



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
2007**

Ms. Sandra Morin, Chair
Regina Walsh Acres

Mr. Dan D'Autremont, Deputy Chair
Cannington

Hon. Graham Addley
Saskatoon Sutherland

Mr. Dustin Duncan
Weyburn-Big Muddy

Ms. Donna Harpauer
Humboldt

Hon. Warren McCall
Regina Elphinstone-Centre

Hon. Mark Wartman
Regina Qu'Appelle Valley

[The committee met at 15:30.]

The Chair: — Good afternoon everyone and welcome to this session of Crown and Central Agencies Committee. With us this afternoon, from the opposition we have Dan D’Autremont, Don McMorris. . . sorry, Don Morgan — my apologies — and Donna Harpauer. And from the government we have Minister Addley, Minister McCall, and Minister Wartman. My name is Sandra Morin and I’m the Chair of this committee.

Appearing before us today we have Minister Glenn Hagel, who is the Minister Responsible for Saskatchewan Government Insurance and Minister of Culture, Youth and Recreation. We are considering Bill 25, The Legislative Assembly and Executive Council Act, 2006. Mr. Minister, did you want to introduce your official and did you have any opening remarks?

Bill No. 25 — The Legislative Assembly and Executive Council Act, 2006/Loi de 2006 sur l’Assemblée législative et le Conseil exécutif

Clause 1

Hon. Mr. Hagel: — Thank you, Madam Chair. I guess I am here in my capacity as House Leader today that I bring this Bill to the committee for consideration before returning to the Legislative Assembly. I’m joined today by Darcy McGovern, who is Crown counsel in the legislative services branch from the Department of Justice

I’ll just make a brief statement regarding the Bill. It’s pretty straightforward and I’d be happy to respond to any questions or comments the hon. members of the committee may have. The Legislative Assembly and Executive Council Act, 2007 replaces The Legislative Assembly and Executive Council Act, 2005 with a new bilingual Act with no change in substance. And that is the essence of what this is all about.

The 2005 Act consolidated and updated the allowance and remuneration provisions of the Act, and set out the powers and duties of the Board of Internal Economy to better recognize its function as the management board of the Legislative Assembly. The Act was a co-operative effort with the Speaker’s office and that of the Clerk and the Legislative Counsel and Law Clerk. In addition, members of the Board of Internal Economy, the all-party management board of this Legislative Assembly, played a significant role in the development of this legislation. The Act was passed unanimously in 2005 on the understanding that a bilingual Bill would follow once the French version had been prepared. And it’s now been prepared, and here we are.

The Chair: — Thank you very much, Mr. Minister. Are there any questions on this Bill?

Mr. Morgan: — Yes.

The Chair: — Mr. Morgan.

Mr. Morgan: — Thank you, Madam Chair. The Bill is, as the minister had indicated, a translation of the existing 2005 legislation and I understand that we’re going to make a change and we’re going to call it a piece of 2006 legislation as well,

rather than 2005 as it goes through. But my . . .

A Member: — 2007.

Mr. Morgan: — 2007, sorry. There is a half-dozen other amendments that would be probably described as cleaning up typos or minor changes in it. I’m wondering if the minister or one of his officials could just sort of tell us a little bit about those.

Hon. Mr. Hagel: — I’ll ask Mr. McGovern to respond to that.

Mr. McGovern: — Thank you, Madam Chair, to the member. The changes with respect to the 2005 Bill, I’ll describe them as follows. The Legislative Assembly Service in section 2, the word “established” was changed to “continued.” Because of course we established the Legislative Assembly Service in 2005, and now in 2007 we’re able to simply continue them.

In 11(b) of the draft that you have before you, previously what was said was that, was the words, Federal Court of Canada. That has been changed or updated to Federal Court of Appeal and Federal Court rather than the broader term of Federal Court of Canada.

In section 54 my notes say that after the word “calculating” there was a comma added and the word “and” was deleted.

In section 70(1) we have a similar change as previously mentioned where “The Legislative Assembly Service is continued” rather than previously where it said “established.” In 78(1) we have a change where “The Law Clerk and Parliamentary Counsel is continued” again rather than “established” because in ’05 is when we would have established it. So when we reintroduce the Bill, we’re continuing rather than . . .

And I have a note on 81(3) that “them” and “their” was changed to “it” and “its” in 81(3). So I’m looking at the text where we say, “by them.” Previously “them” and “their” and now it would be “is” and “its.” Oh, sorry, opposite. In 81(3), so “it” and “its” to “them” and “their.” Yes. So I’m sorry. I crossed that back.

The only other change was at the request of the Legislative Clerk. Previously under part VI, general provisions, there were a few provisions that have now been moved to the division 5 of part IV. That was made at their request so that all the Legislative Assembly provisions regarding the Legislative Assembly Service be in one provision. So that was actually with no change in wording, just a change in location.

Mr. Morgan: — Is it a fair characterization that because we were updating this to the bilingual version that we used that as an opportunity to do the other updates and corrections and clarifications at the same time?

Mr. McGovern: — Absolutely. When we go to make the change to bilingual, there’s identified . . . The changes from “established” to “continued” of course reflect the . . .

Mr. Morgan: — That would be in the nature of a consequential

change, but some of the others are . . . You know, we've added another court. We've, you know, made a series of small changes.

Mr. McGovern: — Those are corrections. That's correct.

Mr. Morgan: — My question is, if we hadn't been changing this to a bilingual Act, would these changes have been necessary or would have we seen a correction Bill or would we have lived with it in its present form?

Mr. McGovern: — We certainly would have lived with it in the present form for a while. I mean, typically what we like to do, and this is what . . . As you'll be aware, we have on a regular basis a statutes amendment Act that will come forward. If we identify small changes that occur either from members of the public or often members of the bar will notice, you know, where it's "its" and "it" as opposed to "them" and "theirs," for example, they'll draw that to our attention. And if we have the opportunity, of course, we'd like to make those corrections.

Mr. Morgan: — If we didn't pass these other changes other than the consequential ones, would it have an adverse affect on the piece of legislation?

Mr. McGovern: — I can't think that . . . And, I mean, I think the context to consider the question, as you are aware, is that, you know, a court looking at interpreting those provisions would apply the, what's known as the golden rule in the sense of saying, what is the intention of the legislature with respect to those provisions? In each of the cases that are described, I don't think there can be much doubt in terms of what the legislature's intent was. So I don't view it as a situation where anything particularly wrong could have occurred. However it's more accurate in this reiteration to make these changes.

Mr. Morgan: — If we have this number of corrections that are in this Bill, I presume that most other significantly sized pieces of legislation would have similar errors that have been discovered after the Bill's been in place. Do we maintain a list of the errors as we find them or . . .

Mr. McGovern: — And to be fair, I mean, I think what we've talked about is three, three or four here that's in the list. And what we do is, as I said, if they're drawn to the attention of the department, then they're provided to draft and an indication is, a choice is made whether or not it is in fact a problem, whether or not it's correct or incorrect. And then secondly, whether it would go on a statutes amendment Act or whether the nature of the change is such that it would require more immediate attention.

Mr. Morgan: — I presume that if we discovered an error that was of such magnitude that would affect the application or the interpretation of the Act, we would anticipate a Bill would be brought forward that would seek that. But I'm just wondering how many Bills or piece of legislation are sitting on the books that have got, sort of, pending changes that would be made the next time the Bill was updated, or whether a list is even maintained.

Mr. McGovern: — I don't have that data for you. It certainly isn't something that I can provide for you immediately. I can

check with our legislative drafting branch to determine what they have for information in terms of changes across the entire body of the legislation of Saskatchewan.

Mr. Morgan: — Yes. I'm not opposing doing the updates. I mean they're routine and they're correcting things of a minor nature and, you know, moving the changes to division 5, those type of things. They're all what would be regarded as either housekeeping or correcting minor errors. But if we have those changes to be made in this Bill it just raises the question, do we have others that are either potentially at risk or that are waiting and do we need to look more closely at legislation as it comes up? If the information is readily available if you could provide it for us, but I certainly don't want people to go through and spend days or weeks going through every piece of legislation looking for typos. But if a file is maintained I'd just be curious to know how many pieces of legislation are slated for correcting typographical or other errors.

Mr. McGovern: — I could check with drafting and see what the nature of their file is at this time.

Mr. Morgan: — In this piece of legislation it deals with northern constituencies. Under section 2 there is a definition provided and it talks about boundaries and I think when those boundaries were initially established it was to try and promote some equity where northern constituencies were underpopulated to a great extent. And I'm thinking that, you know, right now there's a disparity between the two northern constituencies in population numbers and I'm wondering whether, at what point we trigger the process where we look at redistribution or whether we make a change so that we've . . .

Hon. Mr. Hagel: — I gather, Madam Chair, that is not part of what's contemplated, of course, as you've correctly noted in this Bill. That's not on the agenda for this session of the legislature. What the Bill is doing is, as has been pointed out, is making some very, very minor corrections or updates in terms of terminology or punctuation and then, of course, the equivalent translation into French.

Mr. Morgan: — I think Mr. D'Autremont has questions.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you very much. A couple of questions related to the Act. This Act rarely comes before the legislature so this is an opportunity to ask some of the questions that may interest people and they haven't had an opportunity to fully understand some of the things.

The term northern constituency. I wonder if you could describe to us what it means and how it actually operates.

Mr. McGovern: — Madam Chair, to the member. Northern constituency is a defined term under the legislation under section 2. And it provides, and I quote:

"northern constituency" means a constituency lying north of the dividing line described in the Schedule to The Constituency Boundaries Act, 1993.

So the term is a cross-reference to the dividing line as described

in the schedule to The Constituency Boundaries Act, 1993.

Mr. D'Autremont: — So you couldn't, even though we're not talking about The Constituency Boundaries Act, you couldn't describe though how the north . . . the difference between northern constituency and, for use of a better word, a regular or ordinary constituency?

Mr. McGovern: — Madam Chair, it is, the member's aware I think, the northern constituency definition that is used both in The Constituency Boundaries Act, 1993 and used here, is used as a demarcation in that Act and in this Act to differentiate from the other ridings which are south of the line. And as the member's aware, there's two constituencies north of the line, in the balance of the constituencies that would fall south of the line.

Mr. D'Autremont: — Within the northern constituencies, is there to your knowledge any description as to how the populations in those two constituencies are distributed between the ridings?

Hon. Mr. Hagel: — Madam Chair, that description would not be found in this Act.

Mr. D'Autremont: — Well thank you, Mr. Minister. I recognize it doesn't come under this Act particularly, but I was just wondering if — because either of these two Acts rarely come before the legislature — if it would be possible though to get a description from you, a better understanding because I don't know personally how that population distribution is dealt with in those two ridings.

Hon. Mr. Hagel: — Madam Chair, to provide the hon. member the information he seeks . . . We don't have it here. Clearly it's an Act that's not before the committee right now, and it would be found, it is described within The Constituency Boundaries Act, 1993 and I would refer the hon. member to that particular Act.

Mr. D'Autremont: — Thank you. On section 24 of the Act, it talks about the jurisdiction of the Legislative Assembly. And clause (2) talks about:

Without restricting the generality of subsection (1), the following constitute breaches of privilege and contempts to which that subsection applies.

And it's clause (c) that I'm somewhat interested in. And it says to offer to, or accept by, a member "a bribe to influence the member in the member's proceedings as a member" etc. If a member was to accept a bribe, obviously they're in a breach of their privileges and contempt, and potentially could be charged with criminal charges, I assume. But I guess my question is: if such a matter occurs, are there two parties to this breach, this bribe? And if so, are both parties equally guilty? So is the one offering the bribe guilty, and the one accepting the bribe guilty as well? Or how does that work?

Hon. Mr. Hagel: — Madam Chair, the provision of this provision of The Legislative Assembly and Executive Council Act applies both to a member of the public, as well as to a member of the Legislative Assembly and makes it illegal

therefore to offer to a member of the Legislative Assembly a bribe or for a member of the Legislative Assembly to accept a bribe.

Mr. D'Autremont: — On section (c)(ii) of this . . . if you read it without (i):

. . . [accept] . . . by, a member of:

. . . any fee, compensation or reward for or with respect [of] to the promotion of a petition, Bill, motion, matter or thing . . .

How do you go about determining whether it would be a matter of influence or an attempt to influence the decision of the member versus what could be termed as a gift to the member? How do you make that determination, or is that a matter for the court to decide?

Mr. McGovern: — It's important to remember in this provision, Madam Chair, to the member, that what we're talking about here is the jurisdiction of the Legislative Assembly. So these are the ancient rights of the Assembly. This wouldn't be the provision that would go to court, and court meaning outside of this Assembly.

So this provision deals with the idea that the Legislative Assembly is a court for these purposes. And so you would have . . . In essence, the trial would occur in the Assembly, before the bar of the Assembly which of course hasn't happened in many, many, many years here.

So what we're talking about rather is that, you know, these are relatively standard amongst the province's provisions in terms of saying this Assembly retains its ancient right as a court and, as a court, it would have the ability to run through these breaches of privilege and contempts. In doing so, it would then, as a matter of process in the House, have to establish the intent for the provision, etc.

But that would be a matter for this House to follow its own process as opposed to in my world as an official in the Department of Justice where I'm more familiar of course with the court process. But this is very much about the Legislative Assembly taking care of its own functions in that regard.

Mr. D'Autremont: — If such a matter was to be raised before the legislature, would it apply only to current sitting members of the legislature? Or could it apply to someone who had been a member of the legislature, but was no longer a member of the legislature?

Mr. McGovern: — Madam Chair, my recollection — and that's all it is, I think, on this issue — is that the jurisdiction of the Assembly is with respect to its current membership as opposed to past members.

Mr. D'Autremont: — Okay. Thank you. On the section dealing with the Board of Internal Economy, were there any changes in this Bill related to the Board of Internal Economy to what was previously in place? Page no. 50, part IV, division no. 1. So are there any changes in here in respect to the Board of Internal Economy, or is this just simply a translation of what

was previously here?

Mr. McGovern: — My understanding is that it's a direct carry forward and translation.

Mr. D'Autremont: — Okay. I think that's all the questions I had on this.

The Chair: — Thank you, Mr. D'Autremont. Any other questions? Seeing none, with respect to Bill No. 25, An Act respecting the Legislative Assembly of Saskatchewan and the Executive Council of Saskatchewan and making a consequential amendment of another Act, I would like to request leave of the Assembly to deal with this Bill in parts. Is leave granted?

Some Members: — Agreed.

The Chair: — Thank you. So part no. I, short title and interpretation, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 98 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Legislative Assembly and Executive Council Act, 2006. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you very much. I'd like to ask a member to make a motion to report the Bill without amendments.

Hon. Mr. McCall: — I so move.

The Chair: — Thank you, Minister McCall. So moved.

Bill No. 26 — The Legislative Assembly and Executive Council Consequential Amendments Act, 2006

Clause 1

The Chair: — All right, so moving on to consideration of Bill No. 26, The Legislative Assembly and Executive Council Consequential Amendments Act, 2006. Any questions? Or any opening remarks, I should ask first?

Hon. Mr. Hagel: — Madam Chair, the same official of course, and The Legislative Assembly and Executive Council Consequential Amendments Act, 2007 is a companion Bill to the new bilingual Legislative Assembly and Executive Council amendments Act, 2007 which we just dealt with. With the English-only Act in 2005, a separate, bilingual consequential amendment Act was required. And with the new bilingual Act, those consequential amendments may now be included in part 7 of the main Act while the English-only consequential amendment may be moved to The Legislative Assembly and Executive Council Consequential Amendments Act, 2007 — this one. For the most part, other than a typo in the previous

amendment to The Members' Conflict of Interest Act and updating the reference to the Act in The Government Organization Act, these provisions reflect a change in name of the Act from 2005 to 2007.

The Chair: — Thank you, Mr. Minister. Any questions? Mr. D'Autremont.

Mr. D'Autremont: — This Act, as the minister said, is just a companion Bill to the previous one, changing dates and one word, so I don't think any additional questions are relevant.

The Chair: — Thank you, Mr. D'Autremont. So with respect to Bill No. 26, an Act to make consequential amendments to certain Acts arising from the enactment of The Legislative Assembly and Executive Council Act, 2006. Part no. 1; short title, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Thank you very much. So, Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan enacts as follows: The Legislative Assembly and Executive Council Consequential Amendments Act, 2006. Can I have a member make a motion to move without amendment?

Hon. Mr. Wartman: — I so move.

The Chair: — Thank you, Mr. Wartman. So I want to thank the minister for dealing with those two Bills before the committee today, and we'll be moving on to consideration of the annual reports at this time. Thank you.

General Revenue Fund Supplementary Estimates — March Information Technology Office Vote 74

Subvotes (IT01), (IT03), and (IT07)

The Chair: — Welcome back to Crown and Central Agencies. Before us we have Minister Thomson, Minister for Information Technology Office as well as Minister of Finance. Perhaps you'd like to introduce your officials at this time, Minister Thomson.

Hon. Mr. Thomson: — Thank you, Madam Chair. It's a pleasure to be here to deal with the supplementary estimates for the ITO [Information Technology Office] and specifically deal with the Wi-Fi [wireless fidelity] initiative.

I'm joined today by 1, 2, 3, 4, 5 officials. Seated to my left is Don Wincherauk who is our deputy minister. To my right is Richard Murray who is the executive director of policy and planning. Seated next to him is Fred Antunes who is the executive director of corporate and customer services. And then behind me are Carla Feld who is the director and chief financial officer responsible for business development and Rory Norton who is the ADM [assistant deputy minister] responsible for

corporate information services.

