

EVENING SITTING

COMMITTEE OF FINANCE

General Revenue Fund
Saskatchewan Property Management Corporation
Vote 53

The Chair: — I would ask the minister to please introduce his officials.

Hon. Mr. Serby: — Thank you very much, Mr. Chairman. This evening with me I have Mr. John Wright, who's the acting president of SPMC (Saskatchewan Property Management Corporation); Mr. Al Moffat, who's the vice-president of commercial services — where is Al? right here — Al Moffat; Deb Koshman, who's the acting vice-president of finance and accommodation, seated directly behind me, Mr. Chairman; and Mr. Rob Isbister is the budget director of financial and planning. My officials, Mr. Chairman.

Item 1

Mr. Osika: — Thank you, Mr. Chairman. I'd like to welcome the officials for Sask Property Management Corporation. Mr. Minister, I wonder if again . . . this may have been done in our earlier session, but just once again to refresh our memories, your global mandate as far as that corporation, your responsibilities as far as your corporation and your mandate is concerned. Could you just give us an overview, please.

Hon. Mr. Serby: — Thank you very much, Mr. Member. I think that it's easiest for me to describe the mandate of Saskatchewan Property Management, really, in three kinds of areas. The corporation really addresses itself to providing support services to the delivery of services within government and for government. And by and large, I think, if I were to say to you that the three areas of mandate really would include that of making sure that we have appropriate accommodations, so this would be both owned and leased — so it's housing for government services and operations.

I think the second one, Mr. Member, would be that of providing transportation services through that of Central Vehicle Agency, so accommodation and transportation. Included in that, of course, is that of air travel as well. So you have your air ambulance services and your Executive Air Services. So it's really about vehicles and property and buildings, Mr. Member, would be the simplest version that I might provide to you in terms of the areas of responsibilities that the government would be providing. And it's basically to provide support services to all of government services.

Mr. Osika: — Thank you, Mr. Minister. The accommodations, would you have a handle on the space or the buildings that you currently have under lease, and what the total cost or amounts of those leases would be?

Hon. Mr. Serby: — The total number of properties that we would have around the province, which may be of interest to

the member as well, is that we have approximately 1,400 properties across the province which would be located somewhere in the neighbourhood of 200 to 220 different communities across Saskatchewan and where you could find those properties. The lease contracts that we currently have in place now are 346 of that number that I provided to you. And the budget around . . . of the total leased expenses is, I think, the other question that you had asked, is 44,00761.

Mr. Osika: — Of all those properties, do you have a handle on the number that are currently vacant?

Hon. Mr. Serby: — Currently the properties that we have around the province that are vacant, that are leased prior to October of 1991, we have . . . I believe there are six properties, five properties, that are currently leased, Mr. Member, that don't have anybody in them at all.

That space . . . And one of your questions of course will probably lead to the amount of time that some of those properties are leased for. Those leases are expiring, some of them, in 1999, the latest being the year 2001. As of March 31 of 1996 SPMC has no buildings that are completely vacant which were leased after October 1991. And of course we're currently working with a number of the departments and agencies to finalize details of space that will be returned as a result of this year's budget. So my response to that would be that we have then, I think, five properties that are currently . . . across the province that were leased prior to 1991 that don't have any occupancy in them at all.

Mr. Belanger: — Thank you, Mr. Deputy Speaker . . . or, Mr. Chairman. First of all to the minister, welcome to yourself and to your officials at this part of Committee of the Whole.

A couple of things we were talking about when we're talking about the Saskatchewan Power . . . or Saskatchewan Property Management Corporation. Has there ever been a thorough examination of really what the role of SPMC is? Because you look at the leases that you speak about, \$14.7 million in terms of leases, and really the point I'm trying to get at here is when you look at the role of SPMC, is there any way, shape, or form, has there been any consultation, any discussions that your department has taken to study the role of SPMC?

And what I'm trying to get at here is, that is there a role in the 1990s for a department such as SPMC, considering the tough financial constraints that we're under and the fact that perhaps the government can contract out more of the services.

And of particular interest to me is, has there been any of that consultation or studies done, much like the study on the Crown corporations being undertaken? Has SPMC ever suggested or ever researched any of these options that I'm raising this evening?

Hon. Mr. Serby: — Thank you very much. I welcome the question from the member from Athabasca.

I want to indicate to the member that since coming to government in 1991, along with all of the examinations that

government has undertaken to review its operations and its work, a part of that has included of course the work and value of Saskatchewan Property Management as it aids the delivery of services across the province. And so more specifically I can say to the member that when the Gass Commission undertook its work, a part of that review during the time that the Gass Commission was doing its examinations of government services and departments and some of the Crown operations, Saskatchewan Property Management was also given a bird's-eye view as well in terms of examination of its services.

Certainly the role throughout the '90s . . . and I know that the member asked the question about has there been any examination — thought — given to whether or not there are some services that can in fact be contracted out, that can be provided by the private sector. And I think part of what I want to say to the member is that we have all sorts of partnerships within Saskatchewan Property Management today that include of course the direct service delivery of some of our programs within Saskatchewan Property Management by the government itself. On the other hand, we are involved in a number of contractual arrangements with the private sector at this point to provide some of our services in terms of making the work of government and its services more efficient across the province.

And certainly as we move along with the work of Saskatchewan Property Management we're ongoing evaluations of its work on a regular basis. So I have to say to you that the process of looking at the value of Saskatchewan Property Management in terms of the services it provides are not only current but they're ongoing.

Mr. Belanger: — Thank you. When you talk about the Saskatchewan Property Management Corporation, are we also incorporating the use of vehicles from the many departments or are the departments generally, you know, responsible for their own vehicle and their vehicle maintenance and also their vehicle costs such as fuel and oil changes and so on?

Hon. Mr. Serby: — The question that the members asks, the department is certainly responsible for ascertaining the vehicles that are currently in the fleet for the government. However, the individual departments are responsible for determining, first of all, the number of vehicles that would be required by a department. If I might use the public health department, if they require in their fleet to provide services to rural Saskatchewan and that might be 400 vehicles, that determines . . . and the types of vehicles that they might require, that decision would be made, by and large, by the individual department. In that case, it would be made by the Department of Health.

But SPMC, of course, would take on the responsibility of ensuring that the appropriate number of vehicles that are required for government services be provided, would then make the request or RFP (request for proposal) and do the purchase of the vehicle. Because certainly on that process we can buy vehicles significantly cheaper because we buy them at such a large volume.

(1915)

Your question regarding how do we maintain the vehicles across the province, what we would do, what SPMC does of

course, is they enter into contractual agreements with service providers across the province. So what you might find of course in my community or in the community that you're from, that there would be someone there who would be providing some of the service to the vehicles that the government owns right within those communities.

So previous to your earlier question about whether or not we're contracting out some of those services to the private sector, that's one example of how we're doing some of that already.

Mr. Belanger: — I guess the second part of the question is, in a sense that when the Department of Health, for example, requires 40 vehicles, SPMC purchases these vehicles and they transfer the vehicles to the Health branch. And then does the Health branch get the actual cost out of their budget or does it come out of SPMC's budget? How does that process work?

Hon. Mr. Serby: — The departments are billed for the cost of the vehicles on a cost-recovery basis is how that works.

Mr. Belanger: — How often do you purchase vehicles, and what's the process for re-selling vehicles, and where are your vehicles generally purchased from, as SPMC?

Hon. Mr. Serby: — On an annual basis . . . you're correct in assuming that on an annual basis what we do is we replace a portion of our fleet. In Saskatchewan we currently have just in excess of over 4,000 vehicles that Saskatchewan Property Management would be responsible for. What we have . . . the current policy that we're following of course is that it's an eight-year, 160 kilometre target.

So once the vehicle gets to that level, what we would then do is we would put it on the block, if I might use that, because you asked a question about whether . . . how we dispose of vehicles across the province. And what we would do is we would put them up for public auction. And from time to time you see that in local newspapers across the province, that gives information regarding types of vehicles, which include mileage, and then they're sold at public auction across the province.

Mr. Belanger: — Would you have a copy of the vehicles that you sold, say the last five, six years, and what the value of those vehicles in terms of what they're auctioned off for? Is that information that's available?

Hon. Mr. Serby: — On an average basis, what we would sell off is somewhere in the neighbourhood of 5 or 600 vehicles. What we can do is we can go back over a period of five years, if the member would like us to do that. Of course it's a fairly extensive and onerous kind of an exercise but certainly we would be prepared to do that and then provide the member with the information of the types of vehicles that were sold, the locations that they were sold, and the amount that we would have realized from that on the sale of those vehicles.

On the average, I would expect that some of those vehicles might be in the neighbourhood of 3 or \$4,000 with that kind of mileage that they would have on them. But if the member is wishing that kind of information, there's no reason why we couldn't provide that for you. As I say, it would be a fairly long

exercise from the point of view that we're selling somewhere in the neighbourhood of 5 or 600 vehicles on an annual basis. And we would have that information for you over a period of about 6 years, or 5 years.

Mr. Belanger: — Thank you for your gracious offer, but even a couple of years would be fine. I just wanted to do some quick calculations. I guess the . . . jumping into the situation of actual buildings, I'd like to go into northern Saskatchewan, if I may. In northern Saskatchewan when you do have a building that the government owns, the provincial government owns, are municipal governments allowed to tax your property?

Hon. Mr. Serby: — There isn't a tax on the property but what there is, is that there's a grant in lieu that's provided to the municipalities across the province where there are provincial buildings located.

Mr. Belanger: — So I imagine if you do lease a building off a private person, that that individual would be responsible for taxes if it was privately owned by himself. Is that correct?

Hon. Mr. Serby: — That's correct. The individual who would own the property would then be taxed by the municipality. That's correct.

Mr. Belanger: — Could you give me a brief list of the buildings that you do lease in the Athabasca constituency, and the rate which you lease them for, as well as the names of the owners of the buildings that you are leasing.

Hon. Mr. Serby: — The significant leases in the Athabasca constituency that the member talks about, there would be five that I would like to report and share with him. They would be at Beauval, POB (provincial office building). We're leasing there. The tenants are SERM (Saskatchewan Environment and Resource Management), Health, and Social Services, in that facility — 248 square metres would be the amount of space that we would be leasing there.

At Buffalo Narrows the tenants are as well SERM, and Health, and Social Services. Justice are in that facility as well — 961 square metres in that particular building. At Ile-a-la-Crosse we have the tenants of SERM, Health, Social Services, Justice, and New Careers are in that facility and we're currently leasing 440 square metres in that building. Of the amount of space that's occupied at Ile-a-la-Crosse as well, the health centre, that one we have 200 square metres and the tenants are currently Health. And at La Loche the tenants are SERM, and Health, Social Services, and Justice. And they have 543 square metres in that particular building.

Mr. Belanger: — Thank you. Could you also share with the House as to who you're leasing these properties from.

Hon. Mr. Serby: — We don't have that information with us here this evening but we'd be happy to provide that to you very shortly.

Mr. Belanger: — Thank you very much. In reference to looking at properties, suppose SPMC or the government needs a new health care centre in Pinehouse. How would you determine

the value of going to a private lease versus to the government actually constructing this facility? Is there a process in place that you generally have to use in terms of determining that outcome?

Hon. Mr. Serby: — Part of the responsibilities that we have in Saskatchewan Property Management of course is to — and this has happened over time — is to become somewhat expert in determining what the costs of facilities might be across the province, based on specific needs for which space might be used for.

And the member can well appreciate that all facilities don't necessarily make themselves conducive to a variety of different uses. So in many occasions when you're developing space or needing to acquire space, it needs to be suitable or specific to the kinds of needs that it has.

And so what Saskatchewan Property Management would do, by and large, is determine from its own expertise what the approximate cost of a facility like you suggest might be in a particular community for a particular purpose. After we had completed that process what we would then do is we would actually then go to the private sector and have them provide for us their estimate cost of what a facility might be in that particular community for that particular purpose; then, of course, would make a determination.

This would be an open proposal call that we would put out to the province so that people might submit then their bid as to . . . and provide their estimates on what the cost of operating and constructing a building of that type might be. And then at the end of the day, making some comparisons then in terms of what it would cost the government to provide the service in their own facilities versus what in fact it would be if we were to lease that property from somebody who constructed it and privately owned it.

So it would be a combination of those factors that would, at the end of the day, determine what kind of facility would be both required and ascertained for use for a particular purpose.

Mr. Belanger: — In reference to the points that you raised, when you look at the lease versus construction of a needed facility, obviously because of the financial constraints the province is under, it would be much easier to negotiate a 20-year lease where you'd pay a thousand dollars per month in year one, in terms of the cash flow point of view, as opposed to having a \$500,000 cash outlay for a construction project.

So from the cash flow perspective, I imagine leasing as opposed to constructing would be a favourable option. So in that reference, when many people want to build a building and lease it back to government, there is obviously the premiss of profit for the individual or for the company.

(1930)

Is there a rule of thumb that you use to determine the cost plus their mark-up, I guess you would say, in terms of the building? Is there a 12 per cent mark-up or a 15 per cent mark-up? Because we know many of these businesses or some of these

private companies would not build just to recover their income. Obviously profit's got to be part of the picture.

So is there a rule of thumb that you use to determine the profitability of a leased building towards the owner itself, or himself?

Hon. Mr. Serby: — I think what's important here is that, as I'd mentioned earlier when I was commenting on the process, what we would always be looking to do and what we always do is we always go to the RFP process to determine what would be the lowest cost in terms of the particular space that we have requirement for.

Now I think the other piece that's also important here is that what we would be doing is looking at lease agreements that would only be for periods of five years. I know that the member is familiar with previous practices that Saskatchewan Property Management has been involved in. And certainly when you look at — and as I described to you earlier — some of the lease arrangements that we have across the province with properties, you see that we've had 10- and 12- and 15-year leases for particular pieces of property. And of course some of them, as you're certainly familiar with, are no longer occupied. They're vacant space across the province.

What we're doing, however, though, is after we've determined what the lowest cost of that particular facility is, keeping in mind that the taxpayer is the individual who bears the expenditure here, we would then be entering into the lowest cost arrangement and that wouldn't exceed a period of a five-year term.

Mr. Belanger: — Just a point that I wish to make to you, Mr. Minister — and I certainly appreciate the effort you're taking to get me that information as soon as you can, in terms of the vehicles and some of the owners of some of the properties that are being leased by the government, in particular the Athabasca constituency — am I to expect that information say within a week, or several days? How does your schedule work?

Hon. Mr. Serby: — We could have the information that the member asked for somewhere between a week and 10 days, if that would be satisfactory to him. We could provide that information for him, over that period of time.

Mr. Belanger: — Thank you. I guess the other point I have is, I'm a bit confused when you talk about the \$14.7 million in terms of the . . . I'm sorry, \$44.7 million in terms of the current leases. And we spoke about the vehicles leases. And then we see in your budget itself, you have approximately \$10.5 million estimated for 1996-1997. Obviously it's, you know, the spending is somewhere. Could you just basically explain to me why your budget's so low yet your costs are quite high in terms of some of the facts that you gave us this evening.

Hon. Mr. Serby: — I think I might answer the member's question by indicating first that Saskatchewan Property Management, of course, operates itself on a cost-recovery basis. So what we would be expecting then is that . . . and as you go through the *Estimates* and look through the *Estimates* in each of the various departments, what you will see is you will see an

expenditure designated from each of the departments in terms of those costs that are related to the services that are provided by Saskatchewan Property Management. And those costs are charged out to each of those departments, as I've indicated, on a cost-recovery basis.

So what you see here on your bottom line in the *Estimates*, which is that one individual number, that really reflects the portion that we go to Treasury Board for in terms of the net grant after all of the cost recoveries are obtained from each of the departments. That's the portion that we returned to Treasury Board for a specific amount.

Now SPMC receives a subsidy which funds a portion of the operating costs which are not covered through the corporation, which I've already indicated on the cost recovery.

And included in that, for your information, would be SPMC's own accommodation and corporate overhead that we would have to provide the support services to all levels of government. If we have some vacant space that we may end up with at the end of the day, it would cover that.

Certainly the custodial services for programs administered for the government, like that of the purchasing agency, project management, central survey and mapping, telecommunications — those would be the areas that the net grant would be covering off after the cost recovery is obtained from each of the departments that we provide services to across the piece.

Mr. Belanger: — So I guess that answers also the question in reference to staff. I see you haven't got what most departments have in terms of staff breakdowns. Is that referred to as FTE (full-time equivalent) staff complement?

Hon. Mr. Serby: — That's correct.

Mr. Belanger: — Okay, I guess the second part of the question is, I'd like to recommend or perhaps to point a direction that SPMC should look at when it comes to northern Saskatchewan.

As you're probably aware, Mr. Minister, northern municipal governments do have a very tough time operating governments in northern Saskatchewan. And one of the things that they've looked at, and time and time again this has been a roadblock to many of the northern municipal governments, when there is a specific need . . . And I'll use my home community of Ile-a-la-Crosse as an example.

When there's a specific need for a community to . . . or for government to construct a facility or look at leasing a building for its purposes, that you should consult and make the right of first refusal to the local municipal governments to build that building and lease it back to governments.

Because what you see in northern Saskatchewan anyway — I'm not sure about the rest of the Saskatchewan situation — is you have a lot of outside interests coming into these northern communities, building these buildings, leasing them out to government at a profit, and then again pulling the money out of the community and pulling everything down to southern Saskatchewan.

So I would suggest to you and maybe support any efforts that you had to try and see if the local municipal government, or a local business person, or a co-op of some sort, can do that for you, where you would talk with them on a competitive basis, say we have an opportunity for you to build a building and lease it back to the government here, so you guys could make profits and keep some of the profits at the local level.

And again I go back to our situation in Ile-a-la-Crosse where we . . . there was probably two or three, maybe four or five occasions in which government has needed a building, yet the community was not advised. It was in no way, shape or form able to build a building because they weren't made aware of the needs and as a result they lost out on a very lucrative opportunity to lease a building back to government.

So are you prepared to look at that particular part of your responsibility as Minister responsible for SPMC to see if there's an opportunity that in the future that we could perhaps incorporate some of these ideas I speak about?

Hon. Mr. Serby: — I want to first of all indicate to the member that the suggestion that he puts forward and the ideas that he puts forward in terms of partnerships that the provincial government might enter into with local municipalities, or for that matter tribal councils, are ideas and concepts that are already in place.

And we're doing some of that already, not only in the . . . and certainly one of the examples that I might share with the member and he probably is familiar with that, and that's a lease that was awarded to construct a new facility in Buffalo Narrows. This new facility of course will replace the substandard provincial building and health clinics. SPMC previously met with representatives of affected departments and developed a design layout prior to that.

And here is one example of I think what the member from Athabasca is talking about. I think that not only is — just to give an example — of not only SPMC being involved in some of that process, but having responsibilities of another portfolio and that of Liquor and Gaming, what we have of course in La Loche.

La Loche, which you're obviously I think familiar with as well, there is probably a prime example of what you're talking about where first of all the Liquor and Gaming Authority actually went to the municipality and had a discussion with the municipality about what their needs would be. And then the municipality designed the plan for how in fact they would want to see the facility designed in the community, who would be the owners of the facility in the community.

And of course what's happened is that it is their building, and the revenues then that Saskatchewan Liquor and Gaming pay to the community make its way back into the municipality in the way in which you're suggesting. So this of course is our idea of how we can include municipalities, how there can be joint ownerships, how there can be partnerships in both the sharing of determining what the needs might be in the community, but at the same time making sure of some of that revenue gets back

into the communities to do the kind of work that you're talking about. And certainly very important, as you suggest, in northern Saskatchewan for that to be happening.

And we're not only going to be supporting that idea to a greater degree, but that we'll also be ensuring that there is that kind of inclusiveness as we continue to expand and develop facilities for joint needs both from a municipal perspective, from a government perspective, and also include our federal partners, by the way, in some of that work that's going on. So I appreciate your comments and just share with you that some of that process is already ongoing and continue to do further.

Mr. Belanger: — Thank you, and I guess the point that I could take at this point in time is that the answer to my suggestion to you is that yes, that if there is an opportunity to construct or to lease a building in these northern communities, that you as a minister will undertake to consult with the municipalities and say, there's an opportunity here for you and we need these type of facilities in the future. You are committing to that process, is that correct?

