



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

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Greg Brkich, Chair  
Arm River-Watrous

Ms. Cathy Sproule, Deputy Chair  
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Mr. Bob Bjornerud  
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Mr. Darryl Hickie  
Prince Albert Carlton

Mr. Gene Makowsky  
Regina Dewdney

Mr. Scott Moe  
Rosthern-Shellbrook

Mr. Roger Parent  
Saskatoon Meewasin

[The committee met at 18:59.]

**The Chair:** — I want to welcome everybody to the meeting tonight. We do have one substitution. Trent Wotherspoon is substituting for Cathy Sproule. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

**Bill No. 112 — *The Accounting Profession Act***

**Clause 1**

**The Chair:** — We will now consider Bill No. 112, *The Accounting Profession Act*. We will start with clause 1, short title. I will ask the minister, if you have any opening remarks you may proceed, and you may also at this time also introduce any officials you feel that you would like to.

**Hon. Mr. Krawetz:** — Excellent. Thank you very much, Mr. Chair. And good evening to all committee members. I have three officials that have joined me for discussion of Bill No. 112. Of course seated to my left is Clare Isman, who is the deputy minister of Finance. And on my right is Terry Paton, who is the Provincial Comptroller. And over to my far left is Chris Bayda. Chris is the executive director of financial management branch.

Mr. Chair, I'll make a few remarks about Bill No. 112. And I'll begin this way, by saying that Bill No. 112, *The Accounting Profession Act*, 2014 is new legislation that will establish a new self-regulating body called the Institute of Chartered Professional Accountants of Saskatchewan, for short CPA Sask, to merge into one profession Saskatchewan's chartered accountants, CAs; certified management accountants, CMAs; and certified general accountants, CGAs. The new legislation will grant a new common CPA [chartered professional accountant] designation to all CAs, CMAs, and CGAs in Saskatchewan that are in good standing.

The legislation will replace *The Chartered Accountants Act, 1986*; *The Management Accountants Act*; *The Certified Management Accountants Act*, Bill 27 of 1999-2000, not yet proclaimed; and *The Certified General Accountants Act, 1994*. These Acts will be repealed with the proclamation of this new Act.

CAs, CMAs, and CGAs support the merger. This merger is part of a broader initiative to merge provincial and national professional accounting associations across Canada. Extensive consultation was conducted by the three existing accounting bodies with their membership, and the vote to merge resulted.

Mr. Chair, the main provisions of the bill, which are supported by the CPA transitional steering committee representing the three existing accounting bodies in Saskatchewan, are as follows.

Establishing CPA Saskatchewan as a corporation and providing for the transition of CAs, CMAs, and CGAs as registrants of CPA Sask.

Setting out bylaw-making abilities. Approval of bylaws will

coincide with the proclamation of the Act.

Providing for the registration and licensing of both members and firms. Firms will be granted a licence to provide audit and assurance services where one or more members of a firm meet the requirements for licensing. All rights currently available to members will be retained.

Protecting the use of the CPA designation and the use of the title professional accountant for CPAs.

Reserving the practice of professional accounting to licensed CPAs. This means that only licensed CPAs will be able to issue audit, review, and other reports on financial statements, attesting that they are in accordance with CPA Canada [Chartered Professional Accountants Canada] standards. The rationale is that only CPAs are trained and regulated to perform work in accordance with CPA Canada standards. The public can be assured that service is based on rigorous standards from licensed and regulated professional accountants.

Mr. Chair, the bill contains transitional provisions to effect the merger. For example, CPAs will be required to use their legacy designations, that is, CA, CMA, and CGA, in tandem with the new CPA designation for a period of 10 years after the Act comes into force. This was identified as a critical aspect of the unification proposal that was agreed upon by the CA, CGA, and CMA members in Saskatchewan. The Act, Mr. Chair, will not be proclaimed until the regulatory bylaws have been approved. Work is under way with the CPA steering committee on those regulatory bylaws. Mr. Chair, with those remarks, I'd open the floor to any questions.

**The Chair:** — Thank you. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you, Mr. Chair. Thank you to the minister and all the officials that are here tonight from Finance and the comptroller's office here tonight for the consideration of Bill No. 112 and then into the Education estimates.

As it relates to Bill No. 112, I don't have a whole bunch of questions for you tonight. I do have a couple. But I do want to certainly commend the accountants of Saskatchewan and the three designations or former designations that are coming together under the new designation certified professional accountants.