The Chair: — Thank you very much, Minister Thomson. Did you have any opening remarks that you wanted to make before we head into questions?

Hon. Mr. Thomson: — I would look forward to answering questions regarding the supplementary estimates that will enable us to roll out the Wi-Fi program in the province.

The Chair: — Thank you very much. And with that we'll move into consideration of supplementary estimates for the Information Technology Office. Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Madam Chairman, and Mr. Minister, and officials for coming in today. I wonder if you could explain to us the purpose of providing free Wi-Fi in the four locations that are listed: Saskatoon, Prince Albert, Regina, and Moose Jaw and how widespread within those locations will this free Wi-Fi be available.

Hon. Mr. Thomson: — We had decided to undertake the Wi-Fi. It was one of the options we had looked at in the last budget cycle. And we're of the view that initiatives that we can undertake to expand access to public broadband are generally in the interests of Saskatchewan people.

This was one of the, coincidentally one of the issues that was raised at the youth summit that was held in January and received fairly strong support from young people who attended. They thought this was a very positive thing that we could undertake to assist in making the province more progressive and more positive for young people.

We had largely looked at expanding this into covering university campuses, the SIAST [Saskatchewan Institute of Applied Science and Technology] campuses, which was why we had picked these four communities. And then, as we were looking at the rest of the build-out, we decided it would be worth pursuing to expand this into the downtown areas of these four largest cities in the province.

Mr. D'Autremont: — What kind of research did you do before carrying out, moving ahead with this program as to what kind of demand would be there?

Hon. Mr. Thomson: — The issue of the type of demand was less important to us than the opportunity provided young people and others within the business community to be able to offer this service.

Mr. D'Autremont: — So you're telling me that you had no interest in what kind of demand would be there. You were going to offer a service that you didn't know if people were actually wanting.

Hon. Mr. Thomson: — No. We know that there's a growing number of people that are interested in getting access to free broadband. Obviously other communities have undertaken in the past, and we've taken a look at that experience, Toronto most notably being one of them. And it proved to be a popular initiative. Moncton, New Brunswick . . . Is it Moncton?

A Member: — Fredericton.

Hon. Mr. Thomson: — Fredericton, I'm sorry. Fredericton, New Brunswick has a sizeable build-out of a program and it's, we're advised, a very popular one. So we expect similar results here.

Mr. D'Autremont: — I can understand there being some demand in Toronto. Even if only 1 per cent of the people in Toronto were interested, that's a very significant number of people. That's more than live in either Regina or Saskatoon.

But in case of Fredericton, perhaps a good question to ask there is, what kind of cell coverage is there? From my own experience with my children who are in university, they seem to be more interested in text messaging over cell phones than they are in Wi-Fi, so that's why I was asking. I mean what kind of research you had done in making this determination to go with Wi-Fi?

Hon. Mr. Thomson: — We'd taken a look at the situation in other Canadian cities and decided that this was an affordable option to pursue and certainly seemed to have the support of young people as was indicated at the youth summit.

Mr. D'Autremont: — So the research done on this was the youth summit recommendation then, you're telling me?

Hon. Mr. Thomson: — The youth summit seemed to conclude that this would be a popular initiative. Clearly we had looked also at the experience in Toronto, and I was particularly interested in the experience in Fredericton with the rollout of the Wi-Fi there.

Mr. D'Autremont: — So what kind of research did you do in Toronto, and what kind of research did you do in Fredericton when looking at this option?

Hon. Mr. Thomson: — We've had an opportunity to talk with officials. Certainly I've talked to officials from Fredericton about this when I first became aware of it. I think it was two years ago now that they had indicated they were undertaking the rollout of it.

And the Toronto experience is a little different in that Toronto is now pulling back, as I understand, from a fully free Wi-Fi service. They have undertaken a slightly different approach, which was not a centralized service as we've offered, but kind of a more traditional hot spot kind of approach.

I think this approach that we are undertaking with Wi-Fi is the appropriate one for Saskatchewan. And I expect that we will see — you know, in these four centres is what we've focused on now — I would expect we'll see rising demand for it. Certainly the demand that we've seen since having announced it would seem to indicate that the business community in particular are particularly keen in seeing this kind of service expanded.

Mr. D'Autremont: — What kind of research or evidence do you have to support that? Do you have anecdotal evidence that business is interested in this, or do you have research from SaskTel that has been doing this, or from the ITO office that you have . . . that there is a number of businesses that are

interested in accessing information through Wi-Fi?

Hon. Mr. Thomson: — Certainly the business improvement districts have said that they believe this is a very important initiative. We've been very pleased with the response from the Broadway Business Improvement District in Saskatoon. Is it the Riversdale Improvement District in Saskatoon's also been calling for it? We've had good support from the Regina business community for it.

So we're very pleased with the reception that business is giving us and the opportunity they see as this being a project which will assist them in attracting more customers.

Mr. D'Autremont: — These contacts with the Broadway Avenue business group and the Riversdale business group or . . . Is this an association? Is it one business person? What do they represent?

Hon. Mr. Thomson: — These are associations, established associations, that have been in place for a number of years.

Mr. D'Autremont: — When using Wi-Fi, what kind of security will be in place for those people utilizing this kind of a service?

Mr. Murray: — We'll have fairly limited security actually. Being a free, publicly accessible service, we'll provide through a variety of communication materials that as always you'll want to see the lock in the lower right hand of your screen to make sure that your transmissions are digitally encrypted if you're going to connect to banking or what have you. And that's just good practice wherever you are.

Mr. D'Autremont: — When using Wi-Fi, will you be having static or dynamic IP [Internet protocol] addresses?

Mr. Murray: — We'll be issuing dynamic IP addresses.

Mr. D'Autremont: — What protection is there for someone who might try to access that computer through the Internet if there is limited security on there? Does the Wi-Fi system you're putting in place provide protection for outside access that may try and gain control of someone's computer who is utilizing the Wi-Fi?

Mr. Murray: — Yes, we've acquired, as part of the overall product, a monitoring and management package that will allow us to ensure that no one individual and no one computer can attempt to take over the network as it were or dominate the network or flood out other users. If such an occurrence happens, they'll be shutdown automatically and the rest of the users can go on.

Mr. D'Autremont: — Are you monitoring then what kind of bandwidth any individual user or company is using on that Wi-Fi?

Mr. Murray: — Yes, we will be. That's fairly typical in a rollout of this case. We want to make sure that bandwidth is equitably shared among all of the users in the area.

Mr. D'Autremont: — What kind of bandwidth use are you

looking at as a reasonable amount, and where would be the cut-off or the slowdown point if you were to utilize that kind of a measure where the bandwidth would drop as you increase the amount of byte traffic?

Mr. Murray: — I think that will very much depend on the number of users active at any one moment. We'll be . . . And we're still sorting out all the technical details for each of the communities. So that'll probably vary by community. And so Regina might see larger bandwidth than Prince Albert, for example, because it's a larger area of coverage, more access points are available. So we'll sort all that out as we hammer out the technical details here.

Mr. D'Autremont: — So in Regina or Saskatoon, will there be more than one node for Wi-Fi access? If so, what kind of distance are you looking at between those nodes?

Mr. Murray: — Approximately 300 meters between nodes. And so we'll be rolling out roughly 240 nodes between the four communities or wireless access points.

Mr. D'Autremont: — So a 300 metres separation — I would have thought Wi-Fi would have had better than 150 metres of capacity for carrying the signal.

Mr. Murray: — Yes, and again that's a rough figure that will vary depending on the number of buildings in the area and tree coverage and what have you. But roughly each of the wireless access points has roughly 300 metres of coverage. There will be overlap depending on the nature of the environment. Those site scans are starting this week actually . . . be driving around and actually sorting out the hard technical details in terms of where exactly, which post will the wireless access points be mounted on or sides of buildings or what have you. So we're just sorting out all those details at the moment.

Mr. D'Autremont: — What's the individual price for a single node?

Mr. Murray: — A single wireless access point? They're roughly 750 to \$1,000, I think.

Mr. D'Autremont: — So significantly less than what a high-speed Internet connect would be. With high-speed connection, DSL [digital subscriber line] connection, you have nodes, I think, it's roughly every two miles or so, so these would be significantly less money than an individual DSL node, but you would need more of them.

Mr. Murray: — That is right.

Mr. D'Autremont: — How do they compare in cost factor, the number that you would need to cover the same distance with DSL node versus Wi-Fi? Because you still need the cable obviously from the DSL node to the residence or business, so let's exclude that cost if we can. What's the cost for comparison for the same number of Wi-Fi nodes that you would need to cover the same roughly two-mile diameter for a DSL node?

Mr. Murray: — I'm not sure I could compare that. I think it would be like comparing apples to oranges. DSL a lot of . . . [inaudible] . . . copper cable's already in the ground, and so

that's a fair amount of the cost is in getting that infrastructure to the home or cable and we've already got that.

Wi-Fi is a very different kettle of fish. You are cracked a single fibre connection to a building, let's say. An antenna on that building that will radiate out through the area within some distance — a number of kilometres, let's say — and then a mesh of wireless access points mounted on posts and sides of buildings throughout that area. Comparatively speaking, it would be cheaper to provide Wi-Fi certainly to a given number of residents in an area than it would be to provide DSL to that exact same number of residents. But it's a very different sort of service.

Mr. D'Autremont: — How does Wi-Fi, costwise, compare to going with wireless high-speed Internet — so not DSL but wireless high-speed Internet?

Mr. Murray: — CommunityNet II, for example, wireless out in the rural areas, we're now approaching 600 communities. Again that's similar technology, but I'll say a higher end because it radiates out over a much larger area. A wireless Wi-Fi access point is roughly 300 metres. These technologies that are being used for CommunityNet II will go out 30 kilometres from a community. So, again, a very different technology.

Mr. D'Autremont: — Different technology but more or less serving the same kind of necessity or desire — access to the Internet. That's what Wi-Fi provides, and that's what wireless Internet would provide as well.

I'm just wondering, the cost comparisons, if you have to put in . . . so you're putting in 240 Wi-Fi nodes, I believe, in four different communities. Moose Jaw and Prince Albert will take a lesser number in all likelihood than Regina and Saskatoon will. So you're probably looking in the neighbourhood of 80, 80 and 40 and 40 or something like that. So for 180 nodes of Wi-Fi, how would that compare costwise to putting up one wireless high-speed?

Hon. Mr. Thomson: — We'd have to go and check and see what we are in fact spending. And we can obviously get this from SaskTel that's deploying for us this service. That's one of the things we can follow up on.

I think it's important though to note that the service available through wireless is really a true high-speed service. The Wi-Fi is really a fairly narrow band.

Mr. Murray: — We're characterizing it as a light service, a lighter service.

Hon. Mr. Thomson: — And I think that we'd need to be fairly clear that we're not expecting that this would be able to carry the kind of traffic that most of us expect from our high-speed carriers. And as such, we wanted to be very careful that we weren't in direct competition with Tel or Shaw or Telus or others that have an actual pay service of a much wider broadband. And that's why we wanted to be mindful of that in the design.

Mr. D'Autremont: — But in doing so, I would have to hope at

least — I don't want to assume that you might have — but I would have to hope that you compared the cost, though, to the other services that would be out there before offering this service. You know, what is the cost variance or difference between offering high-speed wireless versus, I'm going to say, 80 nodes in Regina or Saskatoon, just based on the numbers that you are actually applying?

Hon. Mr. Thomson: — One of the questions that we did ask and did consider was the — or at least I did — was whether or not we should simply open up the wireless service to make it essentially free. Given the capital cost on that, which was significantly more than what we are looking at for this particular program, we did not design CommunityNet II to do that. Doesn't mean at some point if the province has additional money that we couldn't work to subsidize high-speed services.

Generally it's been my view that with the CommunityNet II program as opposed to the Wi-Fi, which I guess we somewhat refer to as CommunityNet III — who knows how many CommunityNets we're going to end up with here — but CommunityNet II was really more designed to try and bring a high-quality broadband service into rural and remote areas that were not otherwise able to be serviced by the initial CommunityNet I program or where there wasn't a commercially viable land service. As we looked at that, there is obviously a cost that we're paying for CommunityNet II access.

Wi-Fi is structured in a similar way in that we will pay, in this case, SaskTel, for connection into the system. But this is a fairly restricted . . . and I don't want to say it's low-tech, but it is a less robust system than what we were looking at with CommunityNet II. So this is more of a boutique service I would say. It's not designed by any means to replace either the wireless that's able to be brought out today under CommunityNet II or the commercial services that are available.

Mr. D'Autremont: — Thank you. You said initially you looked at this as Wi-Fi being presented to basically centres of learning, the universities, Moose Jaw and P.A. [Prince Albert], the centres there. What about those other communities that have centres of learning like Nipawin and North Battleford that have SIAST campuses, and the other communities as well? Was any consideration given to them?

Hon. Mr. Thomson: — We had looked initially at doing the two university communities and the four main SIAST campuses. There's certainly a possibility to look at expansion in the future into the regional college system. That would seem to be a future step or into the . . . I mean we could continue to move forward with the build-out of this.

I have been somewhat surprised in the amount of demand that we are seeing from communities who are pushing for expansion of this service. It wasn't something that initially I thought was going to be as popular as it is. And we'll have to, as we evaluate the program over the next couple of years, take a look at what the options are for expanding it out.

I can tell you it's our government's objective and certainly mine as the Minister of Information Technology to have a very broad-based access to broadband in the province and to make sure that the service is as affordable as possible. Generally what

I believe is that we should be looking at costs for broadband access to really not exceed something in the \$50-a-month range, kind of that \$1.50-a-day approach, that that would be a reasonable cost to expect a fairly significant sign-up onto the service.

So we have tried to balance with CommunityNet I to the commercial build-out and now the Wi-Fi how it is that we can build Saskatchewan's profile as a wired community. And I think we've been fairly successful. I note what it was that Microsoft Canada had to say when we rolled out Wi-Fi, and they said, quoting from them, that:

I think it raises the prominence of Saskatchewan, puts it on the global scale. Beforehand you heard of cities like New York, Toronto, and Seoul, and now you can put Saskatoon on the map with them.

That's a real positive. At some point I hope to be in a position to be able to say that it's not just Saskatoon, but it's Battlefords. It's Weyburn; it's Melfort. This is the kind of service that I think we want to see communities being able to roll out.

One of the other things that I hope is going to be possible through this is we're going to be able to show people and communities that for relatively low cost, they too could offer this service to their citizens. This, in this particular case, is being undertaken by the province to deal with the communities that have the campuses of our major educational providers.

There's nothing today that would stop a city, Saskatoon or Regina, from expanding it into other areas or other cities from starting it up. And we are quite interested in working in a partnership with them to share our knowledge and our expertise and, frankly, some of our learnings as we go through this in how this could be done.

I think our objective is pretty straightforward though which is, let's try and get the Internet accessible as possible to as many people as possible in the province.

Mr. D'Autremont: — Well thank you, Mr. Minister. I know the people in my constituency would like to hear that as well — accessible as possible — because there's a good number of communities that don't have access to the land, access to high speed, and wireless high speed is really the only alternative for them if they have access to it. And in some communities, private enterprise has stepped forward and provided that; in others, that has not happened yet. So they are looking for access as well.

But when you describe Wi-Fi as potentially — this is, you know, paraphrasing — Internet light, how light do you really mean? With three kids in university and on the Internet all the time, I suspect they're not what you would call light users, and any business that is spending very much time on the Internet wouldn't be considered a light user either. So I'm wondering how applicable this is for someone other than just simply sending text messages back and forth.

Hon. Mr. Thomson: — It's certainly more robust than being able to just send text messages or email. It is in fact designed for relatively high-speed access to websites.

It's clearly not designed to be able to carry, kind of, traffic for gaming or, you know, significantly large downloads. Those kind of things will be problematic, and that's why we don't believe it's in direct competition with the private sector or other commercial services that are available. And in fact we would continue, because of security issues, to encourage people who are interested in doing online banking or those kind of things to pursue a commercial service.

This is really to pick up where those people who simply want to check their emails on a periodic basis, check the sports scores, be able to log in to see where they're at in the university registration program — something of this nature — to be able to access it. I think the actual technical bandwidth is what, two megabytes, something in that nature.

The comment that the member makes about the difficulty in the southeast province with Internet access is something we continue to look at. The topography in the area is making it difficult for us to get the kind of quality of service that we want. And it's true in the Southwest also. And the North is somewhat different in that the communities being more isolated can be dealt with through satellite access or through the lines we've been able to put up there, but they're just a smaller array.

The difficulty really in the Southeast — as the member knows better than I do — that there are still a large number of communities that are seeking better quality service and we're working, continuing to work on how to get that rolled out. So I appreciate the concern that he raises. And I know it's something the private sector is interested in, and other commercial providers like SaskTel as well obviously has the ITO's interest in it.

Mr. D'Autremont: — The problem in a lot of those communities is even though there may be a land line access to high-speed, you have a limit of roughly 2 miles or a 4-kilometre radius. And a good many people live outside of that radius, and the next community is 15 miles down the road or so. So you've got that stretch of 15 miles basically in between where no access is available. And it's even a situation where it's based actually physically on where that node is situated at. And so while you may be within 2 miles of the community, you're 3 miles from the access point because of where the actual situation is. And you think you're close enough to town to access it, but you're not.

