8,644
13.375	1981	1996	46,263	48,955
7.750	1973	1998	5,000	5,000
8.250	1973	1998	—	15,000
10.000	1974	1999	25,000	25,000
11.750	1980	2000	22,153	25,000
9.875	1975	2000	2,222	2,222
10.250	1976	2001	25,000	25,000
9.000	1977	2002	25,000	25,000
13.000	1982	2002	68,088	75,000
12.250	1983	2003	20,605	25,000
9.500	1978	2003	30,000	30,000
11.650	1983	2003	8,182	(b) 8,182
12.966	1984	2004	28,956	(b) 28,956
10.000	1979	2004	33,196	40,000
9.583	1986	2006	32,598	(b) 32,598
10.241	1987	2007	13,597	(b) 13,597
7.125	1978	2008	60,798	(a) 58,444
10.092	1988	2008	20,779	(b) 20,779
9.375	1991	2020	132,170	(a) 127,090
			599,607	639,467
			Less: Equity in sinking funds	106,637 (c) 121,467
			Due within one year	4,727 5,089
			<u>\$ 488,243</u>	<u>\$ 512,911</u>

(a) Represents long-term debt repayable in U.S. dollars having a U.S. face value of \$146,000,000 converted to \$172,124,000 Canadian at the time of issue. It is recorded at the Canadian dollar equivalent of \$192,968,000 based on the foreign exchange rate as at December 31, 1993 of 1.3217(1.2709 - 1992).

(b) Long-term debt totaling \$104,112,000, received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(c) Under conditions attached to a portion of long-term debt, the corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan, amounts ranging from 1% to 1.5% of the original value of long-term debt received. The equity includes investments denominated in U.S.

Notes to consolidated financial statements

dollars held in the fund having a U.S. dollar value of \$6,116,000 recorded at \$8,084,000 Canadian dollar equivalent based on the foreign exchange rate as at December 31, 1993.

- (d) Total sinking fund installments, estimated TeleBond redemptions, capital lease repayments and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1994 —	\$ 110,056,000
1995 —	\$ 5,143,000
1996 —	\$ 64,347,000
1997 —	\$ 5,044,000
1998 —	\$ 4,420,000

Note 12 — Other long-term debt

	Rate (%)	Issue Date	Maturity Date	1993	1992
				(Thousands of Dollars)	
TeleBonds					
Interest Bond	11.0	1989	1994	\$62,507	\$ 62,645
Credit Bond	14.0	1989	1994	31,352	32,070
Capital Leases	12.3 - 14.4	1989-92	1993-97	10,562	12,404
Debentures	-	1989-93	1996	9,528	-
Other	-	-	1994	4,732	4,732
				118,681	111,851
Due within one year				(105,329)	(8,580)
				\$ 13,352	\$ 103,271

Interest TeleBonds pay interest annually on March 1st until maturity. Credit TeleBonds pay interest monthly by way of credit to the designated customer's telephone account.

Repayment of TeleBond principal and interest is unconditionally guaranteed by the Province of Saskatchewan. The rate of interest may be increased at the discretion of the corporation. TeleBonds are redeemable in whole or in part at the discretion of the bondholder on March 1 each year prior to maturity. Upon maturity March 1, 1994, all TeleBondholders are eligible to reinvest in credit bonds to mature in 1999.

Note 13 — Equity advance

The equity advance from Crown Investments Corporation of Saskatchewan (CIC) is non-interest bearing and repayable at the discretion of CIC.

Note 14 — Items not affecting cash

	1993	1992
	(Thousands of dollars)	
Depreciation	\$126,518	\$ 129,642
Sinking fund earnings	(13,817)	(21,593)
Premium and foreign exchange adjustment on repayment of long-term debt	7,472	19,792
Foreign currency adjustments	947	665
Minority interest	767	-
Interest charged to construction	(528)	(442)
Investment earnings	(45)	(469)
Gain on sale of investment	-	(27,734)
Other	(1,341)	(8,102)
	\$ 119,973	\$ 91,759

Note 15 — Net change in working capital

	1993	1992
	(Thousands of dollars)	
(Increase) decrease in current assets:		
Accounts receivable	\$ (4,964)	\$ (1,429)
Inventories	422	2,460
Prepayments	(1,710)	(997)
Increase (decrease) in current liabilities:		
Accounts payable	(10,915)	8,743
Accrued interest	(420)	(2,002)
Service billed in advance	(3,218)	6,125
	\$ (20,805)	\$ 12,900

Note 16 — Pension plans

The corporation maintains two pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is maintained for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan by October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established by the Superannuation (Supplementary Provisions) Act and employee contributions are matched by the corporation.

The defined benefit plan provides for pensions at retirement which are based on employee years of service and their highest five years of earnings. The plan requires contributions from both employees and the corporation. The corporation's contribution rate of 100 percent of

Notes to consolidated financial statements

employee contributions is based on the latest actuarial valuation of the plan (December 31, 1992).