(1945)

Hon. Mr. Serby: — There's no question, Mr. Chairman, to the member, that that process will continue to go on as it has in the past. We'll continue to ensure that that process will continue to work in the way in which you suggested and we're practising.

Mr. Belanger: — Thank you, Mr. Minister. Just a couple of other questions here. In reference to some of the units that you may have had in northern Saskatchewan, there has been times where say a SERM officer heads to Buffalo Narrows. And as far as the employment condition, he's given a unit. And I'm assuming that SPMC owns that unit, which is a housing unit. And after a while I'm aware that you have had some sales of the surplus units. And could you advise the House today as to how you determine the resale of your units, and how many properties did you sell in northern Saskatchewan, and basically your determination of how you valued both the buildings and the properties with respect to staff housing.

Hon. Mr. Serby: — In respect to a couple of the questions that the member has asked, specifically on the number of properties that we have in the North that were used for the kinds of purposes that he suggested, particularly SERM, we don't have that number with us currently, and can provide for you the exact number of units in the North that in fact we had and then were disposed of.

To the second question that the member raises as it relates to the amount or the value of what those properties were disposed for, of course we wouldn't determine that within the corporation. That would go of course to an open bidding process. And of course what the value of the properties would be, would be determined of course on who wants it or who needs it for a particular purpose.

And by and large, it's often important to recognize that you might have a significant asset that's situated in a particular part of the province where government might have a fair bit of equity in it. The problem with it might be, of course, is who

wants it?

So if you have a willing seller and a willing buyer, and they have a need for a particular facility you have, where you have all of your asset tied up in it, then of course it's always beneficial then to . . . then of course you get the best value for that particular piece of property. But in many cases, that doesn't necessarily hold true. But the market-place would determine the kind of return that you would get on the asset that you would have for disposal.

Mr. Belanger: — Thank you. Just three more questions. In terms of actual housing requirements in northern Saskatchewan, would you also be in a position to go to the community and discuss the construction and potential lease of housing units in the event that SPMC may need private housing accommodation for some of the staff that may be relocated to northern Saskatchewan?

Hon. Mr. Serby: — I'd like to be able to assist the member with that; however the housing for northern Saskatchewan is really handled under the portfolio of Municipal Government. And so when that opportunity, you know, arises again, the member may want to ask the question of the minister responsible for Municipal Government as it relates to housing, because housing isn't a part of the portfolio that Saskatchewan Property Management addresses itself to.

What I do have though, the member had earlier asked me of the number of properties that SPMC sold in 1995-96. And as I was advising the member of a number of other issues, I do have some of the properties that were disposed of in 1995-96 with the value attached to them and who the purchaser of those properties were with the project number and the RFP under which it was tendered. And what I might do is pass this over to the member so that he might have an opportunity then to review it at his leisure.

Mr. Belanger: — I'm sorry, Mr. Minister, you may have misunderstood the question in reference to housing. Is it my understanding that if a housing unit is required to fill a SERM position in Buffalo Narrows, that you're saying that it's municipal housing division responsibility and not SPMC responsibility to find that unit for the potential employee?

Hon. Mr. Serby: — I want to just indicate to the member, I was of the impression that he was talking about northern housing, and northern housing as I described is in the portfolio of Municipal Government. However if it's specific to an individual within a program department, as you've indicated, a SERM employee, then that would fall under the purview of Saskatchewan Property Management.

And just to say to the member that we haven't disposed of any properties in the last several years that certainly we've been involved in administering. So I can't give him that specific piece of information that he's requiring because we don't have it.

Mr. Belanger: — Okay. I guess the point I want to raise though is that the same manner in which you're going to allow local contractors and municipal governments the opportunity to build

a building, lease it back to the government: what I'm saying, would you also extend that opportunity to private housing for the potential employees that may be relocated to their community?

Like suppose SPMC needs accommodation for three families. Instead of you guys leasing or building the buildings on your own or having somebody from the South come and build them for you, would you also afford that opportunity in the same manner which you would with your commercial properties?

Hon. Mr. Serby: — I think the answer to the member's question is that what we would do is, in either case, whether it's an acquisition or a disposal of property that we would have within a municipality for the particular purpose that you're talking about — in this case it's a SERM employee — we would certainly exercise the same opportunity as we did . . . as I talked earlier about the office space. We would go to the municipality, go to the community and try to determine, with their interest and their effort, to what the needs might be in a particular community and who might be able to provide that for us best.

Mr. Belanger: — Thank you. I guess the final few questions. In terms of the buildings and the excess equipment that SPMC may own in a number of rural, city, or northern communities, would you also be in a position to entertain potential invitations from different communities to use the, you know, the building or equipment in such a manner as to help them in some of their objectives? And of course their objectives are wide-ranging.

The point that I'm making here is that obviously there are a lot of buildings and a lot of excess equipment out there. And has there been any interest from any municipalities or any groups in reference to any particular asset that you have that you aren't using and that you could possibly dispose of? And if so, can I get a list of those enquiries and potential companies that might be interested in accessing those properties?

Hon. Mr. Serby: — Currently what we have in the province is a fairly extensive policy as it relates to how we dispose of properties. And certainly the way in which the policy is crafted and drafted today is that what we would first do, of course, is go to our own departments. For example, if we had a particular space that was currently being used by the Department of Social Services and they were using it for the benefits of their programs and that space became excess for whatever reason that might be, we would then of course go to each of our other departments within government to try to determine whether or not they had need for it first, within the operations of government.

The second group of folks that we would then go to would be to our federal government departments to see whether or not they had any need for that property to use for some of their programs or services that they might have within that particular community.

And then, of course, would then go to the third parties, which would be the municipalities, to recognize whether or not they had particular needs for property. In some locations, certainly then go to school boards, which would be in our opinion

included in that whole third-party group, because there are occasions where you might have school boards who might have need for particular facilities. I might give the example of a surplus Highways building, for example, where they might need a place to store their school buses or things of that nature. So they would be included in that review as well as health district boards, of course, currently would be another group of individuals who we would go to and see whether or not they have any need for that property.

Included in that policy, of course, is our involvement contact with first nations people to see, as well, as they're expanding, in determining what their property needs are, building needs are, across the province. We include them in that policy framework as well and discuss with them whether or not they have any particular needs.

So the policy is, in my opinion, somewhat over-encompassing and addresses not only municipalities but all sectors within the departments and the Crowns, other levels of government, as I've said to you, which include the federal, municipal, and first nations people. NGOs (non-governmental organizations) are in that as well.

And at the end of the day, if no one, you know, has a particular interest in the properties that we have, then we would go to the private sector and put that property out there for people to try to access through an open bidding, fair, open bidding process.

Mr. Belanger: — Thank you very much. And I'll just close with my final question here, but I wanted to point out the fact that you mentioned the particular facility in Buffalo Narrows, and this is the reason why I'm more or less insistent that your department look at the opportunity of going to the local community at first when you require a building, as government, and affording them the first opportunity to either build that building and lease back to the community from the government point of view — And the reason being is that many of these northern communities, and many of these small northern businesses in these northern communities, do need extra revenues and they do need extra support.

(2000)

As well, when you have excess buildings and excess equipment that nobody else is interested in, as part of the support towards the smaller centres, be it rural or northern Saskatchewan, that perhaps in the community development aspect of life in these smaller communities, that perhaps flexibility and support could be shown by government when it comes to property and excess equipment, to try and assist that community in either developing a new service or setting up a new facility for some needs. So it's always a two-way street.

And I mention back to the Buffalo Narrows example, where we have a Saskatoon company that not only built that building but they also now are leasing back to the government. Now what if the government would've taken the initiative and said, we are going to give the first opportunity of building that building and leasing that building back to government, for our needs, to the Buffalo Narrows Town Council.

And I would say at this point in time that a guaranteed lease is worth money in the bank, and today Buffalo Narrows would have not only an asset, but extra income, and that perhaps we should look at doing that right across the board to assist the small rural and certainly the small northern Saskatchewan communities.

And the final question I have is also in reference to SPMC's plan. Obviously you're always looking at ways to — I'm assuming — at ways to reduce excess equipment and buildings that you don't need, because there's no value in having these buildings in there if you don't need them.

And suppose, for example, there was a determination needed . . . there was a determination that was made by the Department of Health saying that they had an alcohol and drug abuse centre that was needed in Pinehouse, for example. And then if Pinehouse come up with the idea that they wanted to lease or build this building, consistent with what you're saying this evening, and they wanted to rent it back to the government, would you then enter into that negotiations as the minister responsible, or would that be a totally Health departmental matter?

Hon. Mr. Serby: — I think that the member raises a number of excellent points, of which I want to certainly indicate that as we examine the number of properties across the province which might be recognized certainly as excess, there's no question that, as I've said earlier, those kinds of discussions would be front and centre with the municipalities in terms of how we would want to include them in that particular disposal of a piece of property that we might have.

As you point out, that you might in your community of . . . or in the community of Buffalo Narrows, what you have is a property that would have a tremendous amount of value today if it had a different kind of ownership association to the municipality. And I think that what's important here to recognize, is that the current policy under which this administration operates, that would be the kind of practice that we would get into where we would have that kind of discussion with the local municipality and see whether or not we could provide the best benefits for all of the parties involved in that process.

If we could turn that clock back a bit, is what you're suggesting we might be able to do, of course that would be a healthier experience from the point of view of what you're suggesting is happening in Buffalo Narrows.

The issue of course is that as properties . . . property leases expire in communities, you already have a facility in your community that has a unique purpose, and obviously it was designed for some particular purpose. The question then becomes of who attains ownership of it if it's not designated as surplus. If the requirement for that particular facility is still there, then who becomes the legitimized owner of it?

In the case of the health district, would the health district board then pursue the purchase of that particular property on behalf of the region and then provide the services back to the region as the owner of the facility, being the district health board? Or does the municipality then get into an arrangement with the

owner of that particular facility and then say to them that they want to be the owner, and then lease that particular property back from the Department of Health?

And I think there are a variety of different variables that, particularly the departments that provide the programs, would be examining. And Saskatchewan Property Management would be involved of course in determining what the actual facility requirements might be based on the kind of expertise that we think we provide in terms of what accommodation needs might be. But the specific program needs would really be that of the departments that are making the request.

And in the case of the property that you're talking about and health district board, that discussion would be with the health district board, of course, and that of the Department of Health.

Mr. Belanger: — Thank you for your time and your questions and your patience. And I'm certainly encouraged, Mr. Minister, that you're taking the extra effort to look at affording the northern municipalities, in particular those small communities, the opportunity, in the event that there is a facility needed, that they would be the first persons, the first group, that you would approach to potentially become the builders and the lessors of that particular property. I'm quite pleased to hear that that offer to investigate that number being brought forward by yourself.

And I believe the member from Cannington has a few questions for you, and I thank you once again.

Hon. Mr. Serby: — I thank the member from Athabasca for the questions as well. And to just reiterate again to the member that we'll continue to practise the current policy that we have, and appreciate his support for the practice that we're currently following in terms of property development in the northern part of Saskatchewan. I thank the member for the questions.

Mr. D'Autremont: — Thank you, Mr. Chairman. Welcome, Mr. Minister, and officials. I note in schedule A of the *Estimates* book that you've taken over a number of responsibilities from Intergovernmental Affairs. I wonder if you could explain the change-over, the transfer from the protocol office dealing with the gift bank, and explain what the gift bank is, for \$15,000.

Hon. Mr. Serby: — Mr. Chairman, to the member from Cannington, the transfer of the legislative buildings to Saskatchewan Property Management really occurred in the year that . . . previous year. And it seemed that because we're into the business of managing properties and buildings across the province, that the legislative buildings would be another property that Saskatchewan Property Management should have under its purview.

And you're correct in identifying that through the course of 1995-96 the legislative buildings became part of the responsibilities, and all of the functions that are associated with the buildings and grounds and work around the building and with the building, are associated now with Saskatchewan Property Management.

The gift bank that the member speaks of is certainly . . . it's part

of the new duties that Saskatchewan Property Management has within its purview and the \$15,000 that he talks about would be the . . . a portion of funds that would make their way through the protocol visiting. So if you have delegations or individuals or groups who come to — if I might say — the legislature from abroad, we would provide these souvenirs to those individuals, and that's what that number really associates itself to.

The actual transfer of the Legislative Building to Saskatchewan Property Management really occurred on April 1 of '96.

Mr. D'Autremont: — Thank you, Mr. Minister. When we're talking about gifts to visiting dignitaries — I assume that's what we're talking about — what sort of criteria is in place to determine which visiting delegation receives a gift? What criteria is in place to determine how large that gift will be?

Hon. Mr. Serby: — The Saskatchewan Property Management, by and large, in respect to that particular fund that the member talks about, would only be responsible, by and large, of ensuring what the particular item that protocol office would suggest would be appropriate. And so we would go out and actually purchase the good that they're indicating they would require and get the best price on what that might be.

The protocol office, of course, would be involved in really determining the policy of what a particular gift might be, what the value of that particular gift might be, and that responsibility would really lie within that of the protocol gift policy, if I might call it that.

And SPMC really is providing the inventory management and the procurement of what it is that the protocol office would be suggesting that we would be . . . they would be requiring.

Mr. D'Autremont: — For this \$15,000, Mr. Minister, how many gifts were purchased and in what price ranges were those gifts valued at?

Hon. Mr. Serby: — Well to the member, this is a relatively new experience for us in terms of managing this particular fund. So because we don't have that particular number, I could venture a guess and my officials are putting their heads together and trying to determine what that number might be in terms of the number of gifts and what the value of them are. It would be a significant number and the value wouldn't be large. But rather than to try to provide that to you at this point in time, I would rather for us to get that detailed information for you and then provide it to you directly in writing if that would be satisfactory with the member.

Mr. D'Autremont: — Thank you, Mr. Minister, if you would provide that as quickly as possible though, that information.

I would like move on to another issue. SPMC looks after the CVA (Central Vehicle Agency) vehicles, I believe. I wonder if you can give me some indication as to how many MLAs (Member of the Legislative Assembly), cabinet ministers, ministerial staff, department officials, would be entitled to CVA vehicles.

(2015)

Hon. Mr. Serby: — If the member is asking about executive government, then it would just be cabinet ministers and permanent heads that would be the folks that would be assigned vehicles. If the member is asking about vehicles that are assigned within the program operations, we would have two systems, as you may be aware.

Then we would . . . my information tells us that the ministerial vehicles, currently we have 20 that would be assigned; executive vehicles to DMs (deputy minister), there would be 14; on Crown corporations there would be 3; and then the executive pool would be 13; and that information is as of April 1 of 1996.

Mr. D'Autremont: — Thank you, Mr. Minister, 50 vehicles all told. Now is that the total number that are entitled to vehicles depending on their position — ministers, executive heads, or Crown corporations — is that the total number that are entitled to those vehicles or is that different? Would that number be different from the actual number of vehicles that you have listed, this 50 vehicles?

Hon. Mr. Serby: — Those are the total vehicles that are assigned. There are some deputy ministers who have chosen not to use a CVA vehicle.

Mr. D'Autremont: — How many deputy ministers have chosen not to take a CVA vehicle, and for what reason have they chosen not to take those vehicles?

Hon. Mr. Serby: — I think that we . . . Mr. Chairman, to the member, what we'll do is we'll provide the specifics in terms of the reason for why it is that we have, and here we're talking only about less than a half a dozen permanent heads, which would be deputy ministers or like, that aren't using CVA vehicles.

And I don't have the response for you tonight in terms of knowing why it is that those particular individuals or those particular departments aren't assigned a CVA vehicle to them. But can get that information for the member in the very near future.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could indicate what the policy is in regards to who is entitled to a CVA vehicle and who that is entitled to a CVA vehicle doesn't have to take a CVA vehicle but is allowed some other measure.

And I would assume that those DMs or department heads who have not taken a CVA vehicle are then charging mileage for the use of a different vehicle. Is that the case, Mr. Minister?

Hon. Mr. Serby: — Well the option remains of course, Mr. Member, as you're aware, that there is a car allowance that would be paid to an individual who chooses to use their own vehicle as opposed to using a CVA vehicle.

And there may be a variety of different reasons, as you had indicated earlier or asked earlier, about why it is that some of the folks choose not to. They may not, for example, want to tie up a CVA vehicle because they don't use their vehicle very

much. And so they may choose just to use their own for whatever particular reason that they want to do that.

They may have a preference over the vehicle that they want to be driving. And the policy currently is — you'd asked — it allows for those kinds of determinations to be made really by the individual departments.

Mr. D'Autremont: — Would anyone then, within the executive branch that is entitled to a CVA vehicle, be allowed to make that determination as to whether or not they will take a CVA vehicle or whether they will charge mileage for the use of some other vehicle? Is that option available to everyone within that group that we've mentioned mainly within the executive branch of government and the DMs and heads of departments?

Hon. Mr. Serby: — With respect to the question, Mr. Member, for the cabinet ministers there isn't a choice as to whether or not you would use a CVA vehicle or would use your own. That policy states that cabinet ministers would use the CVA vehicles.

In terms of permanent heads that option really remains, and we simply provide the opportunity for them either to — and are there to provide a vehicle for them if they choose to make that decision — whether or not they exercise using their own vehicle or whether they use a CVA vehicle. That determination, by and large I expect, would be made by contractual agreement in each of the individual departments under which those people take their employ.

Mr. D'Autremont: — Thank you, Mr. Minister. On those DMs and heads of departments who have not taken a CVA vehicle, how does their mileage expense, travel expense, compare with the use of a CVA vehicle?

Hon. Mr. Serby: — Currently what we know is we know what our individual costs are in CVA to operate and service and maintain a vehicle for individual members who are using — whether it's a deputy minister or a cabinet minister — who are using CVA vehicles.

What we don't have, to do the kind of comparison that you're asking us to do, is that we don't have what those individual costs are that are currently being incurred by the individual departments, I would suggest, for those folks who are using their own vehicles at the deputy minister level. We can't make those comparisons for you in the way in which you're asking.

We know that the actual cost of operating our vehicles under the CVA fleet is significantly less than what it would be if you were to go out into the market-place and lease a vehicle. And part of that of course is the fact that we have such a large fleet and can do business, and do business, by volume.

But specifically to the question that you asked in terms of making a comparison to that group of vehicles that are currently being driven by deputy ministers, in comparison to what the costs are and the CVA pool using our vehicles, we can't provide that because we don't have that specific detail to be able to give it to you.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could provide the list of deputy ministers who do not take . . . deputy ministers or heads of departments who do not take CVA vehicles.

Hon. Mr. Serby: — We can certainly, Mr. Chairman, provide that to the member without any difficulty.

Mr. D'Autremont: — Thank you, Mr. Minister. What is the average cost then for a deputy minister or head of department's CVA vehicle? So that if we can get the numbers from within the other departments as per those DMs or heads of departments who are not taking CVA vehicles, that we can use that as a comparison basis. What is the average cost to operate the vehicle from CVA for those DMs or heads of departments that you are supplying vehicles for?

Hon. Mr. Serby: — What's I think important to recognize is that, because we have such an extensive fleet, that you have vehicles that are at different ages and vehicles that have different value in terms of the kinds of options that they have and the quality of the vehicle. So in terms of what that particular individual that you're suggesting, who currently isn't within the CVA . . . using a vehicle out of the CVA fleet that . . . the cost per kilometre would vary then. So I don't have that particular number but I think it would be fair to say that the average personal rate, mileage rate or the CVA rate, would be on sort of a mid-sized vehicle, would be about 22.6 cents per kilometre. And that was, as I've said to you earlier, would include all of the operating costs of that particular vehicle.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you can give us some indication what the mileage rate would be paid to those DMs or heads of departments who do not take CVA vehicles. I don't need the total dollars. I just need the amount per kilometre, if you can supply that.

Hon. Mr. Serby: — That average rate would be around 28 cents per kilometre.

Mr. D'Autremont: — Thank you, Mr. Minister. I'm surprised that it's so low. I believe that as MLAs we receive something in the neighbourhood of 30 cents per kilometre for travel allowance. Is our rate higher than the rate that would be paid to DMs?

Hon. Mr. Serby: — Well our rate, Mr. Member, is 28.38 cents. The federal rate is 30 cents. So if the current rate that's being paid out to MLAs is, as you're suggesting, is 30 cents per kilometre, then it would be greater than the current personal mileage rate that we're paying out to our deputy ministers.