And so there is a demand out there and, as I mentioned, some of the private people are providing that service. And the fact is I access that myself, and it works very well. But again others don't yet have that access. So that's something that needs to grow as well.

A 2 megabyte capacity, if you're looking at any graphics at all, that would eliminate basically ... other than the extremely small thumbnail graphics because even a photograph that you take with a camera and you want to ... or one of your digital cameras, unless it's a small picture — you know, 200 by 300 or something like that — if you get anything much larger than that, you're going to be getting up into that 2 million pixels, and you're not going to be able to transmit that very easily. It'll take time, is the problem.

Hon. Mr. Thomson: — That's right. This is not designed for downloading. It's really more designed for web browsing and email receipt and sending and the basic kind of transactions that you would expect to undertake when reading a newspaper or something online. It is not going to have the kind of bandwidth to undertake gaming or large downloads. And that's why we continue to encourage people to undertake with a private carrier some kind of additional Internet access if they want.

On the other hand, if you are an occasional browser of . . . or just want a quick access while you're away from your home, you've got the opportunity now for convenience reasons to be able to do that in a number of locations.

I'm always surprised when I go into Starbucks in the morning in my constituency the number of people who are using their service that they provide just to . . . I don't know what they do. I'm usually just focused on getting my muffin and my coffee and getting off to work. But a lot of people do like to go in and check their email or read the paper, check the sports scores or participate in a hockey pool or whatever it is. This is providing them with another opportunity. And, you know, I think it does help make Saskatchewan a bit more, quote, "with it." And that is an important thing for us to do as we're trying to make this a more youth-friendly province.

Mr. D'Autremont: — You're spending \$1.368 million on this entire enterprise. Is that the total, entire cost of the establishment of the Wi-Fi service? Or does someone else such as SaskTel carry some of the cost as well?

Hon. Mr. Thomson: — No, we'll be carrying the cost of the 1.3. There's an ongoing cost of the service for network access of about 340,000 a year which we will pay in this particular case to SaskTel to access their system.

Mr. D'Autremont: — So this will be an ongoing annual cost that will be paid to SaskTel, will it?

Hon. Mr. Thomson: — That's correct.

Mr. D'Autremont: — In the announcements or in whatever research you may have done previously — which sounds like it wasn't extensive — but was there any concerns expressed by any of the other providers, Internet or Wi-Fi providers, in any of the cities where you're providing the service now?

Hon. Mr. Thomson: — No, not that I'm aware of. We did check with some of the businesses that were providing the service already. And in fact when we made the announcement, we did it at I think the business was called the Broadway Roastery, right on Broadway Avenue in Saskatoon. And they currently have the service and were quite happy that we would be coming in with a provincially supported system. It obviously cuts down on their costs as a business.

I did hear from one other business owner in Regina who was concerned that she was now going to lose her competitive advantage because everyone in the street would be able to offer the same service. But I suspect she is nevertheless appreciative that it's not a cost issue to her either any more.

So, you know, some people saw it as a niche market that they

were able to capture, others simply as a service to attract others and in their . . . Generally the business community's been very supportive of us doing it.

Mr. D'Autremont: — In your news announcement on February 26, it stated that this service would be provided by SaskTel, the ITO, and other partners. I wonder if you could indicate to us who these other partners are.

Hon. Mr. Thomson: — Sure. We're looking at potential partnerships with the cities, as a good example. There's an opportunity for them to partner with us. We're pursuing a partnership with Cisco Systems to see if they are interested in doing some sponsorship of it. There's potential partnerships with the universities. There's a number of different organizations of that nature. For example if a community wanted to build out, if one of the business improvement districts wanted to partner with us to expand beyond the area we've identified, we'd be interested in talking with them about partnering. So that's when we're talking about the partnerships largely what we're dealing with.

One of the other opportunities that will be available through the Wi-Fi, through the site access, is we'll have an opportunity for some advertising space on the log-in page. So there'll be a possibility of businesses being able to, I wouldn't say partner, but certainly profile themselves on the service if they were interested in purchasing space.

Mr. D'Autremont: — If they were interested in advertising on the opening page, who would that advertising revenue go to? Would it go to ITO? Would it go to SaskTel? How would that be administered?

Hon. Mr. Thomson: — It would go to ITO.

Mr. D'Autremont: — And applicable taxes would apply, I'm assuming.

Hon. Mr. Thomson: — As the Minister of Finance, I can assure you absolutely.

Mr. D'Autremont: — You said you didn't do a lot of research on this so you don't really have any idea how many people might be interested in utilizing these services.

Hon. Mr. Thomson: — Wi-Fi is still relatively new, and there's not a lot of communities that have undertaken it. It really has been some of the largest communities that have done it, and so Saskatchewan's always been a bit of a curiosity that way because we have such a large broadband build-out in the province. And particularly in our rural areas people are surprised the amount of uptake that we've had.

I know when we did CommunityNet II, people thought we would never have the kind of support and take-up that we've ended up with, and we were well ahead of what the business projections were.

And one of the reasons we've undertaken a relatively small build-out at this point is really to try and get a handle on what the usage rates are going to be like for Saskatchewan people. I think in Toronto's case, what they found is that the demand was

slightly larger than what they were able to cover off with the service they had, and so they've now switched the configuration of it. Is it Houston? What's the large . . .

Mr. Murray: — Philadelphia.

Hon. Mr. Thomson: — Philadelphia has got a large build-out, and it seems to me one of the large Texas cities has just done a huge build-out. Yes, it's Houston that's just done a fairly sizable build-out. So this is something that's kind of new as we push the edge on Internet expansion, so we're all kind of getting used to what the demand is.

Mr. D'Autremont: — Thank you. Although Wi-Fi isn't new, my PDA [personal digital assistant] is Wi-Fi. And I've had it for a while now, so it's not new. And the only problem I've had with it is most hotels have a password to access them, and so that was the only problem that I've had other than you can't download anything significant. The access speed is just simply . . . the bandwidth isn't big enough.

Hon. Mr. Thomson: — I should just add to this that we too will have a registration process. And we'll have a password on the system, so it will be when you go to the sign-in screen, you'll have to register. So it's not a completely open network. We'll obviously want to make sure that we've got people registered into the system. But anyone who is interested in registering can do so.

Mr. D'Autremont: — So what kind of a time frame are you looking at for registration? Is it just like a two-minute log-on sort of thing where you indicate that you want to have access to it, and you provide them with your, let's say, your email address and some kind of a user name and away you go?

Hon. Mr. Thomson: — That's correct.

Mr. D'Autremont: — So what would the purpose be then of providing that? I mean as long as I have a, I can give you a hotmail address, which tells you nothing basically, and some sort of a user name, and you still have no knowledge or understanding of who I am or why I'm accessing. So what difference would it make if I could just access it?

Hon. Mr. Thomson: — Oh there are always ways to find out who's using what. And I think we just want to make sure that we've got an added step in there. It's not to be an irritant to the people who are using it. But nevertheless we want to make sure that we've got a registration and a sign-in screen on there.

Mr. D'Autremont: — So should I be saying this is Big Brother from 1984 — we always know who you are?

Hon. Mr. Thomson: — I always suspected yours was Big Brother 1984 at hotmail dot com, Dan. But no, we aren't going to be that active in reviewing. But as this is a publicly owned site, we clearly wanted to have some access there.

And we've also said that we will use site-blocking technology. It's not always perfect; it's an open system. We understand that there's always some potential there, but we do want to use the kind of standards, community standards that we've got with CommunityNet to block access to gambling sites and

pornography and hate sites and those kinds of things. We don't want people to feel that somehow they've got free rein into some of the darker corners of the Internet just because service is free.

Mr. D'Autremont: — So what kind of monitoring then will be taking place of the usage of Wi-Fi?

Mr. Murray: — We'll be blocking sites in the business district. So we'll block access to adult sites. So a request goes out, and if it's deemed to be an inappropriate site by the system, it will block it. Other than that, total aggregate bandwidth will be monitored, but we won't be doing any monitoring of individuals, tracking who's accessing what or where or why. It'll just be much as is being done in executive government as well — you try to access a site; it's deemed by the system to be inappropriate, and it blocks that access.

Mr. D'Autremont: — You mention in the business district. What about the other areas that Wi-Fi . . . It'll be the same system? The same safeguards will be in place for it as well?

Hon. Mr. Thomson: — And the same standards, that's right.

Mr. D'Autremont: — Okay. Thank you. When do you expect this to officially become operational?

Hon. Mr. Thomson: — March, April, May, June. May and June we'll have it, though I keep pushing for earlier but . . .

Mr. Murray: — I can't do it in March.

Hon. Mr. Thomson: — I knew it was one of those months that started with M. I was hopeful it was March; it turns out it's probably May. So as Mr. Murray has said, we're going out now and starting to look for site locations. It's one of the things the business improvement districts have wanted to talk with us about is just to make sure that the aesthetics also work. Obviously we don't want to clutter up the esthetic of the community. These are relatively small devices, though, that are being deployed, and I think as we work through the business districts they'll be more than accommodating in terms of where the locations are.

Mr. D'Autremont: — Well thank you. I could ask you whether it would be before or after the next election, but I won't.

Hon. Mr. Thomson: — I can assure you it will be before. I want people to be able to check all the parties' websites off at least.

Mr. D'Autremont: — I can understand on the aesthetics. I mean, if you were going to stick up a tower in the middle of Victoria Park, that's a problem, but if you stick it up on the edge of the SaskPower building, you know, that's not a problem. Now I don't know what kind of coverage you would get, but obviously one more antenna on top of some of these buildings would go completely unnoticed. So from that point of view I think, you know, you do need to be careful where you put it, but if it's on a building, in all likelihood it's not going to be a major concern.

In the supplementary estimates on ITO it's not very big.

However in the fine print there's some interesting comments there that I think deserve some explanation, where it says, "*Additional funding was provided by Special Warrant for the tentative Collective Bargaining Agreement . . .*" What is that about?

Hon. Mr. Thomson: — When we settled with SGEU [Saskatchewan Government and General Employees' Union], we had obviously costs associated with that. We were able to cover off by special warrant those costs. I don't have the detail in front of me, but it was within the collectively bargained agreement that we've now got, I guess, ahead for ratification with SGEU.

Mr. D'Autremont: — So this has not yet been ratified. So has the special warrant been published?

Hon. Mr. Thomson: — Yes. Yes, the special warrant's been published. I don't have the detail of that in front of me today, but it would be available.

Mr. D'Autremont: — So then there was a special warrant as well for the implementation of the Saskatchewan exclamation mark?

Hon. Mr. Thomson: — Oh sorry, that's the name of the program, Saskatchewan! Connected. In the fine print, Saskatchewan! Connected is the actual . . . No, we're not paying for the Saskatchewan! campaign out of ITO. The two go together. I had suggested maybe we should change it to a colon and remove the exclamation mark, but it didn't meet with much enthusiasm.

Mr. D'Autremont: — Well if there's additional funding for the implementation of Saskatchewan! Connected, where is that shown in here?

Hon. Mr. Thomson: — Sorry, that is the Wi-Fi program.

Mr. D'Autremont: — Okay. That is the Wi-Fi . . .

Hon. Mr. Thomson: — That's just what we're branding it as and so when you actually see the stickers that go on the windows or the table tents, they'll have Saskatchewan! Connected free Internet wireless and then the instructions of how to log on.

Mr. D'Autremont: — So there is no additional funding that isn't indicated on these estimates already?

Hon. Mr. Thomson: — No. The only additional cost related to the program is the ongoing network connection of the three forty estimated a year.

Mr. D'Autremont: — If I can just check my notes to see if I asked all the questions I wanted. Okay. Thank you.

In the news release, it says that this, that the initiative will help bridge the digital divide for people that cannot afford monthly Internet rates, which is probably a good thing. My concern is though that only a limited number of people in the province have that opportunity at the present time. Because obviously the Wi-Fi doesn't even include the entire city of Regina or

Saskatoon and I suspect probably not Moose Jaw or P.A. as well. It doesn't cover the entire city but rather the downtown core and the educational centres.

So is there a further process that is going to be taking place? Is there another phase to this that you're looking at to expand to provide this kind of coverage that you're talking about for those that can't afford monthly Internet rates, or are you looking at doing something else with SaskTel on the private providers?

Hon. Mr. Thomson: — What we've tried to look at is we want . . . Well it's not a hard and fast policy. We are generally of the view that we want to see the Internet access costs remain somewhere around \$50 a month; obviously inflation will eat away a bit at that. We think somewhere in that \$1.50 a day range is a reasonable expectation for people who are interested in accessing it.

What we have found though is that — and this I think was one of the conclusions of the youth summit — a lot of young people will often, as they go to university or the tech schools, purchase a laptop computer or something of that nature or be gifted one that'll have access, have on it the technology to access wireless Internet but they may not be able to afford the cost. One of the reasons we looked at doing the universities, the SIAST campuses, and places where we felt young people would be interested in spending some time, we really kind of targeted that group.

There's no doubt that there are other groups within our province that cannot afford computers, cannot afford Internet access. And so it's one of the things that the public library system provides and other non-governmental organizations provide in terms of public access — links, I guess is what we would call them — so that they can still, so that citizens regardless of income can get access to high-speed Internet, and to the Internet.

Mr. D'Autremont: — Since you're providing this service, Wi-Fi, with the capability of also providing advertising there, have you considered going out to the private sector and perhaps tendering the service out, allowing them to provide the service for opportunities to do the advertising or to sell the advertising on the service? Maybe you can get somebody to pay for this.

Hon. Mr. Thomson: — I think the opportunity for advertising will be fairly limited, actually. It will really just be on the splash screen. I don't think there's going to be a huge money-maker. We had debated simply, I guess making the space available, but one of the difficulties with it is, you know, then who's deciding, you know, how do you provide the access to the advertising space. I'm told we're expecting somewhere around, what are you saying?

Mr. Murray: — \$2,000 a year.

Hon. Mr. Thomson: — \$2,000 a year, so I don't think we're going to be able to really defray the \$1.3 million cost, but who knows? Maybe there's advertisers with deep pockets out there. And at \$2,000 a year you're not going to get much of a commission. So I think it's just we decided to charge for the space so that we're not in the position of us saying, why is it Shaw cable instead of SaskTel on here or something else. We'll be able to charge providers for that access, and we just wanted

to make sure it was a somewhat fair way of doing it.

Mr. D'Autremont: — Well that's the nice thing though about entrepreneurs. They take small opportunities and build them into big ones. And if the service was there, the cost of operating the service is provided already through ITO, I'm sure that they would have the capabilities of taking that opportunity and building it into a revenue generator of some form that would still allow everyone to have access.

When you talk to people who have websites, it's amazing the revenues potentials that they have to generate. And you know I don't understand how they do it. But they seem to manage to, in some cases, do very well at it. And perhaps that's an opportunity that could be opened up and explored in the various cities. And it may not even be all the sites at one time. It may be each individual site has the capability to provide a different window for when they're accessing on that particular note.

Hon. Mr. Thomson: — Yes I guess that's a possibility. It's not something we're looking at right now. I'm sure we can take it under advisement. Again I'm mindful of the fact that this is a government-offered service and we want to make sure that we are in keeping with that kind of an approach. I don't want it to seem to be a quasi-commercial site or something of that nature. We'll evaluate how the advertising program works as we move into it. We may well decide just to get rid of it and leave it as just a splash screen.

Mr. D'Autremont: — It's an advertising campaign.

Hon. Mr. Thomson: — Exclamation mark.

Mr. D'Autremont: — I think that's all the questions I have on this at the present time so I'd like to thank the minister and his officials for coming in.

The Chair: — Thank you, Mr. D'Autremont. Mr. Thomson.

Hon. Mr. Thomson: — I'd like to thank Mr. D'Autremont and thank the officials today as well as the other committee members for their time.

The Chair: — Thank you very much, Mr. Thomson. I'd like to thank you and your officials as well. So dealing with Information Technology Office, vote 74, central management and services (IT01) in the amount of 55,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. IT [information technology] coordination and transformation initiatives (IT03), 1,138,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. And major capital asset acquisitions (IT07) in the amount of 175,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you very much. So therefore:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2007, the following sums for Information Technology Office, 1,368,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Carried. Can I get someone to move that motion without amendment?

Hon. Mr. McCall: — I so move, Madam Chair.

The Chair: — Thank you, Minister McCall.

[Vote 74 agreed to.]

The Chair: — So I have before me the eighth report for the Standing Committee on Crown and Central Agencies. Can I ask Minister Addley to move his motion at this time please?

Hon. Mr. Addley: — Thank you, Madam Chair. I move:

That the eighth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly on March 21, 2007.

The Chair: — Thank you very much. The motion is:

That the eighth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly on March 21, 2007.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you very much. That brings us to a recess. This committee stands recessed until 7 p.m. Thank you very much.

[The committee recessed for a period of time.]

The Chair: — Good evening everyone, and welcome to this session of Crown and Central Agencies. With us this evening on the opposition we have Dan D'Autremont, Donna Harpauer, and Nancy Heppner. And for the government we have Minister Wartman, Minister McCall, and Minister Addley.

Before us this evening we have Minister Eric Cline, Minister of Industry and Resources. And perhaps you would like to introduce the person you have with you, the official you have with you, and any opening remarks that you would like to make at this time.

Bill No. 30 — The Land Surveyors and Professional Surveyors Amendment Act, 2006

Clause 1

Hon. Mr. Cline: — Thank you, Madam Chair. I would like to wish you and members of the committee a good evening. And with me is Mr. Ed Desnoyers who is the controller of surveys at

Information Services Corporation.