I recognize that they've been involved in driving this legislation. I know that they did so once they had arrived at the democratic position expressing the will of their members to come together under the new designation. And so I'd like to recognize certainly the chartered accountants, the certified general accountants, and the certified management accountants, and their leadership for their involvement through this process. I've also really appreciated my meetings with them to fully understand what these changes mean for them, why they're important.

And certainly this is an important step we can take here in Saskatchewan, and if I'm not mistaken, we're one of the first provinces that will be able to take this step, enable the accountants with this new designation. And when you think

about what that may mean for many of those fine accounting professionals and businesses across Saskatchewan, it allows them to sort of be one of the first in the field with that designation. And also of course it gives them the opportunity to take that certainly nationally, internationally to do their work.

So we see this as an important piece of legislation, a good piece of legislation. We're pleased that your ministry, your officials were engaged with those on the ground in the accounting designations to make sure that a piece of legislation was arrived at that will work for the accounting profession now and well into the future.

So I guess maybe just a question or two would be, since this legislation has been introduced, has there been any concerns or issues or unintended consequences raised with your officials or with you as minister from various stakeholders?

**Hon. Mr. Krawetz:** — Mr. Chair. Thank you very much for those opening remarks, Mr. Wotherspoon. I'll begin by making a bit of a comment about Saskatchewan and the rest of Canada because you're right. We've had tremendous work from the three organizations. Because there's been a lot of discussion across Canada about what should be done, as you know and you've rightly said, that Saskatchewan will be first in trying to bring about a bill that has been agreed upon by all the organizations. We will be the second province that will have a CPA. Quebec was the first, but Quebec actually legislated the CPA. So Saskatchewan will be first.

Tremendous work was done by many, you know, officials, but I do understand that if this bill proceeds through committee today and is reported on by the Chair tomorrow in the legislature, we'll have representatives here that will be very happy with the process. And you know, and that was what was encouraged by not only myself, but my officials. We wanted to make sure that we were answering all the questions, that they were upfront with their membership and in fact upfront with you, the opposition, as well because this is an important bill. This is an important Act for them, because it's going to create this professional organization and it's going to show we're moving forward.

Now to the specifics of your question, have there been some concerns? There were about 150 requests sent directly to people to respond to what they might have as far as concerns. Only 20 out of 150 actually returned the response and there were about six that had questions or some concerns that they wanted addressed, which have been addressed by individuals to ensure that we informed them about what was going on. So it's a very small reaction. I, myself, to me personally, I have not had anyone raise a concern. I did have an email that came out of the United States in fact, and it was the certified management association, I think it was, out of the USA [United States of America], who said, you know, we're a body in the US [United States] and we're quite concerned about what's going on in Canada. And I said, okay, great, thank you.

But here we know that we're moving forward with the three organizations. And I think overall there will be a learning curve because there will be people who will be, you know, used to the general accountants or the management accountants and the CAs, and now they're going to be all in one, under one

umbrella. And I think it will take a little while for people to understand that, but it will be something that will be received I think very, very well by most of the accountants in this province.

**Mr. Wotherspoon:** — Well thank you. And that's certainly reflective of what I've heard as well. And so the important factors for us here is the democratic engagement that occurred with each of the organizations to endorse this shift and then the involvement of their leadership and those members in driving the legislation. So I think it would be . . . I think it's important for us to pass this legislation in a timely way, and certainly it has the support of the opposition.

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Wotherspoon. As we have indicated, you know, they followed a very vigorous consultation process, and I'm talking about the three groups with their own members, to ensure that everybody was aware of what was being planned. And they've had, you know, they've had their conventions and different professional meetings where they've been able to explain to their membership what's been going on. And as I said, I think tomorrow will be a great day for many of those people.

The actual makeup of all of the new . . . of the membership will now result in about 4,440 members in a strong organization in the province, and it also involves about 970 students as well, Mr. Chair. So it's a growing entity, and you know, I think we will be probably looked at as a province in terms of what this bill has done by our neighbours who are also considering this as well. So thank you. I turn it over to you, Mr. Chair.

**Mr. Wotherspoon:** — I might just note as well that there's impacts for other roles and positions of course, and I know that, you know, in legislation that governs such. And there'll be new opportunities on the front of another area that I'm always interested, being the public accounts and *The Provincial Auditor Act* for example, which in the past has defined or been limited only to a chartered accountant. Of course now that consideration will be broader right across all the designations. They're now to the one designation being the CPA, so just an interesting note and reflective I guess back to those bodies and