(2030)

Mr. D'Autremont: — Well thank you, Mr. Minister. It's my understanding that rates that MLAs can charge is the same as what the province's civil servants can charge. And I do believe that I saw something recently that was 30 cents, 30.1 or something like that. So perhaps the rates have changed, but we can check into that. Certainly that's not a problem.

What I do have a concern about though, Mr. Minister, is the fact that we have CVA vehicles going to basically the same type of activities, either the use by the minister or the use by the deputy minister, and I see no reason why there should be two separate sets of rules for both of those groups. I believe that if the deputy ministers and the heads of departments have the ability to make the decision as to whether or not they want to take a CVA vehicle or whether they want to be able to charge personal mileage on their own vehicle or a vehicle that they're leasing personally, I think then that the cabinet ministers and other MLAs that would be in the same position should have that same option.

If in turn the option for ministers, Leader of the Official Opposition, is that they have a CVA vehicle assigned to them, they will not be paid any further travel expenses over and above that incurred to operate that CVA vehicle, then deputy ministers and heads of the departments should have the same requirement. You have a CVA vehicle assigned to you. If you do not wish to drive that vehicle because for some reason you don't like it, you can take your own vehicle, but you're at your own hock. I believe that the treatment should be the same for both groups without any special differentiations between the two of them.

And that's why I think it's important, Mr. Minister, to determine what the cost is for those deputy ministers that do not wish to take CVA vehicles, to determine whether or not it is perhaps less expensive for them to charge mileage, perhaps because they do not do a lot of travelling. And that's why those numbers are important. But on the general surface of it, Mr. Minister, I believe that the policy should be the same for both.

Because perhaps in some cases a minister may not do a lot of travelling and therefore not incur a large amount of expense for his CVA vehicle. Perhaps his travelling is done through other mechanisms such as air travel, or perhaps he can travel with another minister. So I think it's important that those costs be looked at, but in general that both groups be treated in exactly the same manner.

Hon. Mr. Serby: — I think that, to the member, when you take a look at . . . first of all I would think that cabinet ministers, I would suggest to you, do a great deal of travelling and would use their CVA vehicles a tremendous amount. And as a result of that it would be based on the policy that we have established for use of CVA vehicles rate, would be certainly cheaper in my opinion to be using the CVA pool, by a long way, than to be paying individuals for the use of their own private vehicles.

And I think that when we examine those individuals who in fact are using their own vehicles and are being remunerated in that way, what we'll find is that likely those individuals are not travelling a great deal. And so the decision, by and large I expect, was made on the basis that they would not then be tying up the CVA vehicle.

And that's an important issue for us, considering that we have a significant number of cars in the fleet and would be looking then at suggesting that those people are not using their vehicles to a great degree. And that's probably why we have them on a personal rate.

Mr. D'Autremont: — For those DMs or heads of departments that are on a personal mileage rate, is there a maximum then that they can charge, after which point the next fiscal year they would move to a CVA vehicle?

Hon. Mr. Serby: — What we do on a regular basis, of course, is that we would track all of the mileage, all the kilometres that each of the vehicles that are in the CVA pool and those that are under personal contract . . . or under personal mileage, would be making. And of course I believe that that number right now is somewhere around 25,000 kilometres.

That would sort of be our . . . And that would be our benchmark in terms of making a determination as to whether or not somebody in fact should be using a CVA vehicle or whether or not that particular individual would be paid the personal mileage for using their own car.

So we do in fact have that benchmark that we apply across the piece in helping us make that kind of determination.

Mr. D'Autremont: — Therefore, Mr. Minister, if one of the deputy ministers or heads of departments who are not using a CVA vehicle were to exceed that 25,000 kilometre limit, they would then be transferred over to a CVA vehicle. Or would they still have that option of utilizing their own personal vehicle and charging mileage?

Hon. Mr. Serby: — Certainly what we would do is exactly what the member is suggesting here, is that through SPMC we would be advising the department that they have a vehicle that in fact exceeds the 25,000 kilometre level. What we would be then doing is making that recommendation through the Treasury Board process, and then that individual department then would deal with the assignment as we've spoken about tonight as to whether or not the department then would be issuing a CVA vehicle to that particular individual, or whether they would continue to remain on the personal mileage agreement that they might have had.

Mr. D'Autremont: — If a DM or head of department exceeded the 25,000 kilometre limit, you said we would recommend that they move from personal mileage to CVA vehicle. What happens if the DM or the head of department refuses to take a CVA vehicle and insists on remaining on the personal mileage? Can you force them to take the CVA vehicle? Or can you say, we will pay you up to the 25,000 kilometre rate and that's it, you're done.

Hon. Mr. Serby: — Mr. Chairman, as I've said earlier to the member, that really the decision regarding whether or not a particular vehicle . . . or in this case a deputy minister uses his own vehicle or whether or not he takes on a CVA vehicle, that determination is really made by the individual department for which that person is an employee. Saskatchewan Property Management has no mechanism really within its purview to provide the enforcement, as you're suggesting, if that were to exceed over and above the 25,000 kilometre level for us then to automatically make that kind of an adjustment where this person would then take on the use of a CVA vehicle.

What we would do however, is that through the budget process, on an annual basis we would be providing that information then as it respects that particular department, that particular vehicle, and as they're reviewing their process, that particular item then would be flagged. I think what's important to recognize here though, is that you may have different levels of activity by an individual through a particular term in their employ, where in a given year you may have somebody who may be significantly . . . uses significantly less than the 25,000 kilometres. Because of their particular responsibilities it may not take them outside of the central location as often.

And then you may have another instance where you have the same individual involved in a broader process in terms of delivery of department programs, who may in the second year of their contractual agreement be far more busy in their responsibilities, if I might use that.

So it would be . . . I think it would be difficult, I think, to make that decision one year over another. You might want to look at that over a broader period of time. So if you looked at a three-year period or four-year period and looked at what activity a particular deputy minister might be involved in in terms of activity and travel, it may be easier to make that kind of determination.

Mr. D'Autremont: — Thank you, Mr. Minister. With the information that we have received from you and will receive from you, it'll give us the opportunity to ask the various departments as to what's happening with their own DMs and what it's costing them for mileage, if any of them are on the personal mileage option that is available. But I still disagree with the basic thrust of it, that there should be two separate criteria in place, one for the ministers and one for the DMs.

I'd like to move on to some other areas, Mr. Minister. These are related to global questions that we asked you to supply us with the answers for. These are the questions for which we failed to find the answers within the information that you provided. Now the questions that I have relate in general to all of the globals for the departments, so your particular department may have answered this question, and if so you can indicate that.

But I wonder if you can give us the information detailing the educational leave and professional development programs within your department, and state the purpose for each one of those.

Hon. Mr. Serby: — To the extent that that information is not part of the information package that we submitted to the member, we can provide that for him at another occasion because we don't have that with us at this particular point in time.

Mr. D'Autremont: — Okay. Thank you, Mr. Minister. If you would also please provide the information related to that question as to whether or not the department or the individual paid for that educational leave or professional development program. And if it was paid for by the department, please state the cost; and if paid for by the individual please estimate the cost to the department of the individual's absence from work. Can you do that, please.

Hon. Mr. Serby: — We could provide all of that information for the member that he's asking.

Mr. D'Autremont: — Thank you, Mr. Minister. Can you give me the total payments to RRSPs (registered retirement savings plan) and other contract benefits provided to all employees that are outside the benefits provided through the Public Employees Benefit Agency.

Hon. Mr. Serby: — We don't believe that we had any, Mr. Member.

Mr. D'Autremont: — Well I'm glad that you don't believe you have. I wonder if you could check and let me know if you can confirm that you did not have any. Please list and detail the cost of club memberships, season tickets, etc., held by the department and detail the costs of all other entertainment expenses incurred by the department.

(2045)

Hon. Mr. Serby: — We can provide that information to the member. We don't have any particular . . . other than memberships that we might have to engineering associations or architectural associations. We don't have season tickets to the Saskatchewan Roughrider games or anything of that nature, if that's what the member is suggesting. We don't have any of those.

Mr. D'Autremont: — Thank you, Mr. Minister. It might even be season tickets to the Globe Theatre. I don't know. That's why we want to know. We're asking the question.

Can you please detail any leaves or secondments of the department employees for charitable or other volunteer events and state whether these leaves were paid or unpaid, and if paid, estimate the cost to the department for each such leave and give the totals, please.

Hon. Mr. Serby: — The only one that my officials can think of, that sort of comes to mind, is one that . . . where we had someone go to and do some work for the United Way. But what we'll do is undertake to provide the member with any additional ones that we might have.

Mr. D'Autremont: — Thank you, Mr. Minister. If you would also detail the costs associated with that too, please.

This question could be a large one dealing with SPMC because I believe you deal with the credit cards for every CVA vehicle. Therefore I'm not going to ask the question as it's written here, but can you give us any details on any staff which have access to any credit cards for the department.

Hon. Mr. Serby: — There would be, Mr. Member, no credit cards that would be accessible to any of our staff other than the CVA travel cards that we would have.

Mr. D'Autremont: — Thank you, Mr. Minister. For each terminated employee, please answer whether or not the individual has been relocated to another job within government

or the Crown sector; and if so, to which position would this be?

Hon. Mr. Serby: — Could I just ask the member if he would provide us over what . . . in what year are you asking us to provide that information? Is it '95-96? '95-96.

We have no employees in the year '95-96 that were dismissed, that we have any record of, but we have a number of casual leaves that I think we provided, certainly to the official opposition, and I hope that members of the third party have that as well. And so we would be listing that. I think you would have that information. I think we provided that.

Mr. D'Autremont: — Thank you, Mr. Minister. Were any of these temporary employees provided a severance package?

Hon. Mr. Serby: — There weren't any where severance was provided.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could detail all the equipment used by your office, including the CVA vehicles, computers, computer-related hardware, facsimile machines, cellular telephone, software. And if acquired within the last fiscal year, please provide the details of cost, purpose, source of funds such as MLA allowances, legislative office allowances, department allowances, source of the equipment, and whether or not the purchase was tendered.

Hon. Mr. Serby: — We'll need to, Mr. Chairman, provide that information to the member as it relates to cellular phones and fax machines and all of those things. I believe that in our submission what we did provide is we provided the computer hardware, software, that we had purchased, and have done that in a fairly detailed fashion. But we don't have that other information attached, so it will require to provide that for the member then.

Mr. D'Autremont: — Thank you, Mr. Minister. If you would also provide the source that the funds came from to pay for those.

I wonder if you could also provide any details on all credit cards, gas cards, phone cards, or other credit services held by the minister's office? And please state which staff members have access to those services and how those charges for those services are paid.

Hon. Mr. Serby: — We have no general credit cards, as I've indicated earlier. What we do have of course is a calling card and certainly . . . telephone calling card, and we can certainly provide that to you. And you're just asking, I expect, as it relates to my office? . . . (inaudible interjection) . . . Certainly.

Mr. D'Autremont: — Thank you, Mr. Minister. Again the question dealing with educational leave and professional development, but in this time dealing strictly with your staff. I wonder if you can provide the same information as for your department, that being whether the leave was . . . what the leave was for, whether it was paid or unpaid, whether the costs were paid for by your office allowance or whether it was paid for by the individual. And if paid for by the individual, what cost to the department or to your office for having that person absent.

Hon. Mr. Serby: — We can provide that information for the member. I don't think that there's any that . . . certainly in the six months that I've been responsible for the corporation, there hasn't been any. But we can provide that for the member.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you can also provide us with the information dealing with any terminations within your office staff and whether or not any of these individuals have been rehired within government or within the Crown sector; and if so, what is the name of the new position.

Hon. Mr. Serby: — We can provide that for the member.

Mr. D'Autremont: — Thank you. That will include the name of the new position? You're able to provide that, are you?

Hon. Mr. Serby: — We can provide that. We can provide that for the member.

Mr. D'Autremont: — Thank you, Mr. Minister, for being so cooperative.

I wonder if you can also provide then a list of payments for RRSPs or other benefits outside the Public Employees Benefits Agency that are extended to the minister's staff.

Hon. Mr. Serby: — There aren't any that are paid.

Mr. D'Autremont: — Are there any contract employees within the department, Mr. Minister?

Hon. Mr. Serby: — We would have four personal services contracts. And what they would be is, they would be executive drivers utilized by SPMC. The folks really, their job is to transport . . . they're really an aide-de-camp and so they drive the Lieutenant Governor's vehicle is really what their task is here. And there are four folks who we would have on contract.

Mr. D'Autremont: — Thank you, Mr. Minister. If one of these, or all four of them perhaps, were to cease employment, their contracts would run out. What would happen with any equipment that had been leased for them, such as cellular telephones, or a vehicle perhaps? Any provisions made for that?

Hon. Mr. Serby: — That equipment would obviously come back to Saskatchewan Property Management. It would either be reassigned or it would be disposed of in the normal practice that Saskatchewan Property Management uses to dispose of its assets.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could provide a list of all charitable or other donations given by the department in the last fiscal year, indicating whether the funds were given as a straight donation, as a sponsorship to an individual participant, as a consideration for sponsor-type advertising, as services, prizes, or goods in kind provided to the event, or in some other way. Please provide the details for such, if you have any.

Hon. Mr. Serby: — We don't provide any charitable donations, any money for charitable donations. What we will, though, examine is whether or not we have provided any goods in kind, and we can provide that for the member. We don't have that with us at this point.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could provide a list of all communication staff or services used by the department, including complete staff of the department's communications, community relations, media relations, and/or public relations division, freelance or contract writers, speech writers or other public relations or advertising consultants, any media monitoring services, and if reasonable, give salaries for each position.

Hon. Mr. Serby: — We provided a fair amount of information as it relates to the communication expenditures and advertising expenditures at Saskatchewan Property Management in our package. The member is asking for a broader package, and certainly what we can do is we can provide that information to the member.

Mr. D'Autremont: — Thank you. Within that package, if you would indicate whether or not these communications services are provided directly to your office or whether they're directly to the department.

I believe you covered all of the computer purchases within your release.

I wonder if you can give us the detail for the minister's office travel during the past year, including dates, destinations, purposes, persons accompanying the minister, mode of travel, cost of travel accommodations and other expenses, and the travel agency used?

Hon. Mr. Serby: — We have all that information. We provided . . . we believe we provided some of that in the past. Certainly what we can do is we can provide it again for the member.

Mr. D'Autremont: — I wonder if you could provide a list of all the fees and charges your department is authorized to levy; in particular, list any new fees added in the past year. For existing charges, please detail any increases or decreases, state the purpose of each fee, and state if the fee is paid to the Consolidated Fund or to some other source.

(2100)

Hon. Mr. Serby: — We can provide the member with the rate adjustments and the fees adjustments as they apply to what they'll be across government in 1996-97, and we can do that in some detail.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could provide a list of all legal actions in which your department is involved, either as a plaintiff or as a defendant.

Hon. Mr. Serby: — Yes, we can provide that as well.

Mr. Osika: — Thank you, Mr. Chairman. Mr. Minister, I go

back to earlier when there was the amount of \$44.7 million mentioned as far as leasing accommodations was concerned. When that was said quickly, it didn't seem like an awful lot. In thinking about it, that is considerable.

My question: in those events, in those cases, when departments are considering the closure of offices such as Crop Insurance offices, for example, as the most recent example, where there have been leases entered into, long-term leases, is there any consultation with your office with respect to the impact on shutting down those offices with respect to these long-term leases and the costs that will be involved?

Hon. Mr. Serby: — It would be fair to assume, as the member has, that when there are rationalizations that are being made regarding space across the province, of which the departments determine really what the space utilization is, that there is then extensive consultation between Saskatchewan Property Management and that department, from a couple of points of view.

One is to assist in what future utilization of that particular space might be. And of course the charge or the cost to the individual department, the billing is done through Saskatchewan Property Management, so we would be involved in that process, in aiding to determine what future utilization that space might be.

Mr. Osika: — Thank you, Mr. Minister. Just one as an example, and that's the building . . . and you'd mentioned some of the leases go till 1999 and some to the year 2001. The one facility I'm thinking of is in Kamsack. The Bricore Building, I believe, the lease being \$104,000 a year until 2001. What sort of measures or what attempts or efforts do you make, if the building remains unutilized to, I don't know, get out of the lease, to buy out of the lease, or do something other than pay half a million dollars for a vacant building?

Hon. Mr. Serby: — I had indicated to the member from Athabasca that we have a number of leases across the province that are expiring at different anniversary dates. And certainly all of those agreements were entered into prior to our administration taking on the responsibility of managing government.

So a number of those long-term leases are ones that certainly through the term of this administration, we have tried to look at in terms of either moving away from or changing some of the arrangements that are on them. Some we've been successful in doing. I think over the last several years we've been able to reduce the number of leases, those long-term leases that we talk about, by about 35. So there has been an extensive amount of work that's gone into reducing some of those leases, and hopefully in this case saving the Saskatchewan taxpayer some money.

The issue that the member raises, particular around the Bricore Building in Kamsack, of course was the New Careers facility. And here is an example that the member from Athabasca talked about earlier, and that is that it's an excellent kind of facility but it's really located in the wrong place. A fair bit of investment in terms of the asset, and at this point in time Saskatchewan Property Management has worked very hard at trying to find

other opportunities for the facility. We just haven't been able to achieve that kind of success to this particular point in time. Not that we haven't had some interest. We've had some interest from some of the folks in the area; have had some discussions with a couple of groups who've expressed some interest in the facility.

As you well know, it's an excellent facility for a particular kind of use. The question, of course, is to find the appropriate individual who might want to take it on and use it for the kinds of needs that they might have, either in the community or within the surrounding area.

Mr. Osika: — Thank you, Mr. Minister. I would like to thank you, I would like to thank your officials. I know how tough it is on civil servants to ensure that the t's are crossed and the i's are dotted and the answers are given and supplied in order that the people of this province may take comfort in the fact that there are people who astutely look after the affairs of governing and the monies which we're very, very short of, and that they're spent wisely. I thank you.

Mr. D'Autremont: — Thank you, Mr. Deputy Chairman. I would like to thank the minister and his officials for coming in this evening and answering the questions, and I look forward to their cooperation in their responses in the near future. Thank you very much.

Hon. Mr. Serby: — Mr. Chairman, I too want to thank the members of the opposition for their questions and for certainly providing a great deal of work for my officials over the next couple of weeks. I know that they have been looking for things to do, and by commending them for the excellent work that they've done, you've now added probably another three or four weeks of work to their life.

So I want to thank too the officials from Saskatchewan Property Management for all of their effort and work. You're certainly correct that in order to prepare for the session and certainly for the legislature and to get all of this information in a format that we can all understand, in particular this Assembly, it takes a great deal of hard work and commitment. And I too want to join with you in thanking my officials.

Item 1 agreed to.

Vote 53 agreed to.

General Revenue Fund Energy and Mines Vote 23

The Chair: — We'll start by having the minister introduce his official.

Hon. Mr. Lautermilch: — Thank you very much, Mr. Chair. I would like to introduce my deputy, Ray Clayton, Energy and Mines.

Items 1 to 4 inclusive agreed to.

Item 5

Mr. D'Autremont: — I wonder if I could ask some questions, please, dealing with oil and gas services. Now, Mr. Minister, there has been quite a bit of activity within the oil and gas sector in this province over the last period of time but that area seems to have dropped off a little bit in the past.

I wonder if you could give us some indication as to what has been happening within the last fiscal year within the oil and gas industry and what you project to be happening in the future.

Hon. Mr. Lautermilch: — Thank you, Mr. Chair. I guess I would want to say to the member that it has been, for the province, some very good years. As the member will know, 1994-95 produced some of . . . well I guess a record year in this province for bonus bids, somewhere in the neighbourhood of \$200 million.

With respect to drilling, '95-96 was a very good year as well in that it was about, I guess, the highest that we had over a 10-year period in terms of drilling activity. So that was very positive in terms of what was happening on the oil side of the oil and gas industry.

(2115)

As the member will know, natural gas prices are low. So the activity on the natural gas side, as it is market driven the same as oil is to some degree, is not as busy as we would like to see it but hopefully that will improve.

But I say . . . I think it's fair to say that overall the oil and gas industry has been very healthy in Saskatchewan in the last few years. We know that there is confidence from industry at our meetings with them. They continue to show interest by land purchases and we are expecting, over the long haul, that we will have a very healthy oil and gas industry in the province.