And of course we're here to talk about a very minor amendment to The Land Surveyors and Professional Surveyors Amendment Act which has been explained in second reading, and basically it's just to allow students to enrol with the association without being enrolled in technical school. There is a requirement now that they have to be enrolled in technical school in order to be student land surveyors. But for example there are some students in university that would like to also be student land surveyors, and we'd like them to be able to enrol as well. Thank you.

The Chair: — Thank you very much, Mr. Minister. So in dealing with the Act to amend The Land Surveyors and Professional Surveyors Act, are there any questions arising out of that? Ms. Heppner.

Ms. Heppner: — One of the questions I had was ... I understand that there is a shortage when it comes to surveyors, and there's a labour shortage in other areas as well. Is there any consistency in training or certification from other jurisdictions or provinces that would allow people who may be moving into the province to access these jobs?

Hon. Mr. Cline: — Thank you. I think I'll ask Mr. Desnoyers to comment on that because he actually is a land surveyor, so he will be more familiar with the, you know, the training and cross-border qualifications than I would be.

Mr. Desnoyers: — Yes. We currently do not have a shortage of land surveyors but we're planning for the future. Right across Western Canada there's the Canadian Board of Examiners for Professional Land Surveyors who set a minimum standard that you have to reach before you're eligible to write your professional exams within any province. So there's the common set of exams that you must reach and before anyone can become a land surveyor in any of the Western provinces. They have to get their certificate of completion from the Canadian board. And we have a mutual agreement with other provinces for the field experience that's required.

Ms. Heppner: — So there's no recertification or retraining if people move in from other provinces. It's consistent across.

Mr. Desnoyers: — Like I said, in order to practise in the province, there is a set of exams that the associations set because you have to become familiar with the survey system that you're working in. For example a surveyor in BC would not be familiar with the Dominion land survey system that we have in Saskatchewan. And then the processes for registering your plans are a bit different.

The Chair: — So with respect to Bill No. 30 — The Act to amend the Land Surveyors and Professional Surveyors Act — clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

The Chair: — Thank you. Her Majesty, by and with the advice

and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Land Surveyors and Professional Surveyors Amendment Act, 2006. Can I have someone move a motion without amendment.

Hon. Mr. Wartman: — I'll move.

The Chair: — Thank you, Minister Wartman.

Saskatchewan Opportunities Corporation

The Chair: — So moving on to Saskatchewan Opportunities Corporation, Provincial Auditor's report, chapter 13, 2006, volume 1. And we'll just wait a few minutes for the officials to take their seat.

Mr. Minister, did you have any opening remarks with respect to the SOCO [Saskatchewan Opportunities Corporation].

Hon. Mr. Cline: — Yes, I do, Madam Chair. Firstly, thank you for the co-operation of the committee with respect to the previous Bill.

Now we're turning to the Saskatchewan Opportunities Corporation, which of course is the organization that owns and operates Innovation Place in Saskatoon which is a world renowned research park; the Regina Research Park, which also has a very good international reputation; and the forestry centre in Prince Albert.

And with me tonight from Saskatchewan Opportunities Corporation I have, sitting to my right, Ken Loeppky who is the vice-president of research park operations for Innovation Place and to my left, Charlene Callander, the vice-president as well as chief financial officer for Innovation Place.

As minister responsible, I'm pleased to present the corporation's 2004 and 2005 annual reports to the Crown and Central Agencies Committee. This corporation's corporate mission is to support the growth and success of Saskatchewan's technology sector through the development and operation of research parks ...

The Chair: — Mr. Minister, sorry to interrupt, but first we're going to deal with the Provincial Auditor's report specifically with respect to chapter 13, 2006, volume 1. We'll move on to the other reports after we've dealt with that one if that's okay. Okay. Thank you.

So did you have any remarks to make with specificity to that, or shall I move on the auditor?

Hon. Mr. Cline: — I have an opening statement that describes the corporation, what it does, but perhaps you would prefer to hear from the Provincial Auditor before I make that statement.

The Chair: — Sure we can do that. So at this point I'd like to introduce our Provincial Auditor, Fred Wendel, and perhaps you would like to introduce your officials at this point.

Mr. Wendel: — Thank you, Madam Chair. With me and beside me is Andrew Martens who leads our work on Saskatchewan Opportunities Corporation. And in behind me directly is Bruce

Willis with KPMG, the appointed auditor for SOCO, and Judy Ferguson from my office.

The Chair: — Did you have opening remarks that you'd like to make?

Mr. Wendel: — I'm going to ask Mr. Martens to make those remarks.

Mr. Martens: — Thank you, Fred. We found the financial statements included in Saskatchewan Opportunities Corporation's 2004 and 2005 annual reports to be reliable. For 2004 and 2005 we found that SOCO complied with legislation governing its activities, related financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. SOCO had adequate rules and procedures to safeguard public resources except for the following matter.

In 2005 SOCO did not have adequate controls to ensure its financial records accurately included all of its financial activities. SOCO began a major building construction project with an estimated cost of \$25 million. It is important that it have a system to identify all construction contracts, monitor the progress on each contract, and record in its financial records all costs incurred. SOCO had adequate processes to identify all construction contracts and monitor the progress on each contract. However it did not have a process to ensure that all progress billings on construction contracts were recorded in its accounts and financial statements. As a result, the financial statements presented for audit did not include accounts payable and construction project costs of \$1.1 million as at December 31, 2005, and SOCO corrected that error.

On page 156 of our report, we recommend that Saskatchewan Opportunities Corporation establish written processes to ensure it properly records all construction project costs. During our follow-up 2006 audit, we found that SOCO had complied with that recommendation.

I would like to acknowledge the excellent co-operation we received from management and KPMG in carrying out our work. That concludes my remarks.

The Chair: — Thank you very much, Mr. Minister.

Hon. Mr. Cline: — Thank you very much. As I was saying, the corporate mission of SOCO is to advance Saskatchewan's technology sector, and we do that through the research parks and the forest centre in Prince Albert.

The corporation also provides its clients with a superior working environment that contributes directly to their success. And any citizen of Saskatchewan or elsewhere that has visited the beautiful Innovation Place in Saskatoon — and it is spectacular — or the wonderful facilities we have at the University of Regina at the Research Park or the forestry centre will know that these are very attractive places to do business.

We have at these places a diverse mix of research and service tenants, a dynamic social atmosphere, and high-quality facilities, all of which work together to create a community that encourages interaction and collaboration. I would point out that private sector tenants account for over 80 per cent of the total

tenant mix. In other words, there are many, many private companies there and many people employed, as I'll indicate in a moment.

I'd like to tell the committee about the progress being made by SOCO and Innovation Place, the Regina Research Park, and the forestry centre. In 2004 SOCO's tenants accounted for \$500 million of the provincial gross domestic product and were responsible for 3,000 jobs within the research parks alone. In 2005 these numbers grew impressively to \$527 million of economic activity and 3,245 jobs. Although 2006 was not referenced specifically for this committee meeting, I know that this year it's estimated that Innovation Place tenants will generate about \$560 million for the provincial gross domestic product and will employ over 3,500 of our citizens.

And what is really encouraging about this activity is that two-thirds of the employees within SOCO's parks are under the age of 45, and 40 per cent are under 35. The energy created by this demographic serves to fuel the growth of existing tenants while attracting new ones. It's no wonder, given those numbers, that over 98 per cent of SOCO tenant CEOs [chief executive officers] said in 2004 and 2005 that they would recommend the parks to colleagues. And for 2006, that number is an amazing 99.6 per cent. So I guess there must be one person that wouldn't, but everybody else would.

With that, I will conclude my remarks, and I welcome any questions that committee members may have. Thank you.

The Chair: — Thank you, Mr. Cline. Any questions? Ms. Harpauer.

Ms. Harpauer: — Thank you. My first questions are on the auditor's report. And it makes reference to a \$25 million project but doesn't . . . What project was that?

Mr. Martens: — It's a project in Saskatoon in Innovation Place. I believe it's 121 Research Drive.

Ms. Harpauer: — But was it building of a new facility? Was it adding on to the existing facilities? Or what exactly were they building?

Mr. Martens: — It would be a new construction of a new building.

Ms. Harpauer: — And I noted that you said they have now complied with your recommendation, which is better accounting practices with their construction projects. But have they had any major construction projects since the \$25 million project to even compare it to?

Mr. Martens: — That project is ongoing and not yet completed, so it was important that they adopt those practices and employed them in 2006.

Ms. Harpauer: — Thank you very much for that. And I was remiss to not welcome the Provincial Auditor and his officials here today as well as the minister and his officials.

The Chair: — At this time I would like to have a recommendation that the committee notes compliance with the

recommendation on page 156:

That Saskatchewan Opportunities Corporation establish written processes to ensure all construction project costs are properly recorded.

All those agreed?

Some Hon. Members: — Agreed.

The Chair: — Thank you. Carried.

That brings us to consideration of 2004 and 2005 Saskatchewan Opportunities Corporation annual reports and related documents. Did you have anything else to say to this, Mr. Minister? Okay. Ms. Harpauer.

Ms. Harpauer: — Thank you, Madam Chair. In reference to the 2004 report, I made note of the public awareness, and the public awareness appears to be relatively low considering that there's, you know, a really high client satisfaction and employee satisfaction. And it mentions in the 2004 report that during 2005 a number of activities will be carried out to address this difficulty.

I couldn't find — and I may have just missed it in the 2005 report — where it describes what activities were carried out to increase the awareness of our research parks, and if those activities were successful.

Hon. Mr. Cline: — Yes. There were some activities, namely . . . In both years I believe we conducted press releases and either media conferences or scrums — I can't remember which — to put out to the public through the media that there was a lot of successful research and enterprise going on at Innovation Place, the Regina Research Park, and the forestry centre. And specifically I issued press releases in co-operation with Doug Tastad, the president, to put that out so that people would understand the significance of these research parks to the provincial economy and also the fact that they are highly successful. In fact people from all over the world look at the research parks here as models for them to follow. And there are many enquiries from people all over the place. So we did that.

We also put in inserts in certain newspaper publications. You'll know, or the committee will know, Madam Chair, that occasionally there are inserts into the newspapers that are highlighting themes like innovation or mining or research, that kind of thing. And we did some advertising that way. And I'm not suggesting that the job is done. In fact probably we need to raise awareness even more through advertising, messaging to the Saskatchewan public and beyond.

Innovation Place has featured quite prominently outside the province as part of our Innovative by Nature campaign, which we've taken across the country to business audiences in Ottawa, Toronto, Calgary, and Vancouver, and some other events where we've had an opportunity to display our video. And some of the companies that are featured, like SED Systems, are at Innovation Place, and so it is mentioned. The Regina Research Park is mentioned also.

But one of the feelings that I've had as minister is that there are

so many world-class activities going on in Saskatchewan. And with that I would include SED Systems in Saskatoon which provides a lot of the work for the European Space Agency, all of the communications technology virtually for the INMARSAT which is the International Maritime Satellite Organization which has 11 satellites around the world that provide communication for 70,000 ships going around the world at any given time and which depend for their satellite to earth communication system on SED Systems in Saskatoon. It's just one example. We also have for example a geo-analytical laboratory as part of the Saskatchewan Research Council, which has become one of the world's leading mineral analytical laboratories.

And it started out at Innovation Place — my point being there are many, many good things happening in Saskatchewan, many world-class things. We don't sing the praises of Saskatchewan and our businesses as much as we should. And one of the ways we can do that is to trump at the success of Innovation Place, the Regina Research Park, and the Saskatchewan forestry centre.

And I think that we've done some things, but we need to do much more. And I certainly will be encouraging that in the year ahead. Thank you.

Ms. Harpauer: — Would any or all of our research parks be part of an itinerary if we had a delegation from out of province or out of country coming to Saskatchewan, is that something . . . Depending on the geographical region that this delegation was going to, would a tour of our research parks be part of what would be planned for them?

Hon. Mr. Cline: — Yes. Quite typically, yes it would be. We have many delegations that come to Saskatchewan from all over the world and who visit Innovation Place and the Regina Research Park. They may have a particular aspect in mind — for example, in Saskatoon, a tour of Innovation Place will often include a tour of the synchrotron if people are interested in that. It is technically not part of Innovation Place, but they are adjacent. And there are many and diverse activities going on at Innovation Place, and quite often private or governmental bodies will be touring Innovation Place.

The same is certainly true of the Regina Research Park. I mean I've been to the Petroleum Technology Research Centre which is an internationally acclaimed research centre into development of oil and gas which we recently convinced the federal government to continue to fund for one more year. We were seeking a five-year agreement, so we'll keep working on that. But I've toured that with, you know, for example, Ambassador Cellucci. But there are people from all over the world that regularly go through that and other parts of the Regina Research Park such as the International Test Centre for Carbon Dioxide Capture and storage, or the greenhouse gas centre that they have there. These facilities are world renowned, and so we like to show them to the world — and also to convince our federal government that there are worthwhile activities going on in the province of Saskatchewan. Thank you.

Ms. Harpauer: — So do we as a government have active marketers for the different areas within our research parks? Or are the companies or industries that are utilizing or renting in

the research parks, are they having to do their own marketing?

Hon. Mr. Cline: — Well we have a marketing division in the Department of Industry and Resources and its mandate is to market the Saskatchewan economy to the world. And that's what we do. And part of that is Innovation Place. I don't think we ever really do much marketing in trade missions or otherwise without mentioning our high-tech sector, advanced technology, the synchrotron, and our research parks.

Ms. Harpauer: — Okay. I just have a quick question, and it's in the 2005 report. And it's just a clarification on page 9. There's projections of job creation. Now when you have job creation, I'm assuming that would be the jobs created for the entire personnel of the park, be it a private sector that is renting, or is that just the public sector of the park?

Hon. Mr. Cline: — Madam Chair, to Ms. Harpauer. No, that would be the entire park. In 2005 the park through SOCO . . . the parks I should say through SOCO, as it indicates, set a target to increase employment by 120 people from the start point which was 2,960. In fact the private sector and the public sector in the parks created an additional 245 jobs so that they increased their employment to thirty-two forty-five. And as you can see an increase of 245 employees on a base of 2,960 is a healthy percentage increase of something in the area of 7 per cent — I don't have the exact figure — but would certainly be an impressive figure in anybody's books.

Ms. Harpauer: — And that would include all three parks?

Hon. Mr. Cline: — Yes.

Ms. Harpauer: — Now I would like to refer to page no. 21. And again a clarification because it mentions in item no. 2, the transfer of assets, on April 1, 2004, the corporation transferred rental assets consisting of Innovation Place in Saskatoon, Regina Research Park and the Saskatchewan Forest Centre building being constructed in Prince Albert to the General Revenue Fund in exchange for the General Revenue Fund forgiving all outstanding notes payable and long-term debt of the corporation.

Does this then mean that the corporation no longer owns the research parks but rather is just a manager?

Hon. Mr. Cline: — Yes. Those facilities have been transferred to the Department of Industry and Resources which would be the provincial Crown.

Ms. Harpauer: — So when we outline — and I can't even refer you to the specific page but I'm sure you'll know — assets of the park, we're talking then therefore of office equipment and those types of assets because they no longer actually own the buildings.

Hon. Mr. Cline: — Yes, thank you. No, it was actually . . . the real estate was transferred from the Crown corporation to the Crown. But the moveable assets such as furniture and equipment and so on I'm advised is still owned by SOCO.

Ms. Harpauer: — What was the major reasoning for SOCO acquiring their relatively large debt? Was it the construction

costs of the facilities that then got transferred to the Crown?

Hon. Mr. Cline: — Madam Chair, to Ms. Harpauer, I'm going to ask Ms. Callander in her capacity as chief financial officer to address that because it's more of a technical financial question.

Ms. Callander: — Thank you. The assets were transferred to the General Revenue Fund because we were receiving an operating allowance from the General Revenue Fund. And we had \$150 million of assets, \$150 million of debt and we were receiving . . . [inaudible] . . . operating grant from the government. So the determination was that the receivable that the General Revenue Fund had was not collectable in . . . they had to pay us so we could pay them the interest. And so the decision was made that we would transfer the assets back to the Department of Industry and Resources, cancel our debt, which means we no longer receive the operating allowance from General Revenue Fund, and we didn't have to pay interest, and so they got the buildings, and we cancelled our debt.

Ms. Harpauer: — Okay, I just need a little further . . . So what actually created the debt? What actually created the debt, like how did the debt . . .

Ms. Callander: — The debt for the buildings that we built in the past.

Ms. Harpauer: — So was the construction of the buildings, is it in essence the debt that was created?

Ms. Callander: — Right.

Ms. Harpauer: — So going forward we now have construction of 25 million that was mentioned and pointed out in the Provincial Auditor's report and I'm sure there's other construction that maybe is ongoing or planned. Who pays for that construction and who owns the facility once it's built?

Hon. Mr. Cline: — Madam Chair, on a go-forward basis, other than the assets that have been transferred — that is the real estate before, pre-existing — the corporation will finance the construction of that through its own resources plus debt financing. And it will be responsible to pay that debt out of income that it generates itself through rental. And in this particular case, the \$25 million building that the corporation is building now in Saskatoon, one bit of good news is that shortly before construction costs started to rapidly escalate, SOCO entered into a fixed-cost contract to build the building for \$25 million, which turned out to be very good because I think now it would probably be about 40 million.