	1993	1992
	(Thousands of dollars)	
Plan assets at market related value	\$467,924	\$ 431,911
Present value of accrued pension benefits	437,865	421,564
Surplus	\$ 30,059	\$ 10,347

	1993	1992
	(Thousands of dollars)	
Pension expense for the year was as follows:		
Defined benefit plan	\$2,207	\$ 2,161
Defined contribution plan	4,427	4,183
	\$ 6,634	\$ 6,344

Note 17 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and notes.

Note 18 - Commitments

a) Construction

As at December 31, 1993 the corporation was committed in the amount of approximately \$2,593,800 for equipment and services.

b) Leases

The future minimum lease payments under the capital and operating leases of the corporation, together with the obligations under capital leases after deducting interest on the minimum lease payments, are as follows:

	Capital leases	Operating leases
	(Thousands of dollars)	
1994	\$ 6,930	\$ 25,201
1995	431	25,370
1996	3,636	24,419
1997	108	23,285
1998	-	22,286
Total minimum lease payments	11,105	\$ 120,561
Less: Current portion	6,738	
Amount representing interest	543	
Obligations under capital leases	\$ 3,824	

Capital leases cover computer equipment leased from ISM and Telecom Leasing Canada Limited through contracts maturing at various dates from 1994 - 1998. The major portion of the operating lease commitment relates to a systems management services agreement with ISM over a five year period ending in 1998. Other commitments are for vehicles, buildings and satellite channel leases.

c) Guarantee

Saskatchewan Telecommunications has guaranteed the indebtedness of ISM to the Royal Bank of Canada to a maximum of \$4,000,000.



Corporate directory

Executive officers

Fred Van Parys
President and Chief Executive Officer

Kelly Staudt
President
SaskTel International

Gord Farmer
Vice President
Customer Services

Tom Hope
Vice President
Network Services

John Meldrum
Vice President
Corporate Counsel
and Regulatory Affairs

Diana Milenkovic
Vice President
SaskTel Mobility

Garry Simons
Vice President
Human Resources
and Corporate Services

David Schultz
Vice President
Finance

Senior operating managers

Mike Anderson*
General Manager
Stentor Alliance Relations

Dale Bassen
General Manager
Network Performance and Operations

Dave Birnie
General Manager
Supplies and Services

Brien Charlton*
General Manager
Marketing

Don Cherewayko
General Manager
Customer Services Saskatoon

Basil Ciepliski
General Manager
Mobile Communications

Betty Hoffart
General Manager
Process Re-engineering

Dave Harvey*
General Manager
Information Technology Management

Ken Keesey
General Manager
Customer Services Regina

Dave Lozinski
General Manager
Human Resources

Byron Pointer
General Manager
Industrial Relations

Stacey Sandison
General Manager
Customer Services Districts

Don Savaria*
General Manager
Public Affairs

Kelvin Shepherd
General Manager
Network Planning Provisioning and
Access

Randy Stephanson
General Manager
Customer Services

*Management committee member



Left to right (standing), Susan Banilevic, Hon. John Penner, Dennis Zerr, Edward Henderson; (sitting) Barbara Foster, Hon. Ed Tchorzewski, Betty-Jane Thomas, James Scharfstein. Missing: Sherry Leach and Thomas Kehoe.

Board of Directors

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Chairman of the Board
Minister Responsible for SaskTel

Susan Banilevic (Moose Jaw)

Operator, SaskTel
Customer Services

Barbara Foster (Regina)

General Counsel
Co-operators Data Services Ltd. (CDSL)

Edward Henderson (Montreal Lake)

Education Co-ordinator, Montreal Lake
Indian Band

Thomas Kehoe (Swift Current)

Executive Vice President and Chief
Operating Officer, Spar Group Inc.,
Division of National Mfg. Co.

Sherry Leach (Weyburn)

Co-ordinator, Enrollment
Management
Southeast Regional College

Hon. John Penner (Swift Current)

Associate Minister of Finance
and Minister Responsible for the
Crown Investments Corporation

James Scharfstein (Saskatoon)

Partner, Robertson Stromberg
Law Firm

Betty-Jane Thomas (Regina)

Manager Investments
City of Regina

Dennis Zerr (Moose Jaw)

Toll Switching Technician,
SaskTel Customer Services

Audit committee

Betty-Jane Thomas (Chair),
Hon. Ed Tchorzewski, Thomas Kehoe,
Sherry Leach, Susan Banilevic

Corporate contributions committee

Jim Scharfstein (Chair), Hon. John Penner,
Edward Henderson, Dennis Zerr

**Management resource and
compensation committee**

Hon. Ed Tchorzewski (Chair),
Barbara Foster, Jim Scharfstein,
Betty-Jane Thomas

**Corporate purchasing policy
committee**

Jim Scharfstein (Chair),
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