Mr. D'Autremont: — Thank you, Mr. Minister. The oil and gas industry in this province is spread mainly throughout three areas of the province: the south-east, the south-west, and the west-central. I wonder if you could give a breakdown as to where the revenues generated come from and in what proportion from each of those three sectors.

Hon. Mr. Lautermilch: — As the member will know, we keep fairly detailed records. I can say that it's not broken down on a regional basis. Certainly we break the activity down in terms of what the companies are doing. We know what drilling activity is there; we will know what they pay in revenues. Some of them are working in more than one area of the province.

And I think it's fair to say that we could, if required, we could put together a breakdown in three regions. We haven't got them broken down geographically so we'd have to do that and then try and compile all of the information and put it into the three areas. And as, you know, if the member insists, we could certainly work on that. I would, you know, we would certainly ask the officials to do that.

Mr. D'Autremont: — Well, Mr. Minister, I think it's a number that is of interest to all areas within the oil production area

because people look at the costs associated within their area for the production and generation of oil, for the drilling, for the production and for the transportation, and they see their areas bearing certain costs such as the costs for roads, the need to continually upgrade them, the deterioration of the highway structure. And people look at that; they see the large amount of oil industry activity, they see the oil traffic, they hear about the oil revenues being generated, and yet they see very little return from that oil industry to upkeep that infrastructure that is providing the opportunities for the oil industry.

So I think it's important that people have the opportunity to see and understand what kind of revenues are being generated for the government within their own geographic area.

I represent the south-east corner. It mainly produces light or medium crudes — not a lot of gas, although there is some. So people see the oil trucks hauling the rigs which tear up the roads, they see the oil tankers hauling the oil from the production site to a gathering centre, then they see it hauled from that gathering centre to the main shipping points. And they see the costs associated with that but they don't see the revenues being returned to them. So I think it's important, Mr. Minister, if you could give some indication at least, as to what kind of revenues you are looking at from each of the three basic geographic regions in the production of oil and gas for those areas.

Hon. Mr. Lautermilch: — Well we will certainly attempt to do that. And I guess I would just like to respond that certainly in these regions this activity creates some incremental costs in terms of road maintenance and probably a better quality of road required because of some of the heavy equipment that travels over it.

But I would want to say to the member as well, that there is an awful lot of return to the different regions of this province with respect to people who own homes and who work within the industry and whose jobs are dependent on the oil and gas sector. I would want to say that the companies spend an awful lot of money on road maintenance agreements with regional governments, with municipal governments. So quite clearly, there's some benefit in that regard.

And I think it's also fair to say that the assessment in some areas, the assessment on the oil and gas sector, amounts for a very large percentage of the revenue that goes to the municipalities to deliver the kinds of services that they do.

So I think it's fair to say that it may be helpful to do a cost/benefit analysis for some of these regions with respect to the amount of revenue that's generated by local government and by local communities at the same time that we look at the amount of revenue that's generated for the provincial government. Because I think with respect to the oil and gas sector, the activity that goes on there makes both local government winners and the province winners. And I think if we were to see this industry dry up and wither away, the impact on both the province and on the local governments would be devastating.

So I think what I will attempt to do is work with Municipal

Government to put together some numbers in terms of the benefits to local government, the benefits to the province, because certainly the oil and gas sector plays an awful large part in our revenue stream, both at a local and a provincial level.

Mr. D'Autremont: — Thank you, Mr. Minister. Yes, the oil and gas industry in Saskatchewan is a very, very important industry. It provides a lot of employment opportunities within the areas. It certainly does raise the asset base of most of the municipalities in which it's present.

The raising of that asset base allows the RMs (rural municipality) to then tax that property, with which they maintain the municipal roads. And the municipal roads in most of the oil producing areas, gas producing areas, are in reasonable shape and repair. It's when we look at the monies being collected by the provincial government — in these estimates, \$53 million in revenues and \$362.9 million in oil — that the questions arise as to what is the Government of Saskatchewan returning to the production areas for the infrastructure costs that are associated with that.

When we look at a number of highways throughout the production area . . . when I look at 47 Highway running north from Estevan, when I look at 361 Highway running between the Manitoba border and 47 Highway through Lampman, when I look at a number of these roads, I see provincial highways that are in terrible repair and yet which the oil traffic is using to a very, very large extent. There's a large volume of dollars being generated along those corridors, those pathways, and very little of that money is being returned to the infrastructure project, infrastructure, from the government. And that's why those highways are in such a poor state of repair.

I would wish that the Minister of Highways would perhaps approach yourself and the Minister of Finance with the object to returning some of those dollars into those areas to maintain that highway infrastructure. But that doesn't seem to be happening. So, Mr. Minister, that's why I have to ask you: what is happening in those areas in relationship to the dollars being generated for the provincial government?

Those numbers exclude the money that is being generated in income taxes, that excludes the money being generated from E&H (education and health) tax. It excludes the property taxes collected by the RMs and the municipalities on the properties owned by the oil companies or from their employees. It even excludes the money being generated as income by those oil employees. This is strictly the money collected by the provincial government directly from the oil and gas industry, and very little of that money is being returned to the areas where that production is generated and where the costs of the infrastructure are occurring.

So, Mr. Minister, that's why I believe the people in those areas need to know what kind of dollar figures are being generated out of their particular areas and their communities.

Hon. Mr. Lautermilch: — Well, Mr. Chairman, let me say to the member in terms of where the revenues go that come to the provincial government, let me share just a few examples of where the money goes.

First of all I want to say that this money is not returned to the people in any particular area. It's the policy of this government, as has been the case with previous governments, is that this is a provincial resource owned by the people of Saskatchewan, not any particular corner or sector of the province.

The money goes into the Consolidated Fund, which is one big pot. It's the same pot that forestry stumpage rates go into. It's the same pot that uranium revenue goes into. It's the same pot that potash revenue that the provincial government generates on royalties and taxation goes into. It's one big pot.

And how does it get back to the communities? Well schools, hospitals, transfer payments to municipal governments, social services, those kinds of programs. And one expenditure that I would want to say to the member I wish we didn't have to expend, is around \$850 million in interest which doesn't unfortunately go to the people of Saskatchewan, but in fact goes to bankers in Hong Kong and Zürich and other places around the world.

We spend about . . . we have a provincial debt of in the neighbourhood of \$14 billion and that debt needs to be serviced. It's our intention in this term of government to work with the people of Saskatchewan to, where we can and when we can, decrease that provincial debt so that we're not paying the kind of money in interest payments that we are on an annual basis.

So you ask me what we do with that money. Is it taken from those communities? I don't think it's taken from those communities. I think it's a resource that's owned by the people of Saskatchewan, all of us, all million-plus of us. The population, as it grows, all of us, will share in the revenues and we're going to use it to build highways, and we're going to use it to build schools, and we're going to use it to build hospitals, and we're going to use it to fund the kinds of programs, post-secondary programs, that educate and train our people so that they can go into the workforce and compete with people around the world. So that's where that money goes.

And I just say to the member, our policy is that it's a resource owned by all of the people, and all of the people of the province share in it. Local governments have assessments on the oil and gas sector in their areas. They generate revenue through road maintenance agreements with the companies. And I think because of the agreements and the flexibility that they have, the tax tools they have, they've done very well by the revenue that's generated as a result of the activity in the oil and gas sector.

It's our job as a provincial government to ensure that we've got an environment where these investors will come in and develop technology, and use existing technology, to harvest that resource so that all the people of Saskatchewan can share in it, and that's the position we take, and that's how we have set our royalty and taxation structure. That's how we funnel money back to the communities, all of the people in the province, whether you live in an area where there's oil and gas or whether you don't. You share in that resource because it's owned by all of us, the people of the province.

Mr. D'Autremont: — Well thank you, Mr. Minister. The

people in the area don't mind sharing the wealth of the resources within their area, as the other people living across the rest of the province are prepared to share their wealth.

The problem arises though when the creation of that wealth incurs some infrastructure costs and those costs are not recognized as being borne by the people within that very small locale. And that's where the problem arises, Mr. Minister, and while you may not want to recognize that, the people within that locale have to live with it every day when they drive up and down those roads that need to be repaired, that are being injured and broken down because of the very, very heavy traffic being generated on those roads by the very resource that generates such a large amount of money for this province.

You talk about the income from, say, stumpage in northern Saskatchewan. But when a forestry company needs a road to be built into an area, the provincial government helps with that. They provide some of the resource, some of the money from the resource, to build those roads. And yet when that occurs within the oil and gas industry, that money either comes from the local municipality, it comes from the oil industry itself, and it seems that it no longer comes from the provincial department, the Consolidated Fund, through the Department of Highways, to support the infrastructure that's in place there.

You talked about foreign debt as taking up a large amount of interest. Well, Mr. Minister, I'd like to remind you that a very large amount of that foreign debt was incurred by your government from 1973-74 to 1982. And now the debt in this province, you say, is \$14 billion. A significant amount of that money is monies that were transferred from the Crown sector into the Consolidated Fund to make the Consolidated Fund debt look so much larger in 1991. That debt now, the number 14 billion that you're counting, if you used the exact same method of arriving at that number, according to the Provincial Auditor, is now at 21 to \$22 billion. I'll accept your number of 14 billion in 1991, but that has grown by about \$7 billion since that point in time, which when I look back over the history of debt in this province, under the previous administration that debt grew by about approximately \$1 billion a year. Since that point in time it has been, since 1991, it has been growing at an even faster rate under your government.

(2130)

So, Mr. Minister, we can go back and rehash ancient history on dealing with the debt if you want to, and I'm certainly prepared to do that. But when it comes to talking about who purchased the foreign debt, I think we only have to look at your previous administration, in particular things like purchasing of potash mines, holes in the ground for \$600 million borrowed at 16-plus per cent in New York to pay for those, Mr. Minister.

So we can certainly talk about those if you want to. But what I would prefer to talk about is why the resource income being generated in this province is not being, in small part, returned into those areas where it is being generated to maintain the infrastructure of this province.

Hon. Mr. Lautermilch: — Well, Mr. Chairman, I wasn't going to get into this and I may not be wise to be getting into this, but

the member and I will disagree and I think the people of Saskatchewan have made quite clear the fact that they disagree with the member's argument. And they're well aware of where the provincial debt came from, they're well aware of how it came. They can point to many examples, as I can this evening, but I'm not going to do that, Mr. Chair.

The people have spoken in 1991, they spoke again in 1996, and indicated that they wanted no more of what they had in the 1980s. So there's a good understanding in this province as to where the debt came from. The fact is that we're spending \$850 million on interest that many of us wish weren't there.

You know, I recall and I've said it in this House before, Mr. Chairman, we were putting together the Department of Natural Resources budget just shortly after I was sworn in as a member of cabinet. And I think, and I can't recall the exact figure, but I think it was somewhere in the neighbourhood of \$80 million on an annual basis. And I tried to put that in the context of some of the taxes that the people of Saskatchewan are paying. And one percentage point of provincial sales tax generates about \$80 million worth of revenue.

And then I tried to put it into the context of what we were spending on interest payments, roughly. And when I look at this year what we're spending, that year's Department of Natural Resources could have been funded 10 times for what we're spending in interest. So I'm not going to debate with the member where the provincial debt came from. That's a public record. The people have spoken on that. I think we'll let that lay.

But I just want to say to the member that we can rehash some of the politics of the past, but I think they are of the past. What we as a provincial government are trying to do is deal with the circumstances that we face now. The fact is that right now our third biggest expenditure is interest on the public debt. Unfortunately that is something that won't go away, which precludes expenditures on other items.

Now if we had that money, certainly we might be in a better position to spend more money on our transportation system in this province. I can tell you that we're well aware of the fact that there is pressure on it from oil and gas and the activity that's out there, that we haven't seen for an awful lot of time. More activity is going to create more pressure, but it also creates more opportunities for local governments to generate revenue. I would also want to say with respect to no money coming back for the road system, there is a little system called revenue-sharing grants that is still in place that helps to assist with local roads, and the member is well aware of that.

And so I want to say, Mr. Chairman, that in spite of the fiscal constraints that this government is under, I think we've done an admirable job of trying to contain the provincial debt from growing but at the same time deliver services.

Now the member may want to play politics with this particular issue, but I want to say that I think there are tax tools available to local governments. We're going through a reassessment and a process of determining how local governments interact with the oil and gas sector in this new assessment, and I think it's

fair to say that there will be some tax tools that local governments can use. And I think they're going to be fair, both for the oil and gas sector and for local government.

What I don't believe any of us want to see is a situation where the oil and gas sector is taxed out of this province. We've been attempting to set the provincial royalty rates and the taxation structure where we can attract investment to this province. And I think it's fair to say that municipal governments understand that that's the goal, because job opportunities for people in the south-west and the south-east and the north-west part of this province creates an awful lot of activity. It creates homes being bought and it creates people paying local taxes in their communities and in their towns. And I think these are all very tangible benefits as a result of this industry.

So all I can say to the member, he may not agree with the amount of . . . and where we expend our money. You might think that there should be maybe less for health and there maybe should be less for education and more for the highway system. But I say to the member, Mr. Chairman, we're dealing with some very dramatic changes in this province. His federal counterparts in the 1980s in Ottawa, the Mulroney administration, was working long and hard to get rid of the freight subsidy in this province. And that was one of the goals. And by golly, with the help of the Liberals, the now federal government, they achieved that.

So now you've got a whole change in terms of the demand of the transportation system in this province and no one can deny that. There's going to be a lot more larger vehicles transporting grain, not through the rail system but over our road system. That's going to mean a lot of pressure and it's going to mean a lot of change. The increased activity in the oil and gas sector has put a lot of pressure on our roads and we understand that.

But you've got to admit that there are some tangible benefits to this kind of activity in the oil and gas sector. You've also got to admit that it's not the oil and gas sector alone that's putting pressure on the road system. All you've got to do is look at the semis driving down the road full of grain with pups behind them, with tractors, with tankers behind them, and you've got to know that it's going to put pressure on the system.

So all I say to the member is that I believe the oil and gas sector in this province has been, for the most part, fair in their dealings with municipal governments. They sit down and negotiate road agreements. I think that they've played a fairly major part in terms of the assessment in some of the RMs, and I would suggest to you that some of the RMs would not have the infrastructure if it weren't for the oil and gas sector. And I say to the member that we're going to continue to work both with the industry and with local government to find an agreeable arrangement. And I think part of that is going to be done through the new assessment in 1997.

So the commitment I have given the member tonight is that we will attempt to break the revenue, the provincial revenue, down by region, and that we'll attempt to do. But I also say to the member that in order for an understanding of the impact on both the provincial government of this industry, and local government, I would like to be able to sit down and work with

Municipal Government. And I'm going to attempt to do that to be able to describe some of the benefits for local government in terms of having this activity in their areas as well.

Mr. D'Autremont: — Well thank you, Mr. Minister. You're certainly trying to do a good job of deflecting the particular questions that I had for you in as to how they relate to the expenditures of the provincial government. Only in your statements did we get talking about municipal governments and assessments and the use of municipal property tax base to repair roads and provide roads within the municipalities.

All of those arguments, Mr. Minister, are valid. The RMs do tax a great deal of the oil property, in fact all of it, generate a large amount of income for that with which they provide services to their electorate within their areas, that is, roads for farmers, roads for the oil industry, roads for people who are hauling grain through their areas. They tax all of those areas, Mr. Minister, but in all that discussion in no place does the monies generated by oil and gas revenue within this province, collected by the provincial government, is that dealt with. Because I'm not talking about the municipal roads; I'm talking about the provincial highway structure which you seem to wish to avoid dealing with. Because that's where the problem lies.

The municipalities are doing a very good job at maintaining their own roads. Yes, at times there is a few rocks on the road — particularly in a wet spring like this spring and last spring — frost boils come out and the RMs work very diligently to repair those circumstances and to maintain the roads as well as they can. Unfortunately it's difficult to say the same thing about the provincial government and their highway structure, and that's where the problem lies, Mr. Minister.

Question for you though in these figures within the *Estimates* book on dealing with the oil and gas revenues. Do those revenue numbers include land sales? Do they include drilling licences and the sale of leases?

Hon. Mr. Lautermilch: — Yes they do.

Mr. D'Autremont: — Thank you very much, Mr. Minister. I wonder if you could give us a breakdown then on those figures — which are royalties, which are lease sales, and which are drilling licences?

Hon. Mr. Lautermilch: — Mr. Chairman, I don't have a lot of detail with me tonight but what I can tell the member, the bonus bids — out of the aggregate amount of 362.9 million — bonus bids would amount to about 45 million. Other fees, licences, are 19 million. And the balance would be royalties and freehold. So I think what you might want me to do and you can comment on this, is we'll send you a breakdown of that in more detail, and we'll send that to members of the opposition as well.

Mr. D'Autremont: — Thank you, Mr. Minister. Dealing with the supplementary estimates for '95-96, I see under Energy and Mines we have a subvote for \$7.9 million. I wonder if you'd mind explaining what that is, Mr. Minister.

Hon. Mr. Lautermilch: — Yes, Mr. Chairman. To the member opposite, the special warrant was required for three different

areas. An out of court settlement with Scurry in the amount of 7.2 million. Scurry is an oil company. Placid oil company, an out of court settlement of 514,000. And the wind-up of SECDA (Saskatchewan Energy Conservation and Development Authority) at a cost of \$500,000. We absorbed part of that, part of the 500,000 internally, or part of that whole group internally, and so the amount then was 7.934 million that the special warrant was, and the total requirement was 8.214 million. But I believe there was 280,000 achieved through internal savings out of that whole total amount.

Mr. D'Autremont: — Thank you, Mr. Minister. This court settlement, it involved lands originally known as Farmers Mutual or Freehold Oil and Gas?

(2145)

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told by my deputy a little history of this. This goes back to the early 1970s, so this was not new news, but it was . . . and the member says from the 1950s. It may be. And some of the companies that you spoke of were in all likelihood involved in this.

And I know when I originally saw the briefing notes there was a fairly comprehensive package even if it, in its brief form, Scurry was the company that we ended up finally settling with — one of the companies that we finally ended up settling with. We took the position that this was an outstanding irritant. And after legal advice from our people it was agreed that probably the best thing in terms of getting this particular issue off of the plate, that an out of court settlement in this amount would be reasonable.

We have settled. The company is satisfied that we have made the right decision. We within the department are comfortable that we made the appropriate decision. It has been, as you indicate, maybe from the 1950s, I say from the early '70s, maybe before that. But I think it was high time that we put this behind us and got on with doing business. And the warrant is a result of that decision.

Mr. D'Autremont: — Thank you, Mr. Minister. Yes, the history of Farmers Mutual, Freehold Oil and Gas and Scurry Rainbow carries a very checkered past in the south-east corner of the province. And most people who have any association with farmland or the oil patch know the history of that.

Mr. Minister, the settlement of this court case, how does that deal with perpetuities that may be in place dealing with lands that were also held by Scurry Rainbow or previously by Farmers Mutual and Freehold Oil and Gas?

Hon. Mr. Lautermilch: — As I've indicated, this has been around for a long time and its pretty complicated. I guess what this settlement pertains to is only producing lands that were held by Scurry in 1974. And I guess maybe what I'm asking for is clarification in terms of what you're attempting to understand here.

This out of court settlement just pertains to producing land in 1974 and an action was launched based on the situation at that time. We've gone to court and had an out of court settlement to

satisfy the concerns of both parties.

Mr. D'Autremont: — Does this settlement have any impact on land owned by Scurry Rainbow from Farmers Mutual, Freehold Oil and Gas, that may not have had production on it at the time, in 1974 you're indicating, at that time, or since that point in time?

You had brought forward a piece of legislation in the last session to deal with perpetuities. How would that Act, had it passed, related to this particular type of land, and how does the current perpetuities Act deal with these particular types of lands?

Hon. Mr. Lautermilch: — Okay, Mr. Chairman, and to the member opposite, I am told by the official that the trust certificates that were in place remain. There is no impact, no effect, on those. The agreements that were reached that led to the trust certificate, as far as we know, have not been impacted on any action that was taken either through this initiative or legislation.

Mr. D'Autremont: — Okay. Thank you, Mr. Minister. Therefore anybody who signed an agreement originally with Farmers Mutual for 99 years is still held to that agreement and this particular court action would have no impact on it. Is that the case?