And at the time, they had approximately \$7 million cash that they had accumulated through their operations, and then they're debt financing \$18 million, and they will pay the cost of the building through rent that they will generate. And we don't anticipate there will be any problem filling up the building. It's already 40 per cent full, for sure signed contracts; 40 per cent signatures pending; and 20 per cent in negotiations. So I think its going to be a very successful venture. One of the major tenants in there by the way is AMEC which is a very big engineering firm. And the engineering firms of Saskatoon have been growing by leaps and bounds because of our successful mining economy in particular, although the economy generally

is pretty good.

I should . . . for clarification for those of us like me who don't necessarily understand the world of finance in a technical way, essentially what they did before is that when the debt of the pre-existing buildings — this \$150 million debt — was in SOCO, SOCO had to pay the interest on that debt but they didn't have the money to do so. So the Crown would give them the money to pay the interest and then they would pay the interest. When the debt was transferred back to the Crown, the debt still existed. It's just in the Crown, it's part of the government debt. But instead of giving them the money to pay the interest and then getting it back for the interest to be paid, the government just pays it directly. And essentially that's the reason for it. It just simplified what they did.

And really SOCO did not have the capacity to pay the interest and service the debt they had up till then; but on a go-forward basis what we've determined is that we will build on the basis that it will be buildings that you can pay for as you go, as I just described for the building we're building right now. And I'd like to see further construction done on that basis as well.

Ms. Harpauer: — Would it be possible to get a breakdown of that debt at the time of it being transferred to the General Revenue Fund and then to the Department of Community Resources between the three parks? Do we have a breakdown of how much debt was attached to the Regina Research Park, the Innovation Place, and the Saskatchewan forestry centre?

Hon. Mr. Cline: — Yes, certainly that would be possible. The public certainly has the right to know, or members of the legislature, how the debt arises, which parks it comes from. And we'll assemble a statement which will indicate how that total debt is broken down as between the various entities, what buildings it relates to, and what the amounts are with respect to each one. And we'll undertake, Madam Chair, to file that information with you for distribution to members of the committee.

Ms. Harpauer: — Thank you. And I look forward to receiving that information. I'm assuming SOCO and the staff at SOCO make all the arrangements for tenants and the deals and the contracts there within. Is there a splitting of the rent revenue at all considering that the department of energy and resources owns the buildings, whereas SOCO's the manager? Is there any splitting of the lease money, or does SOCO retain all of it?

Hon. Mr. Cline: — SOCO retains all of the money. We don't have any interest as a department in making money off of the tenants or the rent. We're not the landlord. Our objective is simply to make sure that we have the facilities to promote the development of the advanced technology sector in Saskatchewan, also innovation.

So an investment has been made over many years by government, starting with Allan Blakeney actually in 1978 who had the vision to start Innovation Place in Saskatoon. And for many years it did not pay for itself. Now it really is paying for itself, but the long-term investment that has been made by government in Innovation Place certainly has paid off and we see it that way. We see it as an investment by the public in the creation of the jobs and the advanced technology, the

innovation and the export of services and technology also. We're not interested in making any profit ourselves as government. It's not our mandate in this instance.

Ms. Harpauer: — I guess the question arises because obviously they moved, you know, a fairly substantial debt out of SOCO and into the Department of Industry and Resources. And they are retaining, SOCO is retaining the money from the leases. And pardon my naïveté here, but how can they not be profitable? What would be the bulk of their expenses then? What's the major expenses that would be the drain from the lease money?

Hon. Mr. Cline: — Well typically, Madam Chairperson, and members of the committee, you know it isn't always the capital expenses of constructing a building that are the difficult part. The difficult part is often the operation of a building on an ongoing basis and the ongoing maintenance.

So SOCO has, you know, the responsibility to operate and maintain the research parks. That's a very, very major commitment and that's what they do, and they do a very good job of it. We're not interested in saddling SOCO with any kind of unsustainable, you know, payment to government just because somehow somebody has a notion that government should make a profit out of a research park. That's not government's role.

As I indicated before, government's role is to, in this instance, to provide that infrastructure — which has been done. The public has done that over many years starting in 1978. And for many years SOCO did not operate on a break-even basis. But that is an investment the public has made for many years which is one of the most sound investments, in my opinion, that the public can make, to invest in infrastructure which will support research and development, advanced technology, and innovation. That's one of the reasons why the Saskatchewan economy is the dynamic economy that it is today.

Ms. Harpauer: — I'm by no means, you know, trying to give the impression, and I believe I . . . Perhaps the minister is misinterpreting my questioning as a negative attitude towards these parks, because I think they're a huge asset to our province. That's not . . .

In trying to understand how the money flows and how the parks sustain themselves, I'm asking these questions. But by no means do I think, have ever, ever thought that these parks were not a huge asset to our province because I believe they are. Do the parks pay grants in lieu? Or do they pay the taxes?

Hon. Mr. Cline: — Yes.

Ms. Harpauer: — So what presently when a contract is negotiated, is there a standard term of the contracts, or is it case by case for each of the different office areas?

Hon. Mr. Cline: — Each deal is on a case-by-case basis. So the persons responsible at SOCO for leasing would negotiate deals with the tenants.

Ms. Harpauer: — If there was a tenant who needed the facility at SOCO and what it entailed, but also—and I know there's

partnerships—needed, say, use of the synchrotron, would SOCO negotiate that type of arrangement? Or would the tenant themselves be responsible for making the arrangement with SOCO and then making the arrangement with the U of S [University of Saskatchewan], the overseers of the synchrotron?

Hon. Mr. Cline: — Well the synchrotron is, you know, is a separate corporate body by itself, and of course the university is a statutory body. And SOCO is a Crown corporation which doesn't own either the synchrotron or the university, so it would be up . . . What SOCO does is provide space as a landlord — and some other services for sure — to its tenants. But no, it would not negotiate arrangements with the synchrotron or other third parties that a tenant wished to deal with. The tenant would, in the course of its own business, make its own arrangements with the synchrotron or any number of other entities that it would have to deal with.

Ms. Harpauer: — Would there ever be a situation where we had a tenant that was interested in sort of using SOCO's facilities as well as either the U of S facilities or the synchrotron where facilitating that would be a deterrent for them? Has that ever, you know, occurred where they would like to have sort of using the facilities in conjunction or together? Would it be advantageous if someone could facilitate that?

Hon. Mr. Cline: — No, it has never been a problem. But I'll ask Mr. Loepky to comment also. But I would think that if you had a tenant that wanted to move into Innovation Place for example, or the Regina Research Park, and wanted to use the services of people at SOCO to negotiate with the synchrotron, or other parties, to help them establish here, for example, I'm sure that it could be negotiated because there are very good people at SOCO. They would have people that could facilitate that on, you know, some kind of fee-for-service basis, or perhaps even include it in the rent, because it is decided on a case-by-case basis.

And I'm sure that SOCO would be quite happy to, you know, creatively provide other services to facilitate that. So I don't think it's been an issue up until now, but if it was required they're very creative, and I think they would do it. But I'll ask Mr. Loepky to add to that.

Mr. Loepky: — Thank you. Certainly a big part of our job is to understand what capacities at the university and the other parts of the technology sectors have in the communities, whether it be the university or the business community at large. And part of our role is to understand those capacities. And then when we have tenants, when we're dealing with tenants on a case-by-case basis, if they're looking for some assistance or looking for a capability, our job is, would be — we see it as our job — to try and help them align with the right people in the community or within government or within business or the university.

So it's a lot about us knowing who's in the community, who's in the sector, and helping them work. We have particular relationships with the university industry liaison offices. So with those established relationships we can kind of burrow into the universities and understand what they can offer and help the tenant gain access to that.

Ms. Harpauer: — Thank you. What is the vacancy rate right now in each of the three research parks?

Hon. Mr. Cline: — Madam Chair, I'll ask Mr. Loepky to address that.

Mr. Loepky: — Thank you. In Prince Albert we currently have about 36 per cent vacancy. In Regina it is virtually nil. We're full. We have a little bit of, teeny bit of vacant space. And in Saskatoon we're running about just under 5 per cent, I think it is.

We're pleased to say though that in Prince Albert we've recently, just within the last few days we've done some leasing there, and we expect by sometime late this summer that we'll be down to about 10 per cent vacancy there.

So overall, our vacancy rate is just around the 5 per cent which in our industry could be considered typical — somewhere between 3 and 5 per cent.

Ms. Harpauer: — In the Prince Albert facility I mean, 36 per cent vacancy obviously is a bit of a concern. The tenants that you've attracted . . . Or do you find that the majority of the tenants that are in that facility and coming to that facility, are they in the research area or are we looking more at businesses because of the downtown location?

Mr. Loepky: — What we have in the building so far is a fairly good representation of people involved in either the forest sector or in the edges of the resource sector. We do have a couple of tenants that we've taken into the facility that will be less associated with those sectors.

But part of that is the timing of people that are interested in coming to the building, the timing of their existing leases, when they come for renewal, when they're available to actually even relocate to our facility. The long-term strategy for the building is to focus on the forest and resource sector, and that's our target.

Ms. Harpauer: — Did the closure of Weyerhaeuser have an impact on the vacancies in that facility?

Mr. Loepky: — We haven't seen any change in our facility. I'm not really familiar specifically with the impact on the community, but from our perspective we haven't seen a change in interest in that facility.

Ms. Harpauer: — What was the average turnaround of the tenant? I'm only familiar, quite frankly, with tenants that are in the Innovation Place in that I know a number of different tenants there and have worked with them throughout the years and I know they've been there for a long time. So what is the average turnaround of a tenant in the various parks?

Mr. Loepky: — I'm having a little trouble understanding what you mean by turnaround.

Ms. Harpauer: — Sorry. Do you find that when you have a tenant, say on average, usually they'll stay for about 10 years? Or is there enough time period to even track that? Or are we looking at tenants that are looking for space for a year or two

years?

Mr. Loepky: — Thank you for clarifying. The majority of our tenants typically would sign a lease from three to five years but it really is all over the map. We have leases that have been anywhere originally signed up to 10 years to even longer. And it really comes down to what they believe their business needs are. It's very dependent on the tenant. Certainly we don't want our facilities to restrict their growth. So if they need to move out of our facilities, that's happened. We don't specifically, you know, we don't specifically have an idea in mind of what would be normal for a tenant's stay. It's really up to what their business needs to keep growing.

Ms. Harpauer: — What part of the deal that you would make with the tenant, if you don't have the space, precisely what they need and they need some renovations or changes to the space, do they take the responsibility of that change or does SOCO?

Mr. Loepky: — Each deal is on its own merit, so what we would do is, depending on what their needs were . . . Many times you're dealing with smaller companies. They have an issue with being able to borrow money to pay for their own improvements. So in the interim in our industry a lot of times the landlord participates and typically it's reflected in the rental rate that they pay.

Ms. Harpauer: — Madam Chair, we're going to change the questioners.

The Chair: — Thank you, Ms. Harpauer. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'd like to welcome the minister and his officials here. I'm also interested in the Prince Albert facility. In particular, Ms. Harpauer asked a question about what kind of businesses or what kind of activities were taking place there, and you mentioned that it's things around the forest industry. I wonder if you could maybe give more of a descriptive answer than around the forest industry because that could include logging, dimension lumber, pulp, wood products, trapping, tourism, and then you mentioned some others that were you know sort of associated, which could be mining, mineral exploration. So I wonder if you could give a bit more of a description of the kind of tenants you have in there.

Mr. Loepky: — Certainly. I don't have in memory the specific lists of tenants. I apologize for that. For one example would be the Saskatchewan Forest Centre itself. There is a group that is one of the major tenants up there that is involved in advancing forestry as I guess as an industry. There is one of the provincial agency that — I don't know, I can't remember the name off the top of my head — that is involved with the forest sector. Those would be the two main tenants.

I know there is a number of other smaller tenants. In addition we have a law office. And I know there is a number of other tenants. I'm sorry, I don't have the list committed to memory so . . .

Mr. D'Autremont: — When you talk about the forest centre itself and the associated provincial agency, whichever that may be, are those research work or is it more administrative offices that are in there?

Mr. Loepky: — I can't speak specifically to their activities, but one of the concepts that we operate on with the research parks — and we also operate or believe that to be our operating mandate for the forest centre — is to try and collaborate groups of people that are involved in a sector. And that doesn't specifically mean that all of them would be involved in research. A lot of times what they are doing is, by being involved in a sector, is collaborating together and trying to advance that sector to create more economic activity around it. So it may not specifically be research that they're doing. But they're working towards the cause of trying to advance the economy around the forestry sector, for example.

So to further answer your question, I would say that, you know, there's probably a majority of the work would be administrative in nature, but a lot of it is focused on collaboration amongst the people that would be involved.

Mr. D'Autremont: — Not to speak disparagingly of lawyers, but I'm not sure how lawyers advance the cause of forestry by being in the forest centre. I can understand them needing an office for some reason, but lawyers seem to be more of an impediment to advancement rather than facilitators of . . . And so that's one of the areas that, you know, maybe isn't quite as progressive as could be .

You talked about the provincial agency that's in there. Are there other government, quasi-government agencies in there that might be federal or provincial or municipal or First Nations?

Hon. Mr. Cline: — Well I'd like to speak to that issue. I have actually been to the law office that is located in the forestry centre, and I mean, I'm sure that they don't do only work related to forestry. But it should not be assumed that legal services do not provide . . . are not an important component of doing the business of forestry or indeed research into forestry because for example if one organization is doing research into forestry activities and collaborating with others, they're going to have to have an agreement amongst themselves as to privacy, protection of intellectual property and the like, who's going to benefit from or licence whatever activities they're doing.

So I believe that the lawyers that are located there, which I think is Zatlun and company, probably are involved with other tenants in the forestry centre, just as at Innovation Place for example there have been from time to time — I don't know if there are now — lawyers that are located there because they're taking care of the contractual and intellectual property needs of research organizations at Innovation Place. That is not an unusual concept at all.

But I think what might be helpful Madam Chair, which certainly we'd be happy to do, and the member's entitled to know, is to undertake to provide a list of the tenants of the forestry centre and also a description of the activities they undertake, subject of course to having, you know, their permission to provide that information. But I don't see why they would have much of a problem with it because I think most of it would be public information that they'd want the world to know about because the world could be their customers.

So I think that might be a better way because I'm not

comfortable with the notion that, you know, we don't provide a complete description of all the activities of the forestry centre because I'm very proud of the activities at the forestry centre. So I'd like to put that information together and provide it you, Madam Chair to be distributed to all the members of the committee. Thank you.

Mr. D'Autremont: — I'd like to thank the minister for that offer, and I'm sure the committee would appreciate that information.

When you have someone such as the law office, or anyone else who is not specifically involved in research, how do you make a determination as to what would be a proper compensation to SOCO for the facilities they're using and the rents that they're paying?

Hon. Mr. Cline: — Well, Madam Chair to Mr. D'Autremont, that is negotiated on a case-by-case basis between the people that work for SOCO to lease out the space and the tenants. They would look at a variety of factors, most important of which, I suppose, would be comparables in the community — what would one have to pay for other space in downtown Prince Albert or near the university in Saskatoon? That would be an important factor. What would be the utility costs? And what kind of services would be provided by the landlord to the organization? What kind of operating costs and maintenance might be borne by SOCO as a landlord? So all of those things would be taken into account.

And it's never been the case that Innovation Place or the Research Park in Regina or the forestry centre are solely for research activities. That's an important component of the activities. But there are various entrepreneurial and other activities that are conducted there as well because you need a whole range of activities and services in order to advance technology in Saskatchewan. So if everybody just did research, you'd never get to the development side. So you need research, development, commercialization, and a variety of activities.

Mr. D'Autremont: — Well thank you, Mr. Minister. And I'm glad to hear that you take into . . . that SOCO takes into account the commercial interests around them, what the kind of rents and facilities are available in the rest of the community because I think that's important. It should not be, in my opinion, the position for SOCO or the government to be subsidizing a particular entity, like a particular law firm that may have an office in that building, you know, when there are other commercially available opportunities within that immediate neighbourhood.

And so I would hope that when you're giving consideration to what the rental agreements would be is that you would be looking at the commercial availability in that community, the commercial rate in that community, as well as SPMC's [Saskatchewan Property Management Corporation] rates in that community as well because I believe SPMC — SPM [Saskatchewan Property Management] now, no C on the end of it — is setting their rates more or less according to what the commercial rates are in the communities that they're operating in. So I think that would be a good guideline for non-research type occupations in there.

Hon. Mr. Cline: — Well, Madam Chair, I think it depends what you're talking about. If you're talking about a law firm, I would tend to agree that they should not have any subsidized rent. I mean, they should be established and operate on a sustainable basis.

There are instances that go back a long time and will continue whereby SOCO as landlord, but as an agent of public policy, assists new enterprises in Saskatchewan which may be privately owned but which are not yet profitable and which have some kind of subsidized rent from the people of the province in order to establish those businesses in Saskatchewan. It's not an incubator, but it's quasi incubation to assist new enterprises with rent, some of which become successful enterprises and then perhaps even move out and build a big new building somewhere. But that is part of the mandate of SOCO, and I don't want to leave the impression that it isn't.

I agree that if one is talking about a law firm, there ought not to be subsidization. But it certainly will be part of the mandate of SOCO to have some kind of subsidized rent for small, growing enterprises where it's in the provincial public interest to encourage that kind of activity. And it may not always be solely focused on research. It may be focused on commercializing research that has gone on and starting to manufacture something that somebody has developed as part of the research activity.

And that is one of the reasons why SOCO has been successful over the years and why the advanced technology sector in Saskatchewan is successful also, because this has been promoted over many years by the provincial taxpayers and will continue to be so, although as I said earlier not necessarily to the same extent or the same way because it has grown, and we hope to largely build the buildings on a profitable, sustainable basis. But I will not sit here and say that SOCO will never give some new enterprise a lower rent than commercial rent or SPM because that is simply not the mandate of SOCO. It's the mandate of SOCO to do just that as appropriate.

Mr. D'Autremont: — Thank you, Mr. Minister. And that's why I suggested that consideration needs to be given for commercial interests in the area and SPM, rather than saying hard and fast that the rent should be based on the commercial prices of that locality, that SOCO does have the ability to individually negotiate. But I think it also needs to keep in mind the surrounding community and what's happening in that community when it's looking at its tenants and particularly those that are in mature commercial operations such as a potential law firm. I have no idea who the law firm is, and I don't know what their circumstances are, but even there could be other entities in that building that, if they're in a mature situation, surely they should be paying commercial rates, whereas a new enterprise such as you described or who is commercializing a new product or a new idea, well that is potential for the future and can be recognized as well. But it's for those more mature entities that perhaps consideration of the commercial interests of the community as well that needs to be taken into account.

Hon. Mr. Cline: — Well I think, Madam Chair, that we can agree on the way that the member just put it, that yes, if you're talking about a mature, profitable enterprise, then why shouldn't they pay commercial rent. That's what you should be

trying to develop. You should be trying to develop the new enterprises into profitable ones.

But my point is simply that we must remember that there is a mandate to assist new enterprise with rent and perhaps other services because if the only goal of SOCO was to rent space at commercial rates, then there shouldn't be a SOCO. You may as well just have the private sector build buildings and people can rent them.

But in fact the reason the public has a SOCO is to assist new entrepreneurs, young people, new ideas, and try to develop those at a time when some of those people may not be able to completely finance their activities. But hopefully over the course of time they will, and they not only will finance themselves but employ many other people and support other enterprises as well.

Mr. D'Autremont: — Well thank you, Mr. Minister. It sounds like we're actually agreeing on these things, but we're just simply trying to out-talk each other.

Hon. Mr. Cline: — Well, Madam Chair, he's so good at it; I can't resist.

Mr. D'Autremont: — So at this point I think we can call this a draw, and we will vote this off.

The Chair: — Thank you, Mr. D'Autremont. Ms. Harpauer.

Ms. Harpauer: — I'd like to thank the minister and his officials and the Provincial Auditor and his officials for being here tonight. And with that, I would like to move the motion:

That the committee conclude its review of the 2004 and 2005 annual report, financial statements, and related documents for Saskatchewan Opportunities Corporation.

The Chair: — Thank you, Ms. Harpauer. I too would like to thank Minister Eric Cline and his officials for appearing before the committee this evening and as well the Provincial Auditor's office for your patience in attending this evening's meeting as well. So thank you very much.

The motion reads:

That the committee conclude its review of the 2004 and 2005 annual report, financial statements, and related documents for Saskatchewan Opportunities Corporation.

Is that agreed?

Some Members: — Agreed.

The Chair: — Carried. Thank you. Thank you, Mr. Minister. And we'll take a five minute recess until you can gather the other officials.

[The committee recessed for a period of time.]

Investment Saskatchewan

The Chair: — And welcome back to Crown and Central

Agencies. Appearing before us at this point we have Minister Eric Cline, Minister for Investment Saskatchewan, and perhaps you'd like to introduce your officials at this point.

Hon. Mr. Cline: — Yes thank you, Madam Chair. To my right is Cliff Baylak who is the managing director of Investment Saskatchewan Inc. To my left is Don Black who is a board member with Investment Saskatchewan Inc. To his left is Don Wilson, the corporate secretary of Investment Saskatchewan Inc., and sitting behind Mr. Wilson is Ladette Fuchs, the manager of corporate services for Investment Saskatchewan Inc.

The Chair: — Thank you, Mr. Minister. Tonight we are considering the 2004 and 2005 Investment Saskatchewan annual reports and related documents. Did you have any opening remarks that you'd like to make, Mr. Minister?

Hon. Mr. Cline: — No, Madam Chair. I had the opportunity to make an opening statement, I believe, when I last appeared on January 11, and we were able to cover many questions and answers at that time. Certainly you very kindly gave me the opportunity at that time to make a statement, and I don't intend to be repetitive tonight. We've covered some ground, so we can move on to the new matters that haven't been covered yet. Thank you.

The Chair: — Thank you, Mr. Minister. Are there any questions? Ms. Harpauer?

Ms. Harpauer: — Thank you, Madam Chair, and I want to thank the minister and his officials for being here tonight, and I have a series of questions on the Meadow Lake pulp mill. What was the latest book value of the Meadow Lake pulp mill prior to the sale?

Hon. Mr. Cline: — Madam Chair, it was \$39.3 million.

Ms. Harpauer: — And what was the total amount of money that Investment Saskatchewan will receive from the sale of the pulp mill?

Hon. Mr. Cline: — To date we have not received any proceeds because they have gone to prior secured creditors. As assets are liquidated, we expect to receive approximately \$40 million.

Ms. Harpauer: — Is there a breakdown of what that \$40 million will cover?

Hon. Mr. Cline: — The two major assets would be accounts receivable and pulp inventory.

Ms. Harpauer: — Would none of the money apply to the fixed assets of the mill, the land, like, the land and the building itself?

Hon. Mr. Cline: — No, the cash would go to the secured creditors.

Ms. Harpauer: — Is SaskPower one of those secured creditors?

Hon. Mr. Cline: — No, Madam Chair, they are not.

Ms. Harpauer: — So how much was owing to SaskPower?

Hon. Mr. Cline: — We do not have that particular figure, although we'd be happy to get it and provide it to Ms. Harpauer through you, Madam Chair. But I can tell you, and through you, Ms. Harpauer, that whatever SaskPower was owed at the time that the Meadow Lake pulp mill went into CCAA [Companies' Creditors Arrangement Act] protection, it will not be paid, along with other creditors that also will not be paid.

It will only be paid for indebtedness that occurred after the court-ordered protection started. And my understanding is that it will be treated the same as other creditors in that regard . . . other unsecured creditors, I should say.

Ms. Harpauer: — So would the minister have a list of who were the secured creditors?

Hon. Mr. Cline: — The only secured creditor ahead of Investment Saskatchewan was HSBC, which is the bank.

Ms. Harpauer: — And how much money was owed to them?

Hon. Mr. Cline: — Approximately \$28 million.

Ms. Harpauer: — So with the sale of the pulp mill, does HSBC get their \$28 million and then Investment Saskatchewan get \$40 million?

Hon. Mr. Cline: — Yes, eventually. You have to appreciate, Madam Chair, that they're a secured creditor, so they're entitled to be paid first. Just like a mortgage company with a mortgage on your house.

Ms. Harpauer: — By that answer should I be concerned that Investment Saskatchewan may not realize their full \$40 million?

Hon. Mr. Cline: — Madam Chair, it's certainly not certain that Investment Saskatchewan will receive \$40 million — that's an estimate — because it depends upon the disposition of the assets. So there's no guarantee that Investment Saskatchewan will get \$40 million, but that is what is their best guess that over the course of time they will receive.

Ms. Harpauer: — Is there a time limit or a time frame in which Investment Saskatchewan wants to receive their funding in full? Is it being paid over in increments? Is it being paid, say, in an annual payment each year for five years, or what are the terms of receiving their money?

Hon. Mr. Cline: — Madam Chair, I'm advised that it is expected to take several months but not years, that it will be done sometime this year.

Ms. Harpauer: — Is it possible that the minister can provide us with a list of all the organizations, the companies, the municipalities, and other entities that have not been paid and will not receive any payment from these sales proceeds and with that list, the amount that they are basically hung with?

Hon. Mr. Cline: — To the extent that the law permits, we certainly would provide that. The reason I say that is I'm

advised that some of the documents are court-sealed documents under the CCAA process. And as far as I am concerned, I mean, I would reveal all of that information, and I don't mind giving an undertaking to do so to the extent that I am permitted to do so by law. And what we will undertake to do is to seek legal advice as to what we legally are allowed to disclose, what the court does not allow us to disclose, and then we will proceed accordingly through the Chair.

Ms. Harpauer: — Thank you, Mr. Minister, and I'll be looking forward to that information. Do you have some idea tonight of approximate amount of the accounts receivables that were outstanding when the Meadow Lake pulp mill went into receivership . . . or went into security protection?

Hon. Mr. Cline: — I don't have that figure with me, but I would certainly be pleased to undertake to get that figure and provide it to the Chair for distribution to the committee members.

Ms. Harpauer: — Another number that I would be interested in knowing is for the entire time that the province was invested in the Meadow Lake pulp mill, what was the total amount of interest that was written off on the monies that were given to keeping Meadow Lake pulp mill going?

Hon. Mr. Cline: — I would like to say we will get the answer as to the amount of interest written off and provide that to the Chair. We'll undertake to do that. I don't have that figure in front of me, but I can say that over the course of 12 years — this is not interest; this is investment — approximately \$300 million was lost. That would be investments in the Meadow Lake pulp mill less whatever monies were received in the few years, I think, that it did make some money. Most of the other money that is referred to, I think, is really opportunity costs as opposed to interest that's written off. And I don't have the figure for the amount of interest that was actually written off, so I'll obtain that and provide it to the committee members through you, Madam Chair.

Ms. Harpauer: — Can I get the minister just to elaborate as to what he means by opportunity loss.

Hon. Mr. Cline: — Yes, I'd be happy to because it is often stated in the media and by some opposition politicians that there was some 800 or sometimes 900 or sometimes \$1 billion is said to have been invested or lost in the Meadow Lake pulp mill. And I think it's important . . . and then of course that's all blamed on the present government, the NDP [New Democratic Party]. But I take pains to point out that when the New Democratic Party was elected to power in October 1991, the decision to invest money in the Meadow Lake pulp mill had already been taken — that decision had been made by the previous Conservative administration with which, I believe, the members of the opposition will be quite intimately familiar — and they had invested \$260 million into the Meadow Lake pulp mill.

Over the course of time, the New Democratic Party administration which inherited the pulp mill which was operating at a loss since its inception because of a deal made by Grant Devine — which most people would agree was a bad deal — the New Democratic Party put some money into it, less than

\$100 million. I believe about 90. So that the total amount of money that went into that mill from government was some approximately 350 to \$60 million, if my memory serves me correctly, most of which the New Democratic Party had absolutely no control over because they had inherited that from the previous administration.

Now how do we get to the point where people say, well they lost \$1 billion? We get to that point because people say, well if you had taken the 300-and-some million dollars and invested it with interest, you would have had \$1 billion. Which is something like saying if my grandmother had wheels, she'd be a bus, in one sense.

So I think it's important to clarify that. And so when people talk about these big numbers, some of it is opportunity cost. Some of it is just the fact somebody made a bad investment and it didn't earn any interest. That's not \$1 billion invested; that's a bad investment.

However I believe that there may be some interest costs that were written off. But I do not know the amount of that, and that's what I'm undertaking to provide to the committee through you, Madam Chair. And I hope — naturally I'm trying to be helpful to the committee — and I hope that that answer clarifies matters. Thank you.

Ms. Harpauer: — I'm not sure that answered my question, and I'm not surprised. We've had a few difficulties with communication in the past in committee and in the world of politics. Actually the minister went quite a leap to describe his grandmother as a bus, so hopefully we can get back on track here.

At length, the minister wanted to describe how a lot of the difficulties and challenges for the Meadow Lake pulp mill was not his government's fault. However my understanding is it was purchased in 1990. The New Democratic Party came into power in 1991 — I wasn't involved in politics at the time so I have to take a lot of information from other people — but since then, they reversed the deal on GRIP [gross revenue insurance program]. They reversed the binding arbitration with provincial court judges. They forced renegotiation with Federated Co-op on the upgrader.

I am sure that this decision too, had they chosen at that time, could have been reversed and could have been changed. So they must take some of the responsibility — the New Democratic Party needs to take some responsibility — for some of the difficulties with the Meadow Lake pulp mill. I didn't understand, in the entire answer, I didn't understand opportunity costs.

Hon. Mr. Cline: — Well, Madam Chair, I'll certainly try to explain it again. Firstly let me say that yes, of course there was alternatives to operating the Meadow Lake pulp mill. The government could have shut the pulp mill down and put people out of work in Meadow Lake and put all the contractors that were delivering to the Meadow Lake pulp mill out of work as well. That could have been an option. It's not one we pursued.

We tried to make it work, and indeed now we have a buyer for the pulp mill. And it's been restructured, and we hope it will

work and employ people and deal with contractors in Meadow Lake.

But the fact of the matter is that we inherited a deal that we were not the authors of, which was not a good deal as it turned out. We also are repairing that by moving forward and restructuring. And, as I took pains to point out, the money that went into it, a good two-thirds of that money had gone in — I guess three-quarters actually — before we ever came along. And that's simply a fact.

What opportunity cost is, is simply the notion that if you take your money and sink it into something that doesn't earn you any interest or any additional equity through growth, then you give up the opportunity to put your money in, say, in GIC [guaranteed investment certificate] which will earn you 4 per cent or something. And so to that extent, you have lost the opportunity to make the money. And that's the opportunity cost.

Similarly for the Meadow Lake pulp mill, as I said in my previous answer, the governments of Mr. Devine for the most part — but also of the New Democratic Party, putting in about a quarter of the money over many years, I believe about 15 years — the government didn't make interest on that money, so there's an opportunity cost. I can't state it any more simply than that, and I'm sure that Ms. Harpauer will understand that explanation. Thank you.

Ms. Harpauer: — Thank you. And now I do understand it. You're right; that was a better explanation. And I'm glad the minister also stated in the beginning of his answer why the New Democratic Party chose to stay within the deal, and why they felt it was advantageous to that region for jobs and the contractors that were involved so that it wasn't entirely a previous government's decision. It was also the New Democratic Party's decision to stay within that deal.

Could you tell us, the committee, tonight, was there any incentives given by the province and/or Investment Saskatchewan to Asia Pulp and Paper to purchase the Meadow Lake pulp mill?

Hon. Mr. Cline: — No, there were not.

Ms. Harpauer: — On a notice of motion dated January 19, 2007 under section 2(2) says:

One of the terms and conditions of the sale requires 101069101 Saskatchewan Ltd. to reinvest approximately \$10 million in the Purchaser which funds will be used to assist with the financing of the ongoing operation of the Meadow Lake pulp mill.

What is the \$10 million for?

Hon. Mr. Cline: — Madam Chair, part of the restructuring deal provides that Investment Saskatchewan Inc., through the numbered company that was referred to, will take some equity in the company. And that is what that refers to.

Ms. Harpauer: — Does the minister not consider that an incentive?

Hon. Mr. Cline: — No, I don't.

Ms. Harpauer: — So Investment Saskatchewan, through the numbered company, is to reinvest the 10 million. Then the sale in actuality — if they realize the amount of money that the minister was hoping to receive — would actually only net them 30 million.

Hon. Mr. Cline: — I'm going to ask Mr. Baylak to comment on the detailed financial aspects of this.

Mr. Baylak: — The purchase of the assets of Meadow Lake pulp mill were done partially in cash and partially in equity. The cash went to Meadow Lake pulp, and the bulk of it was used to repay HSBC.

The equity portion was given to Investment Saskatchewan — there was no cash exchanged hands. And the arrangement is that Investment Saskatchewan has the right in three years time to get the \$10 million — it actually was eight and a half million dollars was the actual amount — in three years time from the purchaser. We have the right to call them to give us that 8.5 million in cash, but their requirement was they wanted a local investor to be alongside with them because this was their first entry into North America.

Ms. Harpauer: — So on the notice of motion it implied that the limited company is to reinvest the 10 million but your answer, you're saying they are to pay that to Investment Saskatchewan.

Mr. Baylak: — Investment Saskatchewan owns the numbered company. It's a wholly owned subsidiary, so when I speak of Investment Saskatchewan I use that interchangeably with the numbered company. But the numbered company actually holds the equity in the purchaser, and the numbered company has the right to have that converted to cash in three years time and that cash would then come to Investment Saskatchewan.

Ms. Harpauer: — So the numbered company presently is holding the asset, or the equity.

Mr. Baylak: — Correct.

Ms. Harpauer: — So is that, the amount of the equity, is that part of the anticipated \$40 million profit from the sale?

Mr. Baylak: — Yes, it is.

Ms. Harpauer: — Okay . . . [inaudible interjection] . . . Go ahead.

Mr. D'Autremont: — Okay. Thank you. If I can ask for an explanation. I'll describe how I see it presently, and then you just tell me if I'm right or wrong.

A Member: — Wrong.

Mr. D'Autremont: — Okay, we've got one vote already for wrong.

A Member: — I second the motion. Can we vote now?

Mr. D'Autremont: — Investment Saskatchewan has provided \$10 million to the numbered company. The numbered company will now . . . [inaudible interjection] . . . No? That's not right? Okay, where did the \$10 million come from?

Hon. Mr. Cline: — Let me take a stab at this because I, like the members of the opposition, are not a financial expert. Or, am not — I can't use proper grammar either. But what I'm trying to say is, there was no cash that went from Investment Saskatchewan or the subsidiary into the new owner's company. In other words, no money went to the new owner.