Hon. Mr. Lautermilch: — We aren't aware that this court action would have had any impact on that at all.

Mr. D'Autremont: — Thank you, Mr. Minister. How much land was involved in this settlement?

Hon. Mr. Lautermilch: — Well I think what would be helpful, and I've shared this with members of the opposition previously, and I don't know if I neglected to send a copy to you, but I'll send over an information sheet that will give you a little more detailed information with respect to Scurry v. the Crown and Placid Oil as well.

We don't have the, I don't believe . . . Oh maybe we found it here. Oh here it is. I shouldn't say . . . because I'm not sure that we've got the amount of land here, but we will send that over to you. Okay?

Mr. D'Autremont: — Mr. Minister, how was the settlement determined, the 7.9 million? Was it determined based on the volume of land involved? Was it determined based on the volume of production involved? What kind of formula was used for the determination of the settlement?

Hon. Mr. Lautermilch: — Mr. Chairman, I can say to the member, I am told by the officials that there was no formula set based on the amount of land. Basically what our legal people did, working with our officials, is determined what the potential for loss may be if, in fact, we weren't successful — if this proceeded through the courts.

And the process in out of court settlements is in a matter of negotiations, you know, and we would bargain back and forth with the officials representing Scurry and representing Placid

and come up with something that we felt comfortable with. Certainly the potential liability was much more than what we settled out of court for in both instances. And so I think on both sides, we looked at the risks if one party was going to lose, and one was going to win, and what we were able to do through negotiations was achieve a figure that both parties were comfortable with and that's how we came to these figures.

Mr. D'Autremont: — Thank you, Mr. Minister. With this settlement, what change, what impact, did it have on the lands in question?

Hon. Mr. Lautermilch: — Mr. Chairman, I guess I can do this one of two ways. I can send over a more comprehensive, detailed outline of the claim and the settlement, and I think from this you will have a fairly detailed response as to why we settled and I certainly have no difficulty in dealing with this on the Scurry Rainbow settlement, and I'll undertake to have the officials make a copy and send that over to you.

It's very complex. I mean this went through years and years in the courts, months and months of negotiations outside of court that finally and . . . resulted in a settlement and I will undertake to send this across to you.

Mr. D'Autremont: — Thank you, Mr. Minister. I know that a number of people within the area, my area, were waiting with bated breath for the results of this court case because it impacted on some of their own lands and what was going to happen with them. So I have received a number of questions as to what impact it was going to have on certain producing lands.

Mr. Minister, the previous minister for Energy and Mines stated that the oil and gas boom in Saskatchewan was going to make Saskatchewan a have province. Well the Minister of Finance later refuted that statement and I'd like to assume that you don't share the former minister's optimism that oil and gas revenues, at the current rate within Saskatchewan, are going to make us a have province.

I wonder if you could give us a realistic estimate as to the duration of the current oil and gas production, and what your estimate is that impact will have on the provincial revenues?

Hon. Mr. Lautermilch: — Mr. Chairman, I guess I'll attempt to answer this in a number of ways because there are so many variables. I guess certainly one of the variables in terms of the longevity of the resource is the price and what the market demand will be. And one has no way of knowing that; one can only guess.

We continue to work with industry to create an environment where they will work with us to sustain our known resource. There's a lot of this province that is yet unexplored that I think will draw a lot of activity in terms of exploration dollars. And so I think what we have been successful in doing is maintaining our known reserves, even in spite of the fact that we have been producing and shipping and using internally oil and natural gas.

So I think what we have been somewhat successful in is expanding the known resource. And a lot of that is done because of the amount of investment that has happened in our province.

With respect to Saskatchewan's position as to whether we are a have or a have-not province, I think that I agree, and I think all the ministers on this side will agree that oil and gas is a very integral part of developing our economy and making us a self-sustaining province. But there are many other elements. There's revenue from other minerals, from potash, from uranium. Certainly the agricultural sector that looks so bright right now is part and parcel of helping us to position ourselves to where we in fact are perhaps at some point in time a contributing partner to assisting other provinces in helping with their finances. And I don't think that that's something that we see today, but I think it's something that we need to work towards. Our resources and our agricultural community give us an awful lot of potential.

So I think it's safe to say that there's a very bright picture for this province, and I'm very much pleased to be part of it and very much pleased to be part of a portfolio that adds so much to the economy of our province.

Mr. D'Autremont: — Thank you, Mr. Minister. We too are optimistic as to the performance of this province. We have perhaps some different visions on how that will be achieved.

I look at the revenue side of the *Estimates* book and it states here natural gas, you're estimating a revenue of 53 million. In 1995-96 fiscal year, you had estimated 68 million and realized approximately 37 million. The oil and gas industry, you estimated in '95-96, 348 million and realized 417 million. Your estimates this year are 362 million. Now that's better than 67, just almost \$70 million greater revenues in the oil industry whereas a decrease of approximately 30 million in the gas industry.

How close do you believe you're going to come to your estimates for the '96-97 fiscal year of 53 million for gas, 362 million for oil? The price of oil has increased in the last little while. It had gone up to approximately \$24 West Texas crude. But now I noticed today on the news that it's dropped back to just slightly over \$20.

So in determining these revenues, Mr. Minister, what volumes were you estimating and at what price?

(2200)

Hon. Mr. Lautermilch: — Mr. Chairman, I can say to the member that . . . and looking at the estimates, and it's so difficult to determine because the markets are, in particular with natural gas, have been very much fluctuating. So I would think it's fair to say that we may be underestimating, looking at today's market prices for oil, underestimating that a bit. And it may be that at the end of the year we turn out to be overestimating natural gas.

I think it's fair to say that no one expected the decrease in natural gas prices nor did anyone expect that they would be sustained at that low a level for the length of time that they were.

The officials are just looking up the assumption. We're

estimating . . . Yes, the West Texas Intermediate price of eighteen forty-four for oil, and so that's what we based the assumption on.

Mr. D'Autremont: — Thank you, Mr. Minister. TransGas, a subsidiary of SaskEnergy, has undertaken a \$114 million expansion of its pipeline. Could you update us on the status of this project?

What assurances can you give the public that this expansion was indeed warranted and needed in view of the critical nature of this particular industry? And do you see any danger in the near term of gas shipments reducing to the level where this expanded capacity will not be necessary?

Hon. Mr. Lautermilch: — I think, Mr. Chairman, it's fair to say that there was a lot of due diligence done by the officials within TransGas before a decision was made to invest that magnitude that's . . . it was a major project that created a lot of work in that area of the province.

But aside from the number of jobs that are created and the people that worked on that and the two companies, Saskatchewan companies that put together that line, we know that there's a major investment, and over the long haul the return on investment should satisfy the shareholders, the people of Saskatchewan.

I think we're going through, and as you've indicated, we're going through a little bit of a slump in terms of the natural gas industry. And there's a lot of shut-in wells that if the price were to increase would, I think, be pushing gas along that line. So I think we're going through a little slump but these are things that are factored into any investment. And I think over the long haul the people of Saskatchewan can be assured that we will be receiving a fair return of investment.

I guess part of what we do is, in terms of the transmission facilities of TransGas, we're there to provide a service. We're there to provide a service to our clients. If the pipeline capacity isn't there, the exploration doesn't happen. If the exploration doesn't happen, the resource isn't discovered. If the resource isn't discovered, all of this activity, then there are no jobs for folks.

So I guess part of what we are there for is to provide a service to the customers, the people who are developing that industry in the province. And I think over the long haul this will have an opportunity to create not only the jobs during the development of the pipeline, but the activity that's going to happen in the patch and in the gas fields as a result of this.

Mr. D'Autremont: — Well thank you, Mr. Minister. We did have some concerns over that particular pipeline as we heard that it sat unused for a significant period of time after it had completed construction. What are the volumes being moved through that? What's the capacity of that particular pipeline and what are the volumes being moved through it at the present time?

Hon. Mr. Lautermilch: — I can't give you those figures, Mr. Chairman. Those would be available through estimates or

Crown corporations with the officials of TransGas who will have those numbers. Energy and Mines isn't responsible for compiling those numbers and I'm sorry I don't have them with me tonight.

Mr. D'Autremont: — Okay, thank you, Mr. Minister. Interprovincial Pipe Line has recently experienced some problems with the transportation of oil through the province and onwards to eastern Canada. In particular, it involves companies stating that they have a certain amount of oil to move. They contract or they make bids for that amount of space on IPL (Interprovincial Pipe Line Co.) and what happens is that they don't have the oil available but it allows them, in times of roll-backs where there are quotas being applied to the shipments of oil, to maximize their own production at the expense of other producers.

Is Saskatchewan Energy and Mines involved in regulating this at all? After all, some of this involves federally regulated pipelines. Some of it involves provincially regulated pipelines. What involvement would your department have in this?

Hon. Mr. Lautermilch: — Mr. Chairman, and to the member opposite, this has been a matter of some discussion with the oil industry. This is primarily a federal responsibility through the National Energy Board. But we have been, and I know the NEB (National Energy Board) has been, working with CAPP, the Canadian Association of Petroleum Producers, to put in place, I guess, some regulations that will deal with this issue, with the oil barrels issue. But basically the apportionment would be a National Energy Board function and that particular issue would be dealt with at a federal level.

But we work with the industry and we work with the federal ministry to work through some of these problems because it does create the circumstance that you described. I think that some of the changes that have been made recently have been — from what we've been hearing from industry — somewhat helpful, although there still are some difficulties, but certainly not to the magnitude of what was there prior to the changes.

Mr. D'Autremont: — Thank you, Mr. Minister. The tracking of production per well or per unit I believe would be your department's to determine how much volume is being generated by each location, therefore what would be allowable for shipping?

Does the NEB receive these figures? Do the pipeline companies receive these figures? How is your monitoring transferred over to the NEB or to the pipeline company so that they can determine whether or not the figures being given to them by the individual producers is actually the true figure or is it some estimate that the producer is giving them?

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told that we are not involved in providing that information either to the NEB or to the pipeline companies. Their process would be internal to them and I guess it would be their responsibility to sort out differences where there are some that arise.

Mr. D'Autremont: — Mr. Minister, does your department track somehow whether a producer is producing at 100 per cent? If he's producing at 50 per cent? How do you track the

volumes of oil or gas that are produced by an individual producer? Obviously you'll need to track that to be able to attach royalties to it, so you must have some form of tracking mechanism. What do you have in place to track that?

Hon. Mr. Lautermilch: — Mr. Chairman, we keep the records in terms of production for regulatory and for royalty purposes. But it's not the responsibility of Energy and Mines to track the method of delivery.

For instance, we don't track a barrel of oil whether it goes through a pipeline or whether it's trucked. That's not our responsibility. Our responsibility is to institute a royalty and taxation structure to ensure that companies are complying with it, and that is our role. But as far as indicating whether or not we could or would put in place production numbers so that the problem you refer to with oil barrels could be done away with is not something that we do. That would be a matter between the pipeline companies and the producers and regulated by the NEB.

Mr. D'Autremont: — Thank you, Mr. Minister. How often do you track this production? Is it on a daily basis, a monthly basis, or an annual basis per producing unit?

Hon. Mr. Lautermilch: — That's done on a monthly basis.

Mr. D'Autremont: — In your dealings with the NEB then, do you have any agreements, any arrangements, by which you could or do share information related to the production or productivity of any individual unit?

Hon. Mr. Lautermilch: — We're not aware that they've ever asked for that kind of information.

Mr. D'Autremont: — Would that information be available, Mr. Minister, if you were to receive a request from either the NEB or from a transportation agency?

Hon. Mr. Lautermilch: — I think it's fair to say if we were requested to assist in alleviating this problem, we would be willing to look at that. I think we want to give consideration to proprietary information, what would be in fact appropriate. We deal with an awful lot of companies and a lot of industry folks and we would want to be comfortable that any information that we would share would be appropriately shared. But as I've said, we haven't had a request but certainly if other entities would approach us, we would take a very close look at what we may be able to do to assist.

Mr. D'Autremont: — Thank you, Mr. Minister. Has your department taken any decisions in regards to a policy as to the possibilities of imposing fines or penalties against producers who overestimate their production in times of slow-downs or cut-backs within the industry. I know that suggestion has been brought forward to the NEB to attempt to alleviate the problem of some producers overestimating their production and then managing to ship 100 per cent of their production, whereas some of the other producers may be down to as low as 30 or 40 per cent.

Hon. Mr. Lautermilch: — No, I think that would be the role of the NEB working with the industry. That really isn't our role. But as I've said earlier, we attempt to work to facilitate some of these, I guess, rather unsatisfactory conditions and we will continue as a department here in Saskatchewan to work to ensure that there is a smooth flow of our resource to the markets. But primarily again I say that's a responsibility of the National Energy Board and hopefully they can work out solutions to some of the situations that may not be working well.

Mr. D'Autremont: — Thank you, Mr. Minister. I'd like to move on to another issue. A new ethanol plant has been opened in Chatham, Ontario and I'm wondering how do you see this affecting the ethanol industry within Saskatchewan. We have two plants currently in production, I believe it is, although the one may have shut down. I'm not sure. We have possibilities of other plants coming on stream. How will the plant in Chatham, Ontario impact on production of ethanol in Saskatchewan and on any plans for expansion of that industry within this province?

The Chair: — Order. order. I listened to the question on ethanol and I remind the hon. member that what we're dealing with is item 5, petroleum and natural gas. I've read what the item is about, and I would be interested in the tie between ethanol and petroleum and natural gas, and certainly more than willing to have the question answered if the member can make the tie.

Mr. D'Autremont: — Thank you, Mr. Deputy Chairman. Ethanol is a by-product of the natural gas industry, and natural gas is used in the creation of ethanol so it impacts directly on the production of natural gas in this province. Therefore I believe under the oil and gas vote, that is a pertinent question, Mr. Deputy Chair.

Hon. Mr. Lautermilch: — I would be more than pleased to answer that question if I could, but the Department of Energy and Mines isn't responsible for production. We're not responsible for regulating taxation on ethanol, so the department really has nothing to do with the production. And I believe it would be more a matter of the department . . . for the Department of Agriculture and Food, I believe. That may not be accurate but I can tell you what is accurate, that Energy and Mines is not involved with ethanol production.

Mr. D'Autremont: — Thank you, Mr. Minister. Mr. Minister, you talked earlier about reassessment from SAMA (Saskatchewan Assessment Management Agency) and its involvement in the oil and gas industry.

I wonder if you could give us an outline of how you see it impacting the oil and gas industry in Saskatchewan — whether you see the SAMA reassessments increasing the costs to the oil and gas sector; do you see a decrease in the costs? And what kind of a revenue impact will it have on the municipalities within which the oil and gas revenue is being produced?

Hon. Mr. Lautermilch: — Mr. Chairman, I think what we are attempting to do from within our department is to work with Municipal Government, and work with SUMA (Saskatchewan

Urban Municipalities Association) and SARM (Saskatchewan Association of Rural Municipalities), in terms of this whole reassessment issue. It's fairly complex, as you will know, and not all the details have been worked out. There are discussions that are ongoing.

I can only say to you, from my perspective as the Minister of Energy and Mines, what we are attempting to do is ensure that the oil and gas companies are treated fairly in terms of their assessment, in terms of their percentage of value that's assessed, in terms of the mill rate. Certainly the variable mill rate is one issue that is of concern to the oil and gas sector. And I'll share with you what they say to us, is that look, we're not wanting to be singled out. We're people here investing; we're people doing business. We want to pay our fair share and we're willing to do that.

But I would just say, I believe that there will be an end result that will be fair to the municipalities and to the oil companies, and that's what we're attempting to do, to work through with them, and discussions right now are ongoing.

Mr. D'Autremont: — Thank you, Mr. Minister. I'm not sure whether you gave an indication as to whether you expect the assessments on the oil and gas properties to increase or decrease. If you did, I missed it, Mr. Minister. I wonder if you could elaborate on that.

Hon. Mr. Lautermilch: — Well I think it's fair to say that all assessments are increasing. What is not decided yet, which makes it impossible for me to answer definitively your question, is the percentage of value has not been set. So I mean the assessment can be . . . but until we determine the percentage of value, it's pretty difficult to know where that's going to end up. But it's still in the formative stages, those decisions, and hopefully they will be concluded.

The assessment is set for 1997, as the member will know. And we as a department continue to represent the concerns at these discussions at our level of industry, understanding that we want a fair value and we want a fair assessment. And I think if we continue to cooperate with municipal governments, provincial government, and industry, that we'll find a fair rate of taxation.

Mr. D'Autremont: — Thank you, Mr. Minister. The estimates we've received is that the revenues from the oil and gas industry to municipalities will decrease in relationship to revenue being generated by other properties within the municipalities.

A great deal of concern has been raised to me by the municipalities with this reduction of the property taxes on the oil and . . . potential drop in property taxes on the oil and gas industry. One of the concerns expressed to me is that what could happen is the revenues to municipalities would decrease. They would make up any lost revenues by an overall increase in mill rates on all properties which would affect particularly farm land properties greater than it would the oil and gas industry properties. What would then happen is that the oil and gas industry would pay less in taxes locally but that would allow for the availability of the provincial government to increase its revenues from the oil and gas industry to recapture any of those

lost tax dollars.

And I see the minister is nodding — perhaps in agreement; I'm not sure — that she has that fear . . . the Minister for Municipal Government, that she perhaps shares that fear.

So I think, Mr. Minister, there is a concern out there amongst the municipalities that any changes to the assessment levels within the different industries, oil and gas versus other properties within the municipalities, that the provincial government may try to recapture any tax savings that the oil and gas industry may accrue from the SAMA assessments.

Has the government looked at that possibility? Is there any chance of that happening, or can you give the assurances that the government will not try to recapture any savings that the oil and gas industry has from the property tax base?

Hon. Mr. Lautermilch: — Mr. Chairman, I think I can give the member the commitment tonight that that is not the case. We have no intentions of increasing provincial revenues as a result of the reassessment for the oil and gas sector.

And I just remind the member again that the percentage of value has not been struck. The classification under which they would be taxed has not been decided. So I guess all I can say that what you're hearing is mere speculation and hopefully tonight we can set the record straight.

And I just want to repeat that the provincial government has no intentions of generating revenue from this reassessment from the oil and gas sector, and I want to make that clear. But that secondly, in terms of whether agriculture will increase as a result of a decrease to the oil and gas sector, that has not certainly been clarified and that's not, I believe, to be the case, because it just hasn't been determined, first of all, classification and percentage of value.

So there's much discussion out there and there's lots of rumours, and that's clearly understood. But the discussions are ongoing and until some of these things are set, we don't know what the . . . what percentage agriculture will pay in a municipality as an example as opposed to oil and gas. We don't know what the business community will pay as opposed to agriculture. All of these things are in the developmental stage. I think they're getting closer on some of these issues.

There's much discussion been happening. Industry has been meeting with officials from Municipal Government and our department has been represented at some of those meetings. And there are meetings ongoing with SARM and with SUMA by Municipal Government. But there is still some work to be done. So I think to speculate at this point is premature.

Mr. D'Autremont: — Well thank you, Mr. Minister. Some of the municipalities have indicated that under their estimates they could suffer a loss of as much as a quarter of a million dollars under this reassessment. And that would have a very, very major impact on any municipality without regard to their total dollar of assessment and the dollars they generate. It's been indicated to us that this may amount to between 90 and \$180 million in lost revenues to the various municipalities. That's a significant amount of money, Mr. Minister.

What does your department do . . . what role is your department playing in mitigating any concerns or any problems that are arising between the municipalities and the oil and gas industry in dealing with the reassessments?

Hon. Mr. Lautermilch: — Mr. Chairman, I met with the Canadian Association of Petroleum Producers, I believe last . . . well, last week I believe it was, Wednesday or Thursday. And we were discussing the reassessment and what the potential impact may be on them and on their industry. And I think that they were giving me the thought that they were going to be spending some time, and had been spending some time, with some municipal governments in which they do business. And I think that that's a fair way to approach this assessment. The work that's being done with the government departments — with Energy and Mines, Municipal Government — I think can and will result in a fair and a reasonable assessment rate.

I think the member indicated that there may be a loss from the oil and gas sector somewhere in the neighbourhood of 90 to \$180 million. I'm told that they don't pay anywhere near that kind of taxation at that level.

But I guess, you know, what you are sharing with me is in your area, the area that you come from, where a lot of activity takes place, is there is a lot of speculation ongoing. And I think with a change of the magnitude of the reassessment that's about to take place, that is probably the case.

But I want to remind the member, and I want to remind the people of Saskatchewan, that this assessment is being done for municipal government. This is not a provincial reassessment initiative. This is a reassessment for municipal governments — both urban and rural. It's been an issue that's been ignored for decades in this province and hasn't been basically and fundamentally changed to bring it in tune with today's reality.

So I guess what I'm saying is that certainly we, as a provincial government, want to ensure that the changes are not going to have a dramatic impact on industry, not only the oil and gas sector, but others. We want to ensure that there's some fairness with respect to the small-business community and the large business community as well. We want to protect agriculture so that there is no unfairness. The bottom line here is that we want to see a fairer assessment and a fairer taxation value.

This is going to demand a lot of change. And I know there is a lot of speculation out there but I can only say to the member that this is all, at this point, speculation. We are working with all of the stakeholders to ensure that when the reassessment happens, it's done fairly and that there aren't big losers and big winners. It needs to be a fair assessment based on all of the issues that we talked about earlier.

(2230)

Mr. Toth: — Thank you, Mr. Chairman. Mr. Minister, just a couple questions regarding royalties. Does your department set royalty fees and royalty structures? And can you give us a breakdown of what the royalty fees and structures have been, say for '91, '92, '93, up to the present date? Have they

increased? Have they decreased?

And I noticed by the revenue coming in, the revenue is down from last year, up from the . . . well the estimated was a lot lower than what you actually got last year, but we're down again; but it varies by sector as well. But I'd like to know what royalty fees are structured at the present time and where they've been going over the last few years.

Hon. Mr. Lautermilch: — Well, Mr. Chairman, let me say with respect to potash, they really haven't changed, I don't believe, since this administration took power in 1991. Uranium is fundamentally the same. There have been some small changes, some, I guess inducements, to attract investment in the oil sector, but basically these changes and the fluctuations in royalties are more based on the price of the commodity, what the markets are demanding. I guess it's more market driven than it is anything in terms of dramatic changes to the royalties in the royalty levels.

And I guess I can say in terms of the kind of investment that's been happening in Saskatchewan, if you look in the northern part of the province there are hundreds of millions of dollars that are now being planned for investment in uranium industry. I think that the activity in the oil patch speaks for itself. The fact that these people are here doing business in this province tell us that we've got an attractive structure that has attracted them to this province to invest, to put their investment dollars, so I guess we've found the balance that works. But the fluctuation is mainly market driven.

Mr. Toth: — Thank you, Mr. Minister, for that little history lesson. But I'd like to know what the royalty rates are today in the potash sector, in natural gas, in oil, and what they were in 1991.

Hon. Mr. Lautermilch: — We don't have them with us here tonight, but what we will do is undertake to send a comparison in terms of what was in place in 1991 and what we have in place in 1996 with respect to uranium, potash, oil, gas. Those are the ones you are looking for?

Mr. Toth: — Yes. Thank you. I'd appreciate that, Mr. Minister, with regards to oil, potash, and natural gas.

And the reason I'm asking them is because you may have received a letter in your office. I think all MLAs received a letter from an individual who got some information out of the *Briarpatch* and a Howard Leeson, a political scientist, University of Regina, suggesting that we've lost substantial revenues to the province. I'm wondering, Mr. Minister, what your response is.

It seems to me if Mr. Leeson's right, it certainly would appear to be quite different from the view I think your party has taken when it's been in government certainly in the past. And I don't think that the Premier or the Finance minister or your government itself is interested in losing resource or revenues that would be fair to recuperate in view of where the economic climate is in this province and certainly the debt.

And I'm wondering what your views or response is to that. It

just kind of surprised me. And I guess I don't have all the information; that's why I'm asking.

Hon. Mr. Lautermilch: — Mr. Chairman, I think it would be safe to say that members of this government feel that we have the appropriate royalty structure in place. Circumstances change. What was in place . . . and I'm somewhat familiar with Mr. Leeson's argument, but I think his comparison to the 1970s, there are many circumstances that have changed. And I can only say to you that we're very comfortable that we have put in place the appropriate structure, we have put in place the appropriate amounts, with respect to royalties and taxation.

And I think there's no secret that we command very high royalty taxes in Saskatchewan and we always have, historically. That's been the nature of the Saskatchewan way of dealing with development of their resources. With respect to oil and gas, we know that that is a finite resource and that people request and deserve a fair return for it. And I think that what we have in place for the 1990s is very much an appropriate royalty structure.

Mr. Toth: — Thank you, Mr. Minister. And I certainly look forward to that information when you send it over.

But the comments by Mr. Leeson kind of caught my attention and I thought, boy, for this current Finance minister to be giving up that kind of revenue, either you're not doing your arithmetic or else somebody's missed something.

The other thing I was going to ask, Mr. Minister, regarding activity in the province, what have land sales been like in the last . . . let's say the last two or three land sales. I know last year you had a substantial land sale. Are we still on a fairly high level of land sales? And what's the potential for development of research as far as oil drilling and rigs moving into the province or at least continuing research into oil and gas fields that are available?

Hon. Mr. Lautermilch: — Well I think I mentioned to your colleague earlier tonight that we certainly don't expect to achieve on a sustained basis what we did in 1994-95 in terms of bonus bids. But last year, '95-96, was the best year that we had in the last 10 years in this province.

We're, in this fiscal year, around 25 per cent ahead of where we were last year, so I think we're in fairly good shape. You know it's difficult to determine the markets. The markets for investment can change and the demand for the product can change. I think it's fair to say though that we're looking forward to a very good year this year as well.

Mr. Toth: — Thank you, Mr. Minister. Is there a specific line where a person would find out what revenues were derived at, the numbers or the volume of revenues that would be derived from land sales. Is there a specific line in our *Estimates* for that?

Hon. Mr. Lautermilch: — I think we've already broken that out, but we have also agreed to send over to your colleague a detailed breakdown of that revenue. I think the revenues suggest that there'd be \$362.9 million. Out of that, bonus bids

are \$45 million and so . . . And there's 19 for other. But we're going to send over more details so you'll have a better idea of just how that breaks down.

Mr. Toth: — Why thank you, Mr. Minister, and certainly, I think, Mr. Minister, while some people may view the policies of the present government as being certainly different from the '70s and the fact that maybe we should be gouging companies rather than setting a fair level of taxation that would encourage companies to continue to invest in this province, I must commend you and your government for what has been taken and done so far. Because I know there was a lot of uncertainty prior to the election of 1991. People were thinking back to where they were prior to, and I think there's a lot of people who may feel that you've made the wrong move. But I think the development, and those who are working in the field, are certainly pleased to see that.

I would also like to suggest, while I didn't get really much of an opportunity last session with the former member from Swift Current, to commend him for the total privatization of the Potash Corporation of Saskatchewan. My only regret is that the original legislation inhibited MLAs from investing in PCS (Potash Corporation of Saskatchewan Inc.) shares because of just what they've done in the last few years. We wouldn't have to worry about a pension if we'd had that ability to purchase some of those shares.

But I thank you, Mr. Minister, for your time and certainly commend your government — for a Conservative to say that, that's going quite a distance — when it comes to resource management in this province, and revenue, and encouraging investment in the province.

Hon. Mr. Lautermilch: — Mr. Chairman, I just want to thank members of the opposition and the third party for their questions. I'm really concerned now when I see members of the Conservative Party supporting what we're doing in the energy sector. We may be on the wrong track and have to rethink this again. No, I'm . . . to be serious, Mr. Chairman, I do want to thank the members for their questions, and I'd like to thank my deputy for his support tonight.

Item 5 agreed to.

Item 6

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, this vote deals with resource policy and economics, and I believe that part of the resource policy that we need to look at in this province deals with the nuclear development in this province. Unfortunately it seems that some of the nuclear development, once we leave the mining sector, is very lacking in this province. We've seen AECL (Atomic Energy of Canada Ltd.) take a very serious look at some of the jobs that are in this province. We've seen them consolidate offices, and that consolidation seems to be moving away from Saskatchewan, not to Saskatchewan.

I note that the Minister for Economic Development is supposed to be in Ottawa today to deal with the question of AECL and what is going to happen to any potential jobs there, because it

looks like there is certainly going to be a reduction in office staff, in office space, in the province of Saskatchewan when it comes to AECL. It also looks like Manitoba will be at least retaining, if not all, at least some of the AECL employment and the opportunities within that province.

In fact, Mr. Minister, Paul Martin, the financial editor for the *Star-Phoenix*, describes this as a situation where your government has simply missed the boat because of your foot-dragging on nuclear development.

Mr. Minister, what is your policy within Energy and Mines as it relates to the development of the nuclear industry in this province? What's your policy on the processing of uranium in this province to further enhance its value before it's shipped outside of the province?

Hon. Mr. Lautermilch: — Mr. Chairman, and to the member opposite, I think it's fair to say that there are going to be some major changes to AECL based on the fairly substantial budget cuts that are imposed upon them by the federal government. So there are going to be some changes, and we recognize that.

With respect to our position, the member I guess reminds me of a discussion I had with a former leader of the Conservative Party, because he was very good at posing hypothetical questions to — well not hypothetical questions, but questions to hypothetical scenarios.

With respect to processing, there certainly at this point in time is no . . . there's a great degree of surplus with respect to enrichment. And so I guess it's not an issue that frankly needs to be dealt with. But I think the government would take a pragmatic approach to looking at areas where we can create job opportunities for Saskatchewan people. But it's not a circumstance that sits before us at this present time. And what we are doing is focusing on working with the companies to develop our ore, to develop, with new mining in the North, to develop the resource that we have been given.

So with respect to processing, the member raises a hypothetical question and I think if the situation arose, that the government — whether it be our government or another administration — would sit down and look at it based on its merits and make a decision at that time.

Mr. D'Autremont: — Thank you, Mr. Minister. If the question of secondary process enrichment of uranium is a hypothetical question, then I have to ask, Mr. Minister, as it relates to resource policy, how can you encourage then the development of more mining, more production of uranium, when in your own words you say that there is an over-abundance of enriched uranium in the world and therefore no need for secondary processing within this province?

Surely if there is an over-abundance of enriched uranium, there must also therefore be an over-abundance of produced uranium. The two add up together, Mr. Minister. So what is happening then to drive the production of raw uranium if there is no need for further enriched uranium?

Hon. Mr. Lautermilch: — No, I think what I attempted to say was the capacity for processing has a surplus. The capacity to process is in a surplus position.

With respect to the mining and why we would encourage the mining, I think that the markets there look very positive. And that's . . . I think that you will see the price of uranium increase. Certainly the people who are investing hundreds of millions of dollars in northern Saskatchewan are of the feeling that it makes sense to develop the ore bodies.

And we are in a process, working with the federal government right now, of ensuring that the environmental concerns are being looked at. And I think in terms of economic development in the uranium industry, that that is certainly the area that we see that makes some sense for us in Saskatchewan at this time.

And we are working with the industry and with the environmental groups who have some concerns, to assure, first of all, that the development is done in an environmentally sensitive fashion. And that process has been ongoing, and I certainly think that the markets will encourage bringing more production on stream.

Mr. D'Autremont: — Thank you, Mr. Minister. That statement that there is an overcapacity for enriched uranium within the world reminds me of the stories leading up to and the building of the Saskatchewan fertilizer company plant. All the other producers were saying, well there's an overcapacity; why would you want to put in place another fertilizer plant which would make more nitrogen fertilizers within this province . . . or not within the province, within North America, more anhydrous. Their feeling was that there was an overcapacity already in place and yet that plant went ahead, Mr. Minister, utilizing Saskatchewan natural gas as the raw resource. That plant has been running at about 117 per cent of capacity since it was put on stream. It has proven to be, according to the Minister of Economic Development, one of the economic engines in this province, a great facility, an excellent income generator for the people of Saskatchewan.

The development of an enriched uranium capacity within this province, Mr. Minister, also has that potential to be an excellent source of revenue for this province, and yet you seem to be somewhat reluctant to even look at it. If you simply take the word of other uranium enrichers around the world, they are certainly going to tell you that there is an overcapacity and there is no need for you to be in the market. Why would they want to encourage another competitor to enter the market to produce a product — and I would suggest a product that could be produced less expensively in this province because we are much closer to the raw resource than what Ontario is or what some of the other enriching facilities are within Canada and North America and indeed the world.

I believe we have a natural resource there, Mr. Minister, that we need to maximize. We have to stop being the drawers of water and the hewers of wood and develop some secondary manufacturing, to diversify our economy and to provide the added value that generates the largest number of jobs and the best economic return for this province.

And I believe, as do a number of other people in this province, that simply by avoiding that question, by hiding our heads in the sand when it comes to the development of an enriched uranium industry in this province, we are forgoing a very large economic opportunity within this province, Mr. Minister.

Hon. Mr. Lautermilch: — Well, Mr. Chairman, the member may know more than industry knows, but I don't know that. I can only tell him that there has been no expression of interest from any company that they would be interested in developing that kind of a facility in the province.

We have had independent analysis that tells us that there is no need for it, and we've also been told by Cameco that it wouldn't make economic sense at this time. But the member may know more than we know. But we will certainly continue to watch and monitor this situation. And if there is an expression of interest, I think it's fair to say that we would at that point in time sit down and take a look at what the proposal would be, and if it made some sense for us in this province at that time, that we would take the appropriate steps to do due diligence on that kind of a project.

Mr. D'Autremont: — I thank you, Mr. Minister. I wonder if you could table then your analysis that you have on this, on nuclear industry, that says that the development of a secondary manufacturing, the enrichment of uranium, is not feasible at this time.

Hon. Mr. Lautermilch: — I would want to say to the member that it's not original information that we were dealing with. It's an independent study that's been done by KPMG and we have had the opportunity to have a look at it.

And I would also want to say to the member that I'm sure Cameco would be willing to share their thoughts with respect to secondary processing and whether it would make sense. But, you know, I just say to the member, if you're asking that government should initiate investment in such a facility, I mean that's one thing; but if you're suggesting that we have been turning away industry who have indicated interest in this kind of a development, I can say to you that no, we haven't been approached by any. On the contrary, we've been told that at this point in time it doesn't make any economic sense to proceed with one.

Mr. D'Autremont: — Well thank you, Mr. Minister. Am I to take your comments then that you would give serious consideration to a proposal, if one was to come forward, to develop and enrich uranium facility within this province?

Hon. Mr. Lautermilch: — I think if someone was to propose processing, a processing plant, that the government would sit down and talk with them and determine whether or not it made sense for us as a province, and whether it made sense to proceed with such a development. But again, we're into a hypothetical scenario and we just haven't been approached. But I'm assuming if we'd be approached by someone who was suggesting that they could create a hundred, or 2 or 3 or 4 or 500 jobs, that we would sit down and see if it made some sense for our province.

I guess that would be the approach that we would take, as we take in other areas. It's got to be discussed, I think, by government members and discussed by the Saskatchewan community, and that would probably be the process that we would take.

Mr. D'Autremont: — I thank you, Mr. Minister. Would this decision-making process deal with the economic viability of the proposal or the political viability of the proposal?

Hon. Mr. Lautermilch: — Well I think if it made no economic sense it would make no political sense.

Mr. D'Autremont: — Well I have seen, Mr. Minister, decisions made by your government in the past, such as the CCTA (Crown Construction Tendering Agreement), which don't seem to make any economic sense, whereas you may seem to believe that they make some political sense.

I'd like to look at some other areas of resource policy as they deal, perhaps at arm's length, with the question of the development of enriched uranium. We've seen SaskEnergy and some of the other government energy development areas look at co-generation.

It seems what's happened there is, the government has asked private enterprise to come forward with projects, with ideas, with proposals on developing co-generation. And yet when that happens, the government pulls back and says, thank you very much, after these companies have paid significant fees to present their proposals. And nothing is ever done with it after that, and it's simply been a large expense to the private corporations that have made these proposals. Their ideas are taken by the government — for what purpose, I don't know — but it's cost the industry a large amount of money.

That relates back to the idea of making a proposal to the government as dealing with the enrichment of uranium in this province. If a corporation was to go to the expense of putting forward a full-fledged proposal which would cost a very large amount of money, they have to have some expectation that the government is going to give this a very serious consideration. And it's my belief, Mr. Minister, that that serious consideration does not seem to be forthcoming from this particular government.

And when it comes to the dealing with the processing of uranium in this province, or indeed with the recovery of uranium that has already been used, the disposal of that in Saskatchewan in areas where that uranium may have already been mined, those are areas where industry has a great deal of concern, Mr. Minister, that this particular government would not look favourably on any of these proposals.

Now you may say that you'll give them due consideration, but the industry that would be dealing with this has very little to no confidence that you would give them a reasonable hearing, let alone even a positive hearing, Mr. Minister.

So when it comes to resource policies and dealing with co-generation, Mr. Minister, exactly what is your government's position today?

Hon. Mr. Lautermilch: — Mr. Chairman, I think it's fair to say that the whole utility industry, the whole electrical industry, in North America — and Canada and Saskatchewan are certainly not exempt — is going through some major and some fairly dramatic changes in terms of deregulation, wheeling of electrical energy, what needs may be with respect to co-generation. The technology to internally generate by some of the larger producers, or larger users of electrical energy, is developing and advancing at a tremendous rate. And changes in terms of economic viability are becoming much more a reality for some of the processing, or some of the options with respect to co-generation that may be available here in Saskatchewan. And I think that certainly we would tend to think that co-generation is one of the options that we should be and can be and will be looking at with respect to expanding our ability to generate electrical energy in this province.

We think that there is a lot of potential. There are a number of projects that have been described that I think at some point in time can be of benefit to the province. And certainly I think that there is a lot of potential there. Co-generation is one of the ways in which we can generate electrical energy that were described in the *Saskatchewan Energy Strategy*.

But I think what is important is that we ensure that we don't have stranded investment in this province, because it could end up costing the people of Saskatchewan very many dollars. We have a lot of coal-fired generation capacity that you will be aware of. We have a number of hydro facilities to generate electrical energy that have all had some major investment by the people of Saskatchewan through their Crown utility, SaskPower.

And as the opportunity for competition and electrical energy being able to be brought through our transmission lines becomes a reality and sold to what are now our clients, I think we want to take a very cautionary approach with respect to expansion of capacity to generate electrical energy in this province. So I think as this process unfolds, as it has been fairly rapidly over the past few months, and in particular the last year and a half, I think we want to take a very cautious approach.

I know that there are a number of large users of electrical energy who are looking at internal generation as an option for themselves, and certainly that is there. But I think what we would want to do and where we would want to head would be to take a very close look at co-generation, if in fact it's determined that incremental energy be required in the province.

We're looking for new markets. We're looking for new customers. This is probably more a SaskPower issue, but I think it's fair to say that the Department of Energy and Mines works very closely in terms of energy options with the utilities in our province, and we will continue to do that.

Mr. D'Autremont: — Well thank you, Mr. Minister. You've talked about SaskPower looking for new markets and new opportunities. What kind of policies is Energy and Mines putting in place that will prepare SaskPower and SaskEnergy to compete into the market-place?

Hon. Mr. Lautermilch: — Okay, we have no legislative

authority in that area but I can only say as the minister in charge of both entities that the department doesn't have direct involvement in that. But certainly we worked with SECDA at the time to put together the energy option strategy, and I mean . . . so there is some, I guess, threat of a tie. But in terms of developing new markets, that would be the responsibility of the Power Corporation and certainly not Energy and Mines. We have no legislative authority over that entity at all.

(2300)

Mr. D'Autremont: — Well thank you, Mr. Minister. While you may not have the legislative authority over SaskPower through Energy and Mines, you would have the regulatory authority though to deal with policies dealing with the deregulation of the Saskatchewan market-place to allow other energy producers into this province or to market into this province, and in turn, SaskEnergy and SaskPower to market outside of this province into other jurisdictions. So what policies is your department developing to deal with the possibilities of other electrical generators, other gas distributors, marketing in Saskatchewan and vice versa — Saskatchewan, SaskPower, SaskEnergy, marketing outside of this particular jurisdiction?