What happened was, the new owner owed a certain amount of money to purchase the Meadow Lake pulp mill and part of that money would go to the bank, and part of it would go to Investment Saskatchewan. But instead of paying that money to Investment Saskatchewan, which is \$8.5 million, they simply said, we will give you equity for now in the company and in three years you will have the right to be paid that money.

So just like, for those listening at home, if I sold . . . [inaudible interjection] . . . because there would be so many, somebody says. If I sold a home for \$100,000 and the purchaser could give me \$75,000 cash and I could say, you owe me another \$25,000; I'm registering an agreement for sale or a mortgage for that, and you pay me three years from now. And it's not quite the same, but similar. We did not give them any money. We took equity for money they owe us, and they must pay us that money in three years time.

Mr. D'Autremont: — Okay, you have a chunk of equity. What percentage of the equity does that eight and a half million dollars represent?

Hon. Mr. Cline: — Madam Chair, it represents 20 per cent.

Ms. Harpauer: — So in essence—we're going to continue to try to clarify this—that means Investment Saskatchewan retains 20 per cent ownership.

Hon. Mr. Cline: — Of this new entity. Madam Chair, that's correct. Of the new entity, Investment Saskatchewan retains 20 per cent ownership. This has never been any kind of a secret or a mystery.

Ms. Harpauer: — I'm not suggesting that it is. I'm suggesting the whole deal is a little bit confusing. The deal also stipulates that APP [Asia Pulp and Paper] will buy out the 20 per cent within three years, which the minister mentioned. Will it just be at the now 8.5 million or will there be a value of 20 per cent of the asset determined at that time?

Hon. Mr. Cline: — It is a minimum amount that they must pay, but there is a potential upside if the business is worth more than 8.5 million times 5, which would be 42.5 million, I think. Then they would be entitled to be paid 20 per cent of the value of the business. And even though we all know that the Meadow Lake pulp mill has not been profitable and has not had a big value to date, the restructuring could result and hopefully will result in it being — because of the, you know, adjusted capital cost base if you will — that they will do well and be profitable. And so there's a potential upside, but as I understand it, no downside because they're guaranteed their \$8.5 million.

Ms. Harpauer: — Okay. So 8.5 million is the least amount that they would be paid for this asset, and we can all hope that the asset will increase in value.

So that money then is owed to Investment Saskatchewan, is totally apart and aside from Victoria Park Capital, has nothing to do with Victoria Park Capital. It is a sole ownership of Investment Saskatchewan through a numbered company.

Hon. Mr. Cline: — Madam Chair, that is correct.

Ms. Harpauer: — What was the reasoning — and maybe you went through this, and it got lost in the confusion — but what was the reasoning that the government maintained the 20 per cent? Was it simply because the APP couldn't come up with the cash, or is there a reason why APP wanted the government to maintain the 20 per cent stake?

Hon. Mr. Cline: — As Mr. Baylak indicated, Madam Chair, to Ms. Harpauer, it was the request of the purchaser that this be done. Specifically what they wanted . . . Because this was the first investment they made in North America — although they're, you know, operating in other parts of the world — they wanted a local partner to invest in it as well. Sometimes that gives an investor who's not familiar with the market the assurance that, you know, there are local people that see value in something that they may not have a complete understanding of.

So they wanted somebody to take 20 per cent equity, and Investment Saskatchewan was in a position where, although it had a few other offers to take over the Meadow Lake pulp mill, this was the best one in terms of the finances and also in terms of the capacity of the purchaser to turn the business around.

And so to make this deal . . . And there was a time constraint in the sense that probably the pulp mill could not remain in court ordered protection forever. It had already been in court ordered protection for longer than a year. It was necessary to bring this deal to fruition. There weren't an abundance of buyers to take over the Meadow Lake pulp mill, as I think everyone knows. This was the most realistic prospect, but it did require a 20 per cent equity investment which in the scheme of things did not involve cash outlay. It involved, you know, forgoing some money that there was no guarantee would be received in any event if the pulp mill simply was allowed to go bankrupt.

So it was determined that this was the very best course of action both in terms of the financial aspects, and very importantly in terms of an objective that was expressed by me over the last few years in answer to inquiries, which was one of our prime objectives was to find a way to make the pulp mill work for the employees of Meadow Lake and also the contractors that depended upon the presence of the operating pulp mill.

Ms. Harpauer: — So going back to one of my first questions. The anticipated or hopeful return is 40 million. So is that hopefully 31.5 million plus the 8.5 that is the equity portion? Or is it 40 million plus the 8.5 million?

Hon. Mr. Cline: — No, it's the first; it's 8.5 plus 31.5.

Ms. Harpauer: — So what happens if the purchaser of the mill

goes into default or pulls out of the deal? Obviously we're not going to realize the 31.5 million. What happens to the 20 per cent stake, the equity position?

Hon. Mr. Cline: — The parent company has guaranteed the minimum payment.

Ms. Harpauer: — Does the entire amount have to be paid like in a lump sum in three years or instalments as well?

Hon. Mr. Cline: — At the option of Investment Saskatchewan, yes. But that would be their option to say that the sum had to be paid. They also could elect simply to stay in at that time if they deem that, you know, the equity investment is doing well and that that's a better course.

Ms. Harpauer: — My understanding is the agreement with the purchaser says that the mill must operated for at least five years. Are there any out clauses that APP can activate to exit the deal earlier?

Hon. Mr. Cline: — No. My understanding is they must operate the mill for five years. There is a guarantee of that. And there are no out clauses, Mr. Baylak advises me, and I believe that's the case, but —and I'm not suggesting there is any reason to doubt that — but legal contracts being what they are, we will also have a look at that contract and make sure that that answer is correct and if it's incorrect then or if there is any proviso that could affect it, then we'll advise the Chair. Although I might ask Mr. Wilson, who is the corporate secretary and also a lawyer, whether . . . And he, I think he's telling me he thinks my answer is correct. I also am a lawyer, but . . . yes, but I think Mr. Wilson says that's correct.

Mr. Wilson: — That is my understanding.

Ms. Harpauer: — For this agreement, were there any amendments made to the FMA [forest management agreement]?

Hon. Mr. Cline: — No amendments that we're aware of, just the transfer of the 50 per cent interest to the new purchaser.

Ms. Harpauer: — Is there a clause in the sale agreement that states if the mill loses 6 million during any six-month consecutive period, the agreement can be exited by APP?

Hon. Mr. Cline: — Not to our knowledge, but we certainly will undertake to advise if we're incorrect in that regard.

Ms. Harpauer: — Another concern that's come to our attention is that the purchaser, the company, has had a terrible environmental record, and Richard Brooks from Greenpeace Canada had this to say, and I quote:

I would see it . . . being a bad sign that they are coming . . . to Saskatchewan. This isn't an issue where they're . . . slightly bad on the environment. They're one of the worst offenders when it comes to protecting the environment, particularly protecting natural forests and forests that have very high conservation values. They rank very, very low on our list of companies operating in places like Asia.

Has the government taken any steps to ensure that this company will comply with all of our rules, environmental regulations, and laws because obviously that is quite important to our north region?

Hon. Mr. Cline: — Madam Chair, well yes, absolutely. Our laws and our regulations are the law. And the law will be upheld in this province and will be respected by all individuals and corporations who do business here. And I would just say, I can't comment on the record of this company in other parts of the world, but I would remind the members that we also have, for example, oil companies that operate in the province of Saskatchewan that sometimes have been accused of operating, you know, in violation of environmental rules or human rights provisions that we might have here or occupational health and safety. And all I can say is that this is nothing new with this company that that kind of charge is made.

But just as we say to resource companies that come here that they must obey the law, and our laws are amongst the best in the world in these areas for resource extraction for example, similarly a forestry company . . . I don't mean just this one or to single them out. They must obey the laws, and the environment will be protected and we'll have . . . in a sustainable forestry practices that will protect the forestry not only for the economy of today, but also for the use of people for generations to come. That's a cornerstone of what is the forestry policy of Saskatchewan, which is published in the 1990s. Nobody's going to come here and not adhere to the law of Saskatchewan, which includes proper environmental safeguards.

Ms. Harpauer: — So then who has ownership of the effluent ponds and the landfill sites that's associated with the mill? Did the purchaser . . . is that part of the purchase, or is that still owned by Investment Saskatchewan?

Hon. Mr. Cline: — Well, Madam Chair, those have been retained by the Meadow Lake Limited Partnership, and so they're not taken over by the new purchaser. That isn't one of the assets that they've purchased, and I don't blame them. And whatever liability's attached to that as an environmental issue, that will have to be dealt with in the same way that . . . Over the course of our industrial history in Saskatchewan, these issues arise from time-to-time, new purchasers come along, and other parties are charged with the responsibility of taking care of the issue. Whether it's EnCana Corporation, which has inherited a uranium property, or the governments of Canada and Saskatchewan, for cleaning up some orphaned uranium sites and so on.

Ms. Harpauer: — Just to clarify that answer. So who's responsible if there needs to be an environmental cleanup in some area? Who will ultimately be responsible for that, the purchaser or the government?

Hon. Mr. Cline: — Well it would be the Meadow Lake Partnership. It would not be the purchaser because they haven't taken that over, and it would be the Meadow Lake Partnership would be responsible. And if at the end of the day that entity doesn't have the resources to take responsibility ultimately as between the purchaser and the government, the government would have to, through Investment Saskatchewan, take responsibility.

Ms. Harpauer: — Okay. Thank you. Madam Chair, we'll return the questioning to Mr. D'Autremont.

Mr. D'Autremont: — Okay. Thank you. I'm assuming when you say Meadow Lake Partnership that was the original entity with Millar Western and IS [Investment Saskatchewan Inc.], but it's my belief that Millar Western is no longer a part of that. Is that correct?

Hon. Mr. Cline: — They still own their 50 per cent interest of the Meadow Lake Partnership.

Mr. D'Autremont: — So there is someone else other than the Government of Saskatchewan through IS responsible for any environmental issues that may arise?

Hon. Mr. Cline: — Yes, it would come back to the partnership. And we are confident, I'm advised, that the partnership would have the assets from the liquidation of the resources to do whatever environmental work was required to be done.

Mr. D'Autremont: — If the resources from the liquidation of the assets though have already been paid out to the banking institution that has first call on it or been dispersed to the other non-creditors that aren't secured, non-secured creditors, what possible assets might be retained then for any potential environmental liabilities?

Hon. Mr. Cline: — Madam Chair, it is not correct that the receivables have been paid to the bankers. Some money has been paid to the bank as a secured creditor by the purchaser of the Meadow Lake Pulp Mill, but as I indicated at the outset there is really — I think it is — \$31.5 million is the estimate in addition to the 8.5 that can be obtained by the sale of the inventory and the accounts receivable.

And as I said at the outset, it's not guaranteed that that would be the amount. That was the original reference to the \$40 million, but we believe that in the way that has been described, 40 million will be obtained by the . . . After the estimated cleanup cost, there would be approximately 40 million left. That's the estimate.

So in other words quite apart from the money that was paid to the bank, which was the secured creditor, we believe that the environmental liabilities can be taken care of and there would still be money left over.

Mr. D'Autremont: — Okay. Thank you, Mr. Minister, for clarifying that. Not being very familiar with the forest industry at all since I live on the US [United States] border, is there any examples in Saskatchewan where a similar sort of environmental concern would have been in place and has been cleaned up in relationship to what kind of costs would be involved in that?

Hon. Mr. Cline: — Well I think there would be many, and the costs would vary quite widely. The Department of the Environment probably would have a better idea. But I mean over the course of the time I've been in government, I've seen many instances when various environmental sites — ranging from, you know, Magnum Oil at Martensville to Gunnar, Laredo to any number of sites — have had to be cleaned up,

some of them large, some of them small. So I think there are many precedents. But I don't think one could characterize them by saying, and they cost this much. I think there's quite a range.

Mr. D'Autremont: — Well that's why I asked about the forest industry, something in the forest industry. I'm familiar with the kind of clean up costs that can be associated with the oil patch but not with forestry, the chemicals that are used in the pulp industry, etc. So has there been a forestry environmental concern like that where there has been a cleanup carried out, and what kind of dollars are we looking at, based on the size of the environmental concern at Meadow Lake?

Hon. Mr. Cline: — We are not aware of any such similar situation, but it's quite possible, and I appreciate the member, Madam Chair, as referring to the forest industry. It's quite possible that perhaps in North America there have been similar situations and what we could do is seek information about that and provide it to the member through the Chair, to give information about similar situations that may have arisen.

Mr. D'Autremont: — Thank you, Mr. Minister, that would be helpful. I'm aware that in the oil patch you might consider it to be a very small location, but it has a significant dollar figure associated with it when it comes to a cleanup. So I'm not familiar, with being familiar with the forest industry. I'm not sure what kind of dollars you would be looking at or what all is involved in that kind of a cleanup. So I think it would be helpful too if that kind of information could be provided.

One of the other areas that I'm interested in is with the FMA. Meadow Lake is a pulp mill, and not all the wood in an FMA is necessarily pulp quality. Some of it is worse. Some of it is better. Some of it is good for dimension lumber. Is there the opportunity for the recovery of the dimension lumber within the FMA by someone who could use it as lumber versus utilizing that same timber as pulp product?

Hon. Mr. Cline: — I'm advised that that is currently being done by NorSask Forest Products, that they own half of the FMA, and that they will use the lumber that is suitable for those other types of products.

Mr. D'Autremont: — Okay. Thank you. How about the smaller size that could be utilized for posts but isn't for dimension or necessarily something that would be primarily used in pulp?

Hon. Mr. Cline: — I'm advised that Beauval forest products does posts out of some of the lumber there.

Mr. D'Autremont: — So there would be no problem for them then to access what the pulp industry would consider to be scraps to utilize for posts?

Hon. Mr. Cline: — They would have to work with Mistik Management who is the legal owner of the FMA, but hopefully they could make such an arrangement.

Mr. D'Autremont: — The other thing dealing with the FMA that I'm interested in is, what about access by hunters and trappers, both First Nations and non-First Nations, into that area under the new . . . You say Mistik owns the FMA, but they will

be dealing with the new entity. Is there going to be any restrictions on that, particularly in the terms of access?

Hon. Mr. Cline: — There is no change in that regard that we're aware of.

Mr. D'Autremont: — Are you aware of what the current access is? Because I'm not.

Hon. Mr. Cline: — I'm only aware that I have not received complaints about it. So I'm assuming the system works because, in my experience, if there are big problems, somebody complains about it. And I'm not saying that to invite complaints, by the way, but . . . And there's no change to the status.

But I would like to say that if there were any concerns that hunters and trappers had, I mean, we would want to hear about them, and we would want to try to resolve them for sure because those would be important concerns. And we'd like people to be able to hunt and trap and earn livelihoods from that if they're dependent upon that.

Mr. D'Autremont: — Thank you, Mr. Minister. I'd like to move on to a different topic with Meadow Lake and that's dealing with the employees. Under the new arrangement, will the previous number of employees continue to be employed there?

Hon. Mr. Cline: — Yes, all employees were kept on. But it's important to point out that, as the CCAA process went on throughout 2006, part of the restructuring going on by the monitor was to reduce the number of employees which was then done. But the number that existed upon the sale were all kept on.

Mr. D'Autremont: — Thank you. The employees that were there previous to the difficulties, when they went into the CCAA process, what happened with their pension plans? Were they sacrosanct and continued on, or were there adjustments made to those pensions?

Hon. Mr. Cline: — Well I'll answer it this way. We're not aware of any issue around the pensions of the employees that left, and again one would think if somebody lost their pension they would have complained about it. So I have to assume, since I haven't heard any complaint, that everybody kept their pensions and certainly that would be my hope because I like to think that if people are paying into a pension fund that somehow that's a separate trust, if you will, or a separate fund anyway, and it is by law. So I have to assume that they — just in the normal course of events — kept their pensions. But if there's any reason why they didn't, again, if there's a problem, we'll undertake to bring that to the member's attention.

Mr. D'Autremont: — Well thank you. Like the minister, no one has complained to anybody that I know of yet. So if there is any problems, call the minister. . . [inaudible interjection] . . . Yes. With the reduced level of employees and a new management in place, new ownership and new management, has there been any renegotiations of any of the terms of the labour agreements, or is that contingent on the operation getting up and running and the new management actually being in

place?

Hon. Mr. Cline: — The employees continue to work there, I believe, under the same collective agreement they previously had; and what is the status of any negotiations between the new employer and the union, I'm not aware but my... [inaudible interjection] ... Yes. But my understanding is that they continue to work under the same conditions, bearing in mind again that when the company went into CCAA, certain concessions were made by the employees through their bargaining agent, the union, and I believe those arrangements, as arrived at, at that time simply now continue with the new employer. That's my understanding.

Mr. D'Autremont: — And those concessions that may have been negotiated, were they of a temporary nature for a fixed period of time when they would have reverted back to the original status for further negotiations? Or was that basically a new contract that was negotiated which was some change — perhaps a reduction in some levels from the previous — and that that would be the new starting point for any further negotiations?

Hon. Mr. Cline: — I believe that they were permanent, but I am aware that in some cases concessions like that are made with a clause that says, for example, that if profitability returns to a certain level or some other event transpires, that the concessions given up would be returned. And whether or not there's such a clause, I don't know. But certainly we can undertake again to inform the member and the committee, Madam Chair, if there is a provision that it not be permanent.

Having said that, of course, collective agreements always have a set term. In fact by law, I think they have to expire after three years as we know. So in that sense, nothing is really permanent. And at the end of the three years, there would — or hopefully before that — there would be negotiations between the union and the employer, and that could result in the contract continuing, you know, at the same rate and benefits or at a higher rate and benefits or I suppose at a lower rate and benefits depending on the circumstances. And I suspect the changes would be permanent in nature, but like any agreement coming to an end at, you know, at the end of a three-year period.

Mr. D'Autremont: — Would the current arrangement, with concessions, have been made with Meadow Lake Partnership prior to the sale? Would it have been made with the new corporate structure?

Hon. Mr. Cline: — They would have been made with the court appointed monitor because the court appointed monitor, under the statutory process, would have stood in the shoes of the company and would have had the power to make various arrangements to try to restructure the operation in various ways.

Mr. D'Autremont: — So the new entity would have taken then that contract. Would that allow then the union in place to immediately enter into negotiations for a first contract with the new corporation, or would it mean that that would be the starting point from whenever that new arrangement had been made under the CCAA that would be their three-year starting point?

Hon. Mr. Cline: — When the purchaser would take over, the purchaser would take over the contract with the remaining term being the remaining term that was left with the previous employer, which was the monitor, and before that the Meadow Lake Limited Partnership. So whatever the term was before the sale, the term and the expiry date would be the same after the sale.

Mr. D'Autremont: — Okay thank you. So the only avenue to make changes in that would be if there was any clauses such as profitability at a certain point could trigger some changes, or the approach of the end of the contract where the union and the company would sit down to negotiate at some point and hopefully get an agreement prior to the three-year term being up, to renew that three-year agreement. So that would be their opportunities, to make any changes, would be done at that point.

Hon. Mr. Cline: — Yes, I believe that's the case because under the Trade Union Act, a new employer is a successor employer and is bound by the provisions of the collective agreement, so I think it would operate just as the member describes.

The Chair: — Ms. Harpauer.

Ms. Harpauer: — Thank you, Madam Chair. I have a number of questions, and we probably will run out of time on the minister's favourite topic of Victoria Park Capital. So I know he will be delighted to hear that we have further questions on that. Could the minister tell us how many employees or the shareholders within Victoria Park Capital originated in CIC III?

Hon. Mr. Cline: — Two employees.

Ms. Harpauer: — And all of the present employees in Victoria Park Capital came from Investment Saskatchewan at this point in time?

Hon. Mr. Cline: — Basically that's correct except that since the creation of Victoria Park Capital I'm advised that it's believed that there was one new person hired. So essentially all the staff came from Investment Saskatchewan.

Ms. Harpauer: — When a new person is hired, then do they have the option, or is it mandatory for them to buy shares?

Hon. Mr. Cline: — Well of course, Victoria Park Capital is a private entity, so they can do what they like. But they could grant every employee the option to buy shares at the discretion of the board of directors of Victoria Park Capital, and I'm advised that with respect to this one employee, that is the case. But I don't think it would be accurate to say that every employee would either have to or would be given the option of becoming a shareholder of that company. That would be up to the board of directors of the company.

Ms. Harpauer: — Well that's interesting that the board of directors of the company of Victoria Park Capital would have the decision on that because is not Investment Saskatchewan the holder of the remaining of the shares?

Hon. Mr. Cline: — Yes, the Investment Saskatchewan owns 38 per cent of the shares, but it is the intention that that

shareholding will be drawn down as employees buy additional shares.

Ms. Harpauer: — So would that be new employees, the existing employees, or a combination thereof?

Hon. Mr. Cline: — Yes, I'm sorry for the delay, Madam Chair. It is only new employees that can buy the shares that Investment Saskatchewan holds.

Ms. Harpauer: — So the existing employees that have shares that originally created or became part of Victoria Park Capital cannot increase their shares?

Hon. Mr. Cline: — It would be possible if the board of directors of Investment Saskatchewan approved that. But it is contemplated that new employees of Victoria Park Capital will be more than sufficient to take up the remaining shares owned by Investment Saskatchewan. So it's contemplated that it will not be an issue because new employees will in fact purchase those remaining shares.

Ms. Harpauer: — Originally all the shares of course in the very beginning were owned by Investment Saskatchewan. Was there any cap on a percentage of shares that any one employee could have in initiating the company?

Hon. Mr. Cline: — There is a policy that caps the amount or percentage of shares that any individual employee could own. And the cap varies depending upon the nature of the position held so that, as I understand it, the cap for the CEO would be different from the cap of a more junior employee which might be different from the cap of an intermediate level employee.

Ms. Harpauer: — So what entity made that decision? Was it Investment Saskatchewan or was it Victoria Park Capital? And in addition to that question, who gets to change it in the future if they want to make changes?

Hon. Mr. Cline: — The board of Victoria Park Capital, which is a private company, could certainly change that in the future.

Ms. Harpauer: — So they could change the cap that any one employee could own or percentage of shares that any one company could . . . or person, I'm sorry, employee could own although Investment Saskatchewan are the holders yet of 38 per cent of the shares.

Hon. Mr. Cline: — Well I'm contemplating the time that comes when Investment Saskatchewan is not a shareholder in Victoria Park Capital, and that's purely privately owned. And at that point Investment Saskatchewan will not be appointing any members of the board of directors of Victoria Park Capital. And it will simply make its own decisions who owns Victoria Park Capital, and that could be one shareholder or many shareholders. Or they could sell the entire company to someone altogether different. But whether or not Investment Saskatchewan would continue to contract with the entity, depending upon who the owner was and so on, would be a different issue because the relationship might be terminated altogether.

Ms. Harpauer: — So what happens in the event that one of the

existing employees who has shares is terminated? What happens to those shares?

Hon. Mr. Cline: — There would be and is a provision whereby if employment was terminated, the shares would have to be purchased by other employees. And if none wanted to buy them, then by the company itself.

Ms. Harpauer: — And when you say by the company, so Victoria Park Capital would own those shares, or would they go back to Investment Saskatchewan?

Hon. Mr. Cline: — Yes, I'm told that Victoria Park Capital would have to purchase and retire those shares.

Ms. Harpauer: — So that changes the percentages of the existing employees and thus the shareholders.

Hon. Mr. Cline: — Yes.

Ms. Harpauer: — Okay. On a different line of thought, going back because we're reviewing 2004-2005 of Investment Saskatchewan, and I know when Investment Saskatchewan was created and CIC III's [Crown Investments Corporation of Saskatchewan Industrial Interests Inc.] assets were moved into Investment Saskatchewan — and I remember a technical briefing and different committee meetings — it was thought at that time that a number of the properties and particularly smaller properties, it was said that they were going to divest of these properties. So since the beginning of Investment Saskatchewan, how many of the assets have been sold or liquidated and which ones?

Hon. Mr. Cline: — I'm advised that there has been a fair amount of liquidation of small holdings, and I don't have the list with me, but I certainly would be quite happy to undertake to provide that list through the Chair for the members.

Ms. Harpauer: — Thank you. And I would really appreciate that list because I know I have a list of a number of smaller holdings. They were under the PCF investments management and the WTC investments management, and there still seems to be a number of holdings there, and the list doesn't seem to be getting a whole lot smaller. And also when you provide that list, is it possible to provide how much they were sold for, whether or not they were sold for anywhere near their book value or if they were sold at a loss? Is there some indication . . . [inaudible interjection] . . . or gain?

Hon. Mr. Cline: — Okay. There's a list of holdings, and some of them were put under the management of other entities, and I'm advised that Investment Saskatchewan itself has divested a number of investments — more so, perhaps, than other managers. But in any event, there has been some divestiture, and certainly we will provide a list of, you know, what has been sold and so that will be quite clear. And we'll identify what was under the management of Investment Saskatchewan and what was not and what has been sold by Investment Saskatchewan and what has been sold by other managers.

Ms. Harpauer: — Yes, I would really appreciate that list because, like I said, there are a number of very small holdings that don't seem to be accomplishing a lot.

On a different train of thought, in 2004 Investment Saskatchewan paid 42 million in dividends. The other Crown corporations, there's a definite policy as to how the dividends are calculated and the amount that they have to pay each and every year is, you know, decided by those calculations. Is there a set policy in place, and what is expected for a dividend from Investment Saskatchewan because I believe in 2005 — and you can correct me if I'm wrong — they didn't pay any dividends.

Hon. Mr. Cline: — I think I'll . . . It's fairly complex. I think I'll get Mr. Baylak to explain the policy that exists.

Mr. Baylak: — The policy was put in place in 2006, and I can summarize the policy as being . . . A distribution will be made to CIC [Crown Investments Corporation of Saskatchewan] equal to any cash in excess of what is termed allowed reserve. And that allowed reserve is 150 per cent of the next year's budgeted investment capital plus the money necessary to repay long-term debt principal payments in the following year, is essentially what the allowed reserve is. So the necessary capital for the company to operate in the next year is allowed to be retained, and all excess cash is distributed to the shareholder.

Ms. Harpauer: — So my understanding, and we're going back now two years budgets, the government allotted or allocated — not even too sure if it was a budget entry or if it was an announcement — that \$50 million per year could be invested by Investment Saskatchewan which would be done through Victoria Park Capital, no one investment more than \$30 million, the average investment between 3 and \$10 million. Is that still in place? Does Victoria Park Capital have the option to invest \$50 million of additional funds each and every year in new entities or in expanding existing investments?

Mr. Baylak: — The contractual requirement with Victoria Park Capital is that Investment Saskatchewan must make available a minimum of \$25 million a year for investment capital, but the actual amount is subject to approval. Investment Saskatchewan is entitled to request more, and that is then put forward to Crown Investments Corporation for approval in their capital allocation to the Crown sector. And if they approve more, then Investment Saskatchewan can make more available, but they must make a minimum of \$25 million a year.

Ms. Harpauer: — So if the minimum is \$25 million, is there a maximum? Is there a cap as to how much Investment Saskatchewan can invest in a given year?

Mr. Baylak: — There is no cap in place. It is subject to the capital allocation approval by Crown Investments Corporation.

Ms. Harpauer: — Does the cap still remain on how much any one particular investment can be?

Mr. Baylak: — Yes. Those caps are still in place.

Ms. Harpauer: — So when Victoria Park Capital invests, Investment Saskatchewan would put a cash injection into Victoria Park Capital for a specifically identified investment.

Mr. Baylak: — Investment Saskatchewan does not give any cash to Victoria Park Capital. Victoria Park Capital finds the investment and negotiates it and requests that Investment

Saskatchewan make the investment directly into the investee. So the cash goes from Investment Saskatchewan directly to the investee. All cash from the investee also comes directly back to Investment Saskatchewan, it does not go through Victoria Park Capital.

Ms. Harpauer: — So Investment Saskatchewan then, the money that it's investing, where does it get its money? Is it getting its money then from profitability of the existing assets that are being managed by Victoria Park Capital, or is it getting a cash injection from CIC?

Hon. Mr. Cline: — Madam Chair, yes, certainly that could occur. In fact to date, I believe since the creation of Investment Saskatchewan, it has been cash flowing itself out of monies, you know, that it has made through either profits or liquidations. And so it could be investing money in investee companies on the advice of Victoria Park Capital and financing that through its cash flow. If it did not have cash flow, which has not been the case, then of course it could go to CIC as previously I guess was the case, and say, you know, we need some money for investment. But that has not been the case and certainly it's correct that it could be cash flowing the investments that it makes.

Ms. Harpauer: — Who makes the decision then if it's a minimum of \$25 million and let's say in a given year Victoria Park Capital feels that there are three, what they feel will be very good investments that could be made each at \$30 million, who ultimately makes the decision whether or not those investments will be made?

Mr. Baylak: — Within the annual committed funds, the budget that Investment Saskatchewan makes available to Victoria Park Capital, which I mentioned previously, was a minimum of \$25 million but a higher amount could be approved by CIC.

Within that framework if the investment is not in excess of \$30 million, then Victoria Park Capital makes the decisions and requests that CIC make the investment. And if the cumulative investments for the year exceed the budgeted amount or the allocated amount then Investment Saskatchewan must go back to CIC to get additional capital allocation, otherwise Victoria Park Capital cannot make any more investments in that particular year.

Ms. Harpauer: — No, I understand that Victoria Park Capital can't make that decision. But let's just hypothetically say that Victoria Park Capital has managed the investments extremely well and that money then has flowed to Investment Saskatchewan and Investment Saskatchewan accumulates \$150 million. So a minimum of 25 million must go back into investments which will be managed by Victoria Park Capital. Could they invest the entire 100, the additional entire 125 million in any given year? Could Investment Saskatchewan make that decision on their own?

Mr. Baylak: — No. They can only make investments up to the annual committed amount. The excess cash that you refer to in this case under the dividend policy now in place would be required to be paid to CIC.

Ms. Harpauer: — Okay. On a totally different frame now,

what is the relationship between Victoria Park Capital and PVF [Prairie Ventures Fund]?

Hon. Mr. Cline: — Madam Chair, there is no relationship between Victoria Park Capital and PVF. However Investment Saskatchewan has a contractual relationship with PVF, which contract would be administered by Victoria Park Capital as part of its management duties to Investment Saskatchewan.

Ms. Harpauer: — The reason why I ask is on Victoria Park Capital's website . . . And I guess I'd need some explanation of what are funds-of-funds, because in the category of funds-of-funds is where I found PVF. So what is meant by funds-of-funds?

Mr. Black: — There I go. Madam Chair, I'll try this. A fund-of-funds is just as it is described. Prairie Ventures Fund is a fund in which . . . It's much like a mutual fund. People own units of a mutual fund. They own pieces. They don't call it shares; they call it units because it's a trust. And in terms of these funds like the Prairie Ventures Fund, it isn't necessarily individuals that own units of Prairie Venture Fund, although I believe there are some. Investment Saskatchewan owns units of that fund. Within that fund, they indeed can invest in other funds, and that's what is called then a fund-of-funds.

There are entities out there who don't invest in anything other than other funds. There indeed are mutual funds on the public market which don't invest in individual companies; they invest in other mutual funds who invest in other companies. It's a theory of diversification that I think is taken to the ridiculous, but the concept is that you're buying expertise in an area where there's a lot of risk.

The reason you participate in a fund is to obtain diversification in a high-risk area that you don't understand. And it's a well-known investment concept that the greater your diversification, within limits, the better chances you have of dampening your volatility of return — i.e., you don't run the risk of 100 per cent losses, but similarly you don't have the opportunity of 100 per cent gains. You're going to have a return that mixes 100 per cent losses and 100 per cent returns and gives you a 50 per cent return. That's the theory of fund-of-funds.

So have I confused you yet? Because I can go on if you want. But the concept of fund-of-funds is to diversify. For instance, you might select a fund manager who understands the technology sector very well, and so you want to invest in his fund through your fund.

Ms. Harpauer: — Victoria Park Capital invests in Prairie Ventures Fund. They manage . . .

Mr. Black: — They manage the relationship. Victoria Park manages the relationship of the investment that Investment Saskatchewan has made in Prairie Ventures Fund. So the contractual relationship is between Prairie Ventures Fund and Investment Saskatchewan. Investment Saskatchewan has a contractual relationship with Victoria Park Capital to oversee that activity on its behalf.

Ms. Harpauer: — So Victoria Park Capital manage all of the

Prairie Ventures Fund?

Mr. Black: — No, that's . . .

Ms. Harpauer: — Prairie Ventures is a manager within themselves.

Mr. Black: — Prairie Ventures Fund is managed by PFM Capital — Prairie Financial Management it used to be called — PFM Capital. So the Prairie Ventures Fund is managed by PFM Capital. Investment Saskatchewan does not manage Prairie Ventures Fund, only invests in it. Victoria Park Capital does not manage any of Prairie Ventures Fund. All Victoria Park Capital does is manage Investment Saskatchewan's relationship with that fund, Prairie Ventures Fund, and PFM Capital.

Ms. Harpauer: — Would Victoria Park Capital have, partake in any of the management of the future investments that will be made and managed by Prairie Ventures through CIC?

Mr. Black: — No. No. That new arrangement, that new fund created in partnership between CIC and the credit union movement, that is, I understand, contractually managed by PFM Capital, that has no relationship to either Investment Saskatchewan or Victoria Park Capital.

Ms. Harpauer: — No, I knew it had no relationship to Investment Saskatchewan.

Mr. Black: — Victoria Park Capital, in my understanding — and I think my understanding is accurate — has absolutely zero relationship with that particular arrangement.

Ms. Harpauer: — Thank you. Considering the hour — and I know my whole other line of questioning will take more than the five, ten minutes that we have remaining and it's a whole track — I would like to at this point move the motion:

That the committee conclude its review of the 2004 annual report, financial statements, and related documents for Investment Saskatchewan.

The Chair: — Ms. Harpauer has moved a motion:

That the committee conclude its review of the 2004 annual report, financial statements, and related documents for Investment Saskatchewan.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you.

At this point I'd like to thank Minister Eric Cline and his officials for appearing before the committee this evening and answering all the questions in their very capable way that they have, and thank the officials of the Provincial Auditor's office for your co-operation this evening as well. Ms. Harpauer.

Ms. Harpauer: — I too would like to thank the minister and his officials. And bless the Provincial Auditor's officials for sitting through this whole session, and thank you for being here

tonight.

The Chair: — Thank you. Can I have a motion to adjourn, please? Minister Addley. Thank you.
All those in favour? Carried. Thank you. Have a nice evening, everyone.

[The committee adjourned at 21:54.]