Hon. Mr. Lautermilch: — I think there certainly are some discussions that go on interdepartmentally but this is not a lead of Energy and Mines. That would be more by Intergovernmental Affairs. Trade is not within the mandate of this portfolio and those are basically trade issues. But we work cooperatively with other ministries in terms of developing frameworks and putting forth a Saskatchewan position. So in that regard, we have some involvement. But that's certainly not a lead initiative of Energy and Mines.

Item 6 agreed to.

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, I know that you had an opportunity to listen to some of the questions that I asked the minister responsible for SPMC as dealing with the questions that were not answered under the global questions that were supplied to you and that you in turn answered. I wonder if I could get your assurance, so that I wouldn't have to go through all these questions, that you will provide the answers to these questions that I'm sure you heard at least some of the question to, dealing with benefits such as RRSPs, education leave for employees, et cetera, for your department.

Hon. Mr. Lautermilch: — Mr. Chairman, I will ask my officials to review *Hansard*. I don't know that I was here for all of those questions, but I will have *Hansard* reviewed and we will put together the appropriate answers. I can't commit to answering . . . Yes, I can't commit to answering them all because I don't know what the questions are and I'd like to see them first, but we will forward as much information as is appropriate. We certainly . . . if it's questions about RRSPs, those kinds of things, number of staff, all of that, contract staff, sure.

Vote 23 agreed to.

Supplementary Estimates 1995-96
General Revenue Fund
Budgetary Expense
Energy and Mines
Vote 23

Vote 23 agreed to.

The Chair: — I want to thank the minister.

General Revenue Fund
Saskatchewan Water Corporation
Vote 50

The Chair: — I would ask the minister to introduce his officials.

Hon. Mr. Lautermilch: — Thank you, Mr. Chair. I have beside me, to my right, Brian Kaukinen, the president of the Saskatchewan Water Corporation.

Item 1

Ms. Draude: — Thank you, Mr. Chairman. Good evening, Mr. Minister, and your officials. I have a few questions, not a lot, for you this evening. I'm just wondering if there was any projects for towns or villages involving water and sewer projects undertaken lately that were designed by any company or individual other than the Sask Water team.

Hon. Mr. Lautermilch: — Mr. Chairman, I'll just cite two that are on the go right now. The Wakaw water treatment plant has been designed by a consultant and I'm told the name is UMA, and the pumping station is designed by Associated.

Ms. Draude: — Are any of these larger projects . . . or have there been any that have been financed in any other way than through Sask Water?

Hon. Mr. Lautermilch: — I guess one example I could give you is a small plant that's working in P.A. (Prince Albert) that was designed by private industry working with the Prairie Farm Rehabilitation Administration. That one had no Sask Water involvement at all. The design and the project was all put together by PFRA (Prairie Farm Rehabilitation Administration) and the city and private business.

Ms. Draude: — Was the length of terms of repayment less than 10 years then?

Hon. Mr. Lautermilch: — I can't describe the investment or involvement. Sask Water was not involved in it.

But what we attempt to do when we put a financing package together, is to find a rate per unit that makes some kind of economic sense for the users and then amortize that over a period that would keep in mind the life, you know, the limits, of that particular project in terms of its life expectancy. Because certainly what we wouldn't want to see is an investment there that's worn out and the pay-back period, you know, would not cover that.

What we're attempting to do with this particular infrastructure in Humboldt-Wakaw is that we are putting in place financing. They have set up a steering committee that has determined what is a reasonable user fee. And when the mortgage is paid off, when the capital costs of that project is paid off, it becomes the property of that entity.

So basically we just work to help to facilitate, to help put in place financing, and to offer technical expertise when we're asked. But the decisions in terms of whether a project goes, whether it doesn't go, what makes sense for those communities, the terms of the mortgage, all of those things are decided by the local communities.

Ms. Draude: — Thank you, Mr. Minister. I understand that in most of the larger projects, the towns or villages don't have much of an option but to actually do their financing through Sask Water. Because part of their terms that they have to deal with is not being able to borrow money over a 10-year period, or longer than 10 years, through debentures. I guess that's a provincial law. Is that correct?

Hon. Mr. Lautermilch: — I think that would be under the municipal Act. And the member may be accurate on that; I don't know. But you know, we . . . I guess if Sask Water is a vehicle that allows that to happen, then that should be a benefit to communities both large and small. I'm not as familiar with the municipal legislation as others may be. Certainly the minister may be able to answer that in her estimates when they come up.

Ms. Draude: — Thank you, Mr. Minister. I guess my concern is that actually towns and villages may not have any option but to do their water projects through Sask Water because they can't get financing longer than 10 years, and most cases, the cost of the project is quite cost prohibitive so they really are obliged to be under Sask Water for up to 30 years just to pay for their project.

And I feel that that in a way is detrimental to them. They end up paying a large amount of interest. And if they had a way of doing a debenture or bond in some way within their local community, they could be keeping the money within their own town or community.

Hon. Mr. Lautermilch: — You know, I think I'd like to sort of put this in perspective, at least from . . . certainly from my position and that of the board of the corporation.

In the period of time that I've been the chairman of the Water Corporation board, it has been my experience that communities have looked in a lot of cases at all of their different options and have come to Sask Water as a last resort because they just haven't been able to find anything that works for them. And we've been able to help to facilitate financing, and as I've said, help with technical expertise and put together a package that works for them.

With respect to some of the larger projects — and let me use the Humboldt-Wakaw thing as an example — no communities are forced to using Sask Water. We're there if they choose to

use us. If they decide . . . a community as an example would have decided that they didn't want to use the technology that the steering committee had put together and decided on, then they have the option of developing their own system, their own community system, which many small communities in Saskatchewan have operating for them, independent of any other community. Water from . . . ground water from wells, local wells; some use dugouts. There's, you know, a number of ways that this can happen.

But I think the point I want to make is that we're not there to force our services or to force the ability that's been developed within that corporation or the ability to put together financing on any community. Those are options that are chosen by local people. If projects come by their door and if they decide to be involved in a larger project, that's their decision. They can opt in; they can opt out.

Local people make the decision in terms of the infrastructure, who designs it. We're there to assist and to help to facilitate people who want a project to happen. We're there to assist if they can't find other sources of financing their projects. If they can do it through debentures, fine. If they can do it through a loan from the local credit union, that too is fine. We're there to provide a facility when the communities ask us to be part of it. And it's a process that we've found that works very well. The corporation is there to provide service and we've been able to serve many communities.

(2315)

Ms. Draude: — Thank you, Mr. Minister. And perhaps I'm not being fair if you're not sure . . . if you're not aware if towns can actually borrow money for longer than 10 years. This is the information I've been given and I guess I will ask the minister in charge of Municipal Affairs to make sure my information is correct.

I'm wondering if I can get a list of projects that . . . and it doesn't have to be right now, but if I can be given a list of projects that you're working on . . . that were worked on last year — the larger ones, not anything less than \$10,000. Just give me an idea of some of the work that was done last year.

Mr. Minister, can you tell me if there's an interest rate difference between what you charge communities that are using Sask Water when they make their payments to Sask Water and what you pay for interest, because you have to borrow the money, or Sask Water has to borrow the money? Is there an interest rate that remains constant?

Hon. Mr. Lautermilch: — The agreements . . . we do no up-charge on the interest rate. Whatever it is is passed on to the clients. And I guess part of our services as consultants would be billed as part of that package. But we don't up-charge any of the interest at all. And I guess what I had neglected . . . and probably what I should do is give you an example of a community that made a decision to go on their own, not to use Sask Water, and that's Shellbrook, just to the west of Prince Albert. So there's all myriad of different ways of putting projects together. Shellbrook did it on their own. Humboldt-Wakaw made the decision to be included in a larger

project. We aren't involved in financing at all in Shellbrook nor has, you know . . . so it's a matter of us attempting to provide that service for communities that choose to use our services.

Ms. Draude: — Mr. Minister, I understand part of the Humboldt-Wakaw pipeline has . . . there will be farmers actually have meters in their own yards for the use of the water that's coming from the creek there. Is that correct?

Hon. Mr. Lautermilch: — The process would be that any water that would be taken off the main line would be metered, and that most of the communities, in particular the rural communities, have formed associations and they determine their own system of billing and how they would do their billing to individual farm homes.

Ms. Draude: — Then we are charging for water? Then we are charging for water?

Hon. Mr. Lautermilch: — Oh, yes. It's a user-pay system. There's a cost per unit. There's a capital cost of the entire project, and it's got to pay for itself and it's got to pay for itself through water rates which will be the same as any community, whether it be the city of Regina, city of Saskatoon, or Assiniboia, Saskatchewan, or Lafleche. They have a system whereby they pay for their capital costs, and that's based on user pay.

Ms. Draude: — I guess this is kind of a scary thought, that we basically are ending up paying for water. It sounds to me more like this is going to be a pipeline of money, basically is what it's going to end up to be over the years if we're charging, not for service, but actually for the water. Over time, Sask Water is actually going to be charging people for water, and I guess that's something that bothers me. Maybe you have a comment on that.

Hon. Mr. Lautermilch: — Well golly, you know, I'm trying to think how many years my wife and I have been married and how long it was since we had our first home and when I got my first water bill, and I can't recall; it's been a little length of time for me.

We've been charging for water in this province for years. There's been water bills out of every major community, out of smaller communities, and it's been a system where they put a capital infrastructure in place and how somehow it's got to be paid back.

I mean if a farmer puts a trenching system from a dugout, first of all there's a cost, a capital cost, to a dugout. So let me draw a comparison here. You put a dugout in a farmyard and there's some money for the dugout; it's going to cost you to do that. Or if you drill a well it costs some money. If you're going to put a submersible pump in a well, that's going to cost some money. It's going to cost money to trench it into your home.

And so all of this adds up to a lump of money. You don't pay it maybe over a period of 5, 10 years, although some people may borrow the money and choose to pay it over 5, 10 years; some may pay it cash upfront. But the fact of the matter is there's a cost to deliver that water into the home or into the barn. It

doesn't happen for nothing.

The same is with the infrastructure that's being put in place where we're asked to involve ourselves. The clients, the customers, basically charge themselves for the cost of what it costs to get water to their place, and so I think that that's reasonable.

I've often thought that, you know, it's one commodity, water is one commodity that we take for granted here in Saskatchewan, and that's maybe because we have so much of it. But I know if you go to other jurisdictions where they don't have the luxury of a water system — a Churchill River system; North Saskatchewan, South Saskatchewan River systems — where they don't have those, they recognize quite clearly the value of water.

I just want to make the point here that we as the Water Corporation are not taking a profit on that infrastructure. We're financing it; we're helping to set up the financing for the association that owns that infrastructure. The association is a group of farmers, people who live in small towns. Those are the people that ultimately own the system after they've got it paid for.

But is there a user fee? Certainly there is. It's got to be paid off somehow.

Ms. Julé: — Thank you, Mr. Chairman. You mentioned, Mr. Minister, that you're not making a profit off of this. And I have heard — whether or not this is accurate I don't know — but I have heard that the communities along the Humboldt-Wakaw water pipeline in total will be losing up to \$160 million over the 30-year period. So if they are missing out on that money and you are not making a profit, where is it going?

Hon. Mr. Lautermilch: — Well I guess I want to say to the member, you put the project in place and you're going to have a small return. I mean there are some costs of doing business; there are some costs of having an entity. But if you're asking, are we putting in place a massive charge so that there can be money flowing into the Water Corporation so that the Water Corporation can put into the Crown . . . into the Consolidated Fund, profits, have a look at the profit and loss statement of the Water Corporation. That's not what this is about.

And for anyone to infer that that's what this is about, I want to say that you're wrong. Totally, basically, dead wrong. That's not what this is about. We're there to help facilitate communities who want to use our services.

And all you've got to do is look at the annual report of the Water Corporation to see that this is not a massive money-making corporation. This is not a corporation that's selling electrical energy; it's not a corporation that's selling natural gas. We're there to assist in putting water projects together.

Are we going to do it at a loss where the corporation is subsidizing different projects? Well that's been done. We've got, I think, \$160 million worth of irrigation projects in this province over the last 20 years perhaps, that have cost the

people of the province an awful lot of money, and served few.

What we are trying to do is make this corporation work on a cost-recovery type basis. Will there be a small rate of return on what we put in? The answer is, absolutely. There has to be because you've got unforeseen expenses; you've got overhead expenses within the corporation that need to be addressed.

But if you're making the argument — and I think that's what you're doing — is making the argument that the Water Corporation is ripping the consumers off who are going to be taking water from this particular project, you're wrong.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, just as a matter of information for myself and others, I'm wondering whether or not we are selling any water out of Saskatchewan into the United States, for instance. And I recognize that part . . . that other provinces may or may not be doing this, and I'm not too sure whether this is under Canadian jurisdiction, but I would like you to answer that question if you can, please.

Hon. Mr. Lautermilch: — I think maybe the only water that might go out of the province that I'm aware of, that's sold out of our jurisdiction, is maybe bottled water from somewhere. I just don't know.

We have agreements with the States in terms of water apportionment and what is a natural flow across the border. Those are international agreements. And they get a percentage of what comes through, and those things are all negotiated.

But are we selling water? No, we're not. That's not part of what we do.

Ms. Julé: — Thank you. I guess my hon. colleague would like to know if we're giving any away.

I'd just like to ask, for the water that in fact is going into the States where we have an agreement that some of the flow goes to them as such, and if it's coming from Canada, is there any trade-off in any way or form? Are we getting anything back for that water?

Hon. Mr. Lautermilch: — The members of the third party might be able to better describe the situation. But we put in place water control projects to assist flooding. As an example, in the southern part of the province, the Rafferty-Alameda system down there is in one respect to help Minot from flood damage. They have put some money into the capital cost of this project, you know, for payment for that. Some would argue they didn't pay enough, but that's water over the bridge, so to speak, or over the dam.

But anyway, as part of the agreement there's an apportionment whereby a certain percentage of what comes through that system has to be let loose and we're obligated to hold a certain amount back.

Ms. Julé: — One last question for you, Mr. Minister. You mentioned to my colleague from Kelvington-Wadena that the Shellbrook area has their own water system in. Could you explain to me what they have done rather than go with Sask

Water?

Hon. Mr. Lautermilch: — That has a little bit of history as well. The Water Corporation had been discussing with the town of Shellbrook for a number of months — a year, two years even — what we might be able to do to assist them. We put on the table what we could do. They wanted some assistance with respect to their treatment plant. They use an underground . . . they use a well system and they pump their water up.

We talked with them about the possibility of piping water from the city of P.A. and we looked at that as an option. The end result was they chose to use private consultants. I'm not sure if they had the PFRA involved, but they made their choice and that's how that one was put together. So I guess it serves their needs and we're comfortable that they're satisfied they made the right choice.

(2330)

Ms. Julé: — Mr. Minister, I have a question that's unrelated to what we have been talking about. If there is an open well within any municipality in this province and there's complaints about that well being open, whose responsibility is it in fact to see that the well is covered up, if it's an empty well or in fact if there is water seeping into it?

Hon. Mr. Lautermilch: — I think that would probably be a combination of the Department of Environment, SERM, and the municipality. That, as far as I know, is not a responsibility that we carry.

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, does Sask Water have any involvement in water quality in Saskatchewan?

Hon. Mr. Lautermilch: — We are actively working with SERM — the Department of Environment and Resource Management — and with the Saskatchewan Research Council to attempt to improve in a very proactive way the quality of water in the province. I think we've made some success in terms of some of the work that's been done at the Saskatchewan Research Council but I think we would tend to take a proactive approach to improving people's water quality working with the different entities that I indicated. But are we the police, do we police the water quality? The answer is no, that's not one of our responsibilities. We tend to . . . and I think we have made some small success in terms of working . . .

I recently saw a presentation by the Saskatchewan Research Council in terms of some technology that a private entrepreneur had been working on and I was very much impressed with what can be done to improve the quality of dugout water in the province.

Mr. D'Autremont: — Thank you, Mr. Minister. The type of water quality that I'm concerned about is effluent or discharges from lagoons. Down at Estevan approximately every year the city wants to discharge excess water from their sewage lagoons. SaskPower is involved in a project there of planting bulrushes to improve the quality of the water in that area. SaskPower also, it's my belief, has a proposal already in place or an agreement

in place, that they were to take some of the excess water from this Estevan sewage lagoon and use it for cooling at Shand. This has not happened to my knowledge. You can correct me if that's wrong.

But what happens is that they discharge the excess water from the Estevan lagoons down the Souris River and every spring I get complaints from the ranchers and farmers living along the Souris before it crosses the U.S. (United States) border. Whenever this discharge is talked about or whenever it happens, farmers complain that their cattle will no longer drink the water.

What happened this spring, the proposal was made after the major run-off had passed through there. Therefore you end up with a situation where, if the lagoons are drained, that this effluent sits in all the ponds along the river and simply becomes a stinking, stagnant mass which none of the livestock, which none of the wildlife in the area even, wants to go close to. There are a number of the ranchers along the river that live right on the shores. Their building sites become almost inhabitable . . . uninhabitable because of the smells coming from the river. And so my question is: does Sask Water have any involvement in this at all?

Hon. Mr. Lautermilch: — I think the area that we would have involvement in, is ensuring that there would be adequate . . . when the lagoon is flushed, that there would be an adequate supply of water along with that to ensure the safety of people downstream.

I guess one of the unfortunate circumstances that we have, living in our area of the world, is we have a number of lagoons, many lagoons, throughout the province. And when there's sufficient water to move with it, as the system is flushed, things work well. When it's a minimum standard, it becomes a little more difficult and a little more uncomfortable for some living downstream.

But the role of the Water Corporation is to monitor the mixture of the fresh and the lagoon effluent, and that's the role we would take. We would be monitored by SERM, and if a complaint would happen, I would assume that the Department of Environment and Resource Management would involve themselves. But our role is basically one of ensuring that there is an adequate minimum standard of water that would be flushed along with it.

Mr. D'Autremont: — Thank you, Mr. Minister. What kind of flows in the river would be the minimum allowable for a release from the lagoons, and what would be the optimum amount of flow to allow for the release?

Hon. Mr. Lautermilch: — The situation, I guess, really does vary. There's a number of variables. One would be, I guess, the size of the lagoon; how often it would have to be released; how much inflow there would be to it. I am told that they try and flush the lagoons when there's an optimum and a maximum flow of water that can be mixed with it. But that sometimes isn't available, based on the usage of the lagoon and the size. So every circumstance is a little different. And I guess a part of it is trying to use your best judgement, and hopefully there's

enough flow that the circumstance can be as positive as possible, if you can call that a positive experience.

Mr. D'Autremont: — Mr. Minister, I don't think any of those who've lived downstream from the Estevan lagoons find it to be a very positive experience any time that it's released. But especially when the flows in the river are at a low point, it creates a great deal of difficulty for all those living along the river. And I think that that's a project that should be seriously reconsidered and a very serious look be taken at it to ensure that a substantial flow of water is available whenever that release is allowed because it does create a great deal of hardship downstream.

Now, Mr. Minister, we've received a number of calls about a proposal, a Sask Water project, through the Qu'Appelle valley. And apparently Sask Water is looking at a ditch there because it would allow three times the water flow from Diefenbaker to Buffalo Pound. And you have consulted with some of the municipalities that would be affected by this. I wonder if you can give some details of this project.

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. The project that you're referring to, I guess, is a result of channelling that was done from up the Qu'Appelle, Diefenbaker, Buffalo Pound area. And over the course of time and over the course of years, it's starting to silt in, and so there's going to have to be a major dredging program there at some point in time.

I am told that the capital cost of that project would be somewhere in the neighbourhood of \$10 million. So we're going to have to busy ourselves seeing if we can work with the federal government who had in place, in the 1960s and '70s, a program that would assist in doing this kind of drainage work. But the fact is, it's going to have to be done. The circumstances of age are catching up to that particular project, so it will have to be something that will have some very close scrutiny in the upcoming years.

Mr. D'Autremont: — Thank you, Mr. Minister. How many farmers would be . . . how many farm operations, I should say, would be affected by this project?

Hon. Mr. Lautermilch: — I guess . . . I don't know the numbers and our officials don't have the number of farmers, but I think it's fair to say that every farmer that's adjacent to that would be impacted, and I would hope that they would be impacted in a positive way. The dredging, the removal of soil and the moving of the water, the dikes that would be put up, hopefully would have a positive impact on the farmers adjacent to this. But I don't have the number of landowners along that chain, but I guess everyone adjacent would be affected, and hopefully positively.

Mr. D'Autremont: — Well, Mr. Minister, I'm sure they all hope that if the project goes ahead that they will be affected positively. But I'm sure that some of them at some point in time will be affected in a negative sense.

What kind of compensation would be available to them for any negative impact that they would suffer, any loss of income that

they might suffer? Because surely along such a waterway there are some who have cattle operations that will utilize the water. Perhaps even some irrigation would be in place along there.

Hon. Mr. Lautermilch: — Well I think it's fair to say, you know, when there's natural flooding, whether it be along the Qu'Appelle valley or in other areas, there are some costs associated with that. Everyone takes some risks. What we would attempt to do is work with farmers in terms of minimizing, first of all, the impact on their land, as this project would be developed. And if something happened that water was involved in a project and it was found that we were negligent in our duty, if we had not done due diligence or used the right technical expertise or made an error in terms of calculations, we would then have a liability. But I don't foresee that. And we're talking I guess a hypothetical scenario at this point, but I think the corporation has shown in the past that it has the ability to do these kinds of projects and doing it in a very positive way for the people whose land is adjacent and affected by flows and run-off.

Mr. D'Autremont: — I thank you, Mr. Minister. I think one of the areas of negative impact could be if someone's water supply was cut off on a temporary basis for part or all of the summer where they were relying on that water for a cattle operation or they were relying on that water for some irrigation projects. They would be negatively impacted if they were to lose a source of water. Would compensation be available to them in that sense while the dredging or the construction project was ongoing?

Hon. Mr. Lautermilch: — Well I think, you know, we have to keep in mind here that we're talking a hypothetical scenario again. I guess what we would try and do is work with the farmers to mitigate the damage. Mitigation is a process that goes on with every process.

You try and minimize the impact on those who are affected by what you're doing, and that's done with consultation and an understanding of their individual circumstance. So quite clearly we attempt to do what we can in terms of minimizing the impact. That's part of the process, part of the process for putting a package together.

Mr. D'Autremont: — Well, Mr. Minister, if this hypothetical project were to go ahead, would it be tendered under the union tendering policy, the CCTA?

Hon. Mr. Lautermilch: — Yes.

Mr. D'Autremont: — Have you given any considerations, Mr. Minister, to what the cost of the project would be with CCTA or the cost of the project without CCTA?

Hon. Mr. Lautermilch: — We haven't given any consideration. As I said, it's a hypothetical scenario and we're not about to sit down doing a bunch of engineering studies to determine a project that is right now not on the books. We gave you a rough figure of perhaps \$10 million. That might be up or down 2, 3 this way or the other. And I just wouldn't want to speculate tonight on what . . . the design and what that would all cost.

(2345)

Mr. D'Autremont: — Well thank you, Mr. Minister. The member from Humboldt asked some questions about some water projects in that area. I have a question about the project there, the hundred-plus million dollar water pipeline project that was approved last year. We've had some calls and some concerns that perhaps there was an alternative proposal in place that would have saved approximately \$20 million over 30 years.

I wonder if you can give a brief explanation as to what this alternative system was that was proposed.

Hon. Mr. Lautermilch: — I guess what I first will do is correct you on the capital cost. The Humboldt-Wakaw line is a capital cost of about \$32 million. There was another company by the name of . . . an Alberta company by the name of . . . Anyway, they put together a project that had about the same capital cost but the end use cost was much higher than the package we were able to put together for them.

Mr. D'Autremont: — Thank you, Mr. Minister. Sask Water announced the opening of a new office in Yorkton last April and stated that there were five new employees to be hired and five would be relocated to Yorkton. How many of those employees relocated to Yorkton and what was the reason for opening the Yorkton office when you were downsizing other operations?

Hon. Mr. Lautermilch: — Mr. Chairman, the Yorkton office is about a 10-person office. There were five people moved in from within the corporation and another five employees were hired. The reason that office was set up was strictly because of the conditions on that side of the province and the need for closer ties from the corporation with the community, with the municipalities, in terms of working through some of the conditions on that side of the province. We think that this structure and this office in that area will serve the people over there well and will serve the corporation very well.

Mr. D'Autremont: — Thank you, Mr. Minister. Was the move to Yorkton any way related to the proposed Langenburg East drainage and irrigation projects?

Hon. Mr. Lautermilch: — I think, you know, certainly there's been some difficulties on that side of the province. They're not new. They didn't start yesterday or the year before yesterday. They started like 30, 40, 50 years ago. It's been an area that's been prone to flooding. The corporation has had a large number of complaints, comparing it to other areas, and it was felt that Yorkton was the area that we would need a higher staff complement to better serve the needs of the people in that area. So that's why the reorganization and that's why Yorkton is the place where we positioned those 10 employees.

Mr. D'Autremont: — Mr. Minister, there was a 360 metre long pipeline project completed at Creighton and the estimated costs on this was \$200,000. Did that project get completed and was it under budget?

Hon. Mr. Lautermilch: — Basically the Creighton situation

was that we worked with the town to develop a temporary situation. In terms of the financing and the construction, that was not done by the Water Corporation, that was a responsibility of the town. We worked to find something that would work in the interim until we could put together a long-term solution in that area.

Mr. D'Autremont: — Thank you, Mr. Minister. If this project was done under the town would it have fallen then under the CCTA?

Hon. Mr. Lautermilch: — Well we didn't tender it and we just didn't do the contract. So whether they used union work, whether they didn't, who their contractor was, I have no idea. But I should say to the member that our experience within the Water Corporation has been that work that we have done under the CCTA has served us very well; we haven't seen incremental costs from the CCTA. But in terms of the Creighton proposal it's not our initiative.

Mr. D'Autremont: — Thank you, Mr. Minister. Your comments that projects under the CCTA have served you well, that may be, politically. I'm not sure that they have served the taxpayers well. I'm thinking particularly of the Melfort sprinkler system that was put in place by Sask Water. I'm not sure that this was done by Sask Water directly, but there was a significant number of concerns and complaints about one portion of that particular project.

Mr. Minister, the member from Humboldt asked some questions about water going across the border. The Alameda and Rafferty projects did save water this year. They prevented flooding downstream, so I think they served their purposes in that way.

But I do have some concerns about the releases of water, particularly from the Alameda dam. Under the agreement with the Tetzlaff brothers, does it necessitate that Sask Water release water down to the 552 level? Should it be saved or retained above that level? Is it a legal requirement or is it a policy requirement of Sask Water to release the water down to the 552 level?

Hon. Mr. Lautermilch: — The agreement with the Tetzlaff family was that it be down to 552 by June 1, but I'm told that we have already achieved the reduction to that level.

Mr. D'Autremont: — Is this a legal requirement in the settlement with the Tetzlaff brothers, or is this a policy requirement?

Hon. Mr. Lautermilch: — It's a legal requirement. What we will be attempting to do is to, up until the expiry of this agreement and until we can put together the appropriate people to choose the recreational level, we will be living up to the agreement that we signed with the Tetzlaffs.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if you could outline for me the procedures that you have in place in cases of flooding downstream from the Alameda dam?

This arose this spring where there was near-flood conditions

downstream from the Alameda dam while water was still being released from the Alameda dam. There was a great deal of concern over one weekend as to who to get a hold of if the river started to flood.

How do you go about getting the gates closed at the Alameda dam to stop the flow? What procedures are in place? Who do you contact, Mr. Minister, and what are the chain of command in the decision-making process?

Hon. Mr. Lautermilch: — We have a permanent five-man crew that's stationed at Moose Jaw, in terms of water control. There's the ability to reach the corporation. And quite clearly, they monitor this not only on Thursdays or Fridays, but they monitor this on an ongoing basis.

And they have, I would suggest, been very, very diligent in terms of giving heads up to communities where there's a potential for flooding. They know these reservoirs; they know how they act; they know how the water flows. And I think they've been very diligent.

And if I look at the amount of flooding that we had this spring, the heads up that they've been able to give to the communities and the kind of work that has gone on with emergency measure organizations, with municipal government, the communications from the corporation to the general public has been very good.

You will hear on the radio on a regular basis, reports from different areas by one of the employees of the corporation. So I think they've been diligent in managing potential dangerous situations.

So I think that the communities can be comforted that the staff are around. They're monitoring and watching, and I think have been showing a very responsible approach.

Mr. D'Autremont: — Thank you, Mr. Minister. Are you saying that the staff that is in place in Moose Jaw over a weekend, have the authority then to close the gates on the Alameda dam if a flood situation is in place?

Hon. Mr. Lautermilch: — Yes, that's what I'm saying. If they have to, they can.

Mr. D'Autremont: — What system does Sask Water have in place to monitor the flood potentials downstream from the Alameda and Rafferty dams. I was contacted . . .

An Hon. Member: — Yardsticks.

Mr. D'Autremont: — Yardsticks? I was hoping it was a little more sophisticated than that, Mr. Minister. I was contacted by a person from North Dakota who was monitoring the river on an ongoing basis, and the river had reached within inches of flooding just across the border and there was a great deal of concern because Alameda dam continued to release 22 cubic feet per minute, I believe it was, at that time, while the flood was almost into flood stage. The river was almost into flood stage. It didn't happen. Water from elsewhere decreased and the floods didn't occur but there was a great deal of concern that if the dam gates could have been closed at Alameda it would have

prevented any flooding that might have occurred. The situation didn't arise but the people didn't know who to contact to open discussions to get the gates closed.

Hon. Mr. Lautermilch: — Yes, I think the employee that I referred to earlier was Alex Banga and I think you've heard . . . every Saskatchewan resident has heard Alex Banga on the radio at one time or another reporting on water. And he would certainly be the person to contact within the corporation.

With respect to the flow of levels we do use some sort of a yardstick but it's kind of sophisticated. And I'm no technician in this regard, believe me, but they use a hydrometric system that beams water levels up through satellite which is reported back to the Water Corporation in Moose Jaw. And these are all the way along some of these water systems. So they know changes hourly. And it's more than that. If they think that they've got a difficulty with the reporting mechanism or some of the equipment that might be faulty, they just get in the half-ton and go out there and have a look at it.

Mr. D'Autremont: — Would it be possible for someone outside of the Sask Water system to monitor, through a computer connection, the flow in the river and the levels along the river? That is happening across the border in North Dakota where individuals could tap into their conservation system and monitor the flows and the levels in the river so that they could know on an ongoing basis what's happening along the river. But the problem was their information stopped at the U.S.-Canadian border. If there was some mechanism by which they could access some of the information from Sask Water's flow monitors, I think it would have made everybody feel a little more comfortable if they could understand what was happening upstream from them.

Hon. Mr. Lautermilch: — I think that we wouldn't have a difficulty with sharing the information. I'm just not sure what the technology would be in terms of getting it through to them, but certainly if they're willing to contact Mr. Kaukinen we can see if there's something we can do to arrange that kind of information flow.

I think a good flow of information is always a good way to put people's minds at rest. In times of spring run-off and flooding situations I know how tough it can be on families when you don't know what to expect next. So if you know of any circumstance where someone would want that kind of information we could certainly ask Mr. Kaukinen to try and share how we would go about getting that to happen.

Mr. D'Autremont: — Thank you, Mr. Minister; that's the questions I have for the present time, other than one comment, and this goes back to the question I asked you under Energy and Mines with the same information dealing with the global questions. If you can supply that information, I'll provide you a copy of the questions.

Hon. Mr. Lautermilch: — Mr. Chairman, I'd be more than pleased to accommodate that request.

Mr. D'Autremont: — Thank you, Mr. Minister, and I'd like to thank your officials for coming in here at this time of the

morning. Thank you.

Ms. Julé: — Thank you, Mr. Chairman. Mr. Minister, the last time we were in Sask Water estimates I had posed some questions to you that in fact you said you had not the answers for at the time. I'm wondering whether or not you have been able to tabulate those answers, or prepare them for me, and if you have, I would appreciate getting them. Do you have any of those answers ready?

Hon. Mr. Lautermilch: — I'm told by the officials that as it's understood by us here, that the package is almost complete and should be across shortly.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, you had also mentioned to me that you were going to contact the steering committee of the Humboldt-Wakaw pipeline to discuss the concerns of the residents of Fish Creek. Have you contacted the steering committee yet and spoke with them, and have you come to any resolve?

Hon. Mr. Lautermilch: — We've had some correspondence with them so that interaction has taken place. I think there's probably a better understanding at this point than there might have been earlier on. I can't say that we've brought this to a completion, to a satisfactory completion. Just to let you know that that has taken place and the officials are working with the association, or with the steering committee, to see if we can facilitate some kind of an agreement here.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, are you aware whether the steering committee or in fact your officials have spoken with the administrator of the RM of Fish Creek or the reeve of that municipality about this concern they have?

(2400)

Hon. Mr. Lautermilch: — The president informs me that he just received the letter from him today, so the information flow has been happening.

Ms. Julé: — Thank you, Mr. Minister. And I would like to thank your officials also for being here tonight. They've been very patient and kind in assisting you in answering these questions. And I thank you, Mr. Minister, for the time you've put in.

Hon. Mr. Lautermilch: — Well I'd like to, Mr. Chairman, thank members of the opposition for their . . . oh, we're not done yet. I'll just take my place and allow the member to fire away.

Mr. Toth: — Thank you, Mr. Chair. I realize the hour is getting late and the hon. minister may . . . his vision might be starting to be impaired a little bit.

But, Mr. Minister, I won't take a lot of time. A couple of questions that have been raised with me. Number one, there's a basin of water, just in the Kipling area — we called it the Kipling marsh — and it's pumped on an annual basis. And I understand this year it was being pumped and I believe they

shut the pumps off.

I'm just wondering, is Water Corp involved? Is there a request that comes in out of that project? And as well, is the . . . I don't know if it's got a specific name. I know it's a fair body of water that over the past number of years they called it a marsh. And it collects a lot of water and they pump it. And actually we've had the province of Manitoba on many occasions has called and asked to have the pump shut off, especially if they're facing a problem with flooding as a result of water through the Pipestone River system.

And I'm just wondering if Water Corp is involved or has any knowledge of this, and basically takes some control to make sure that the water isn't being pumped at a time when downstream residents may find it would be a problem for them.

Hon. Mr. Lautermilch: — That's an area of the province that we have a little difficulty with. As you will know, the water flows into Manitoba. Sometimes there's too much, sometimes there's too little, and maybe sometimes we just got the right amount. But we try and work with them in terms of managing that flow.

I should say to the member that we have had some meetings at a ministerial and official level with respect to part of that side of the province, to the Assiniboia basin. And we're attempting to put together a study to try and deal with what has been a long, long-term situation. You know, it stems from the Langenburg East area, and all of the associated problems there.

And what we want to do is work with the Government of Manitoba and the Government of Canada if we can, to determine and assess how we . . . first of all assess what we have there for difficulties and then how we put together a solution to what has been a long, long-standing problem.

But water flow between Manitoba and Saskatchewan, we just continue to try and work away at this and monitor it. We understand their problems as well.

Mr. Toth: — Thank you, Mr. Minister. I might add that for the Kipling marsh area, this year they decided that maybe the pumping was going to cost them too much and they just lowered the level, which I would say it might be going on 15 years since we've seen water in that basin there. And actually it covers a fair bit of territory. I think Ducks Unlimited has expressed some interest in it which would certainly enhance the area, I think, if they got involved.

The other thing, when it comes to water management, and certainly when it was quite dry in the late '80s, I know communities outside of the dam at Moosomin, there was a lot of communities complaining about the Moosominites not allowing water through; the feeling that they should be allowing it through. And I guess if you're having discussions with the governments of Manitoba and certainly RMs and towns along the area, it might be appropriate to suggest that if there's avenues and locations downstream that maybe some smaller dams could be set up too. So rather than just relying on one dam, where community and wildlife organizations have worked so hard to develop a nice recreational area plus a good fishing

area, and then to be asked to lower their water supply and then have the problem like they did this past spring of running into a number . . . a large fish kill because of the way the ice, the water, froze last year. So I think those are some things that might be suggested.

The other area — you did mention it — I'd just like to know exactly what's happening with regards to the Langenburg and that . . . I forget what they call it, conservation and development authority they have out there. Has that problem been resolved or is it an ongoing thing that we still haven't been able to get all the parties together to come to an agreement on? I'm just wondering where it's sitting and whether there was an impact as far as Manitoba residents and the Manitoba government with regards to water moving out of that into the Assiniboine River system.

Hon. Mr. Lautermilch: — I think I did allude to it and I don't know if I can give you an awful lot of detail because we're just formulating right now a game plan that hopefully will create a solution to that whole area. It's probably a three-year project so it's not going to happen overnight but it's not a problem that was developed over a day or over three years either.

So we're certainly hoping that the people in that area will have a little patience with us. We're working with another jurisdiction, which always slows the process down, and you will understand that. But I think we've had reasonably good cooperation from the province of Manitoba.

I think the federal government is now involved and hopefully we can put together a package that's going to give some long-term solutions to what's been there for a long, long time. It's not a good situation that's there, and we have neighbour against neighbour and community against community. And I think that's not a situation that we want to see over the long haul.

Mr. Toth: — Thank you, Mr. Minister. And I guess I would just add that, for those who would argue that we should not hamper with or even enhance the flow of water off of a land base, I think maybe they should take a trip to west of Regina here and see what . . . west and south and see what some residents in this area, some farmers, who have almost two-thirds of their land under water and no place for it to go . . . And then I look in Manitoba, in that Portage area where it was totally a flood situation the middle of April and by May 1 they were out. And we're still struggling trying to get around in the mud. So I think as well, people need to realize that the managed areas of water flow can certainly enhance and benefit everyone.

I had one other question, Mr. Minister, and I noticed in the *Estimates* that the total for irrigation is almost in half, and I'm wondering exactly why that figure has decreased so much and what that is used for. The money that's being spent, was it an enhancement project or just some experimentation that you're talking about spending money on, or is this actual irrigation money used to move water through the irrigation system for producers to irrigate their land?

Hon. Mr. Lautermilch: — We have been working with irrigators for the last four years, and the money that the

provincial government has been committing to irrigation has been steadily decreasing over the last four years.

What we are attempting to do is, whether it be capital construction or whether it be maintenance or whether it be operations, we're trying to move towards a user-pay type of a system. And I think we've been somewhat successful in gaining some degree of understanding by those irrigators in the different districts in terms of our desire to move towards self-sufficiency. The government and the province just simply can't afford to be investing the kind of money we were in irrigation over the years. I wish that wasn't the case, but it is, so we deal with it.

And I think what we'd like to be able to do is work to, not only user-pay, but user have a major benefit in terms of finding some growing arrangements where there can be some very much . . . some value added crops grown in the areas that we're irrigating. It's an expensive process. It's awfully expensive just to grow wheat, I think, on irrigated land.

And we think that there are some opportunities that can create some economic development jobs in secondary manufacturing. Our people have been working on potato production as being one of the options. But the reason — to get back to your original question; I guess I was moving off rail a bit — but the reason that that budget allocation is going down is because we're asking the users to pay an increasing cost so that it becomes a zero cost item for government over the long haul.

Mr. Toth: — Well I thank you, Mr. Minister, and I thank your official as well for the time you have given to us tonight, and I look forward to further discussions.

Item 1 agreed to.

Items 2 and 3 agreed to.

Vote 50 agreed to.

**General Revenue Fund
Loans, Advances and Investments
Saskatchewan Water Corporation
Vote 140**

Vote 140 agreed to.

The committee reported progress.

Hon. Mr. Shillington: — I have a motion, by leave:

That notwithstanding an order of the Assembly dated June 7, 1996, that on Tuesday, June 11, we sit for government business from 10 a.m. to 12:30, when it do recess until 1:30 p.m.; that upon reconvening, it do observe routine proceedings and orders of the day.

I think members understand, this is so that we don't do private members' business first thing in the morning.

I would ask for leave for that.

Leave granted.

MOTIONS

Extended Hours for Government Business

Hon. Mr. Shillington: — Seconded by the member from Prince Albert Carlton, that, by leave:

Notwithstanding an order of the Assembly dated June 7, 1996, extended sitting hours, that on Tuesday, June 11, sit for government business from 10 a.m. until 12:30 p.m., when it do recess until 1:30 p.m.; that upon reconvening, it do observe routine proceedings and orders of the day.

Motion agreed to.

The Assembly adjourned at 12:16 a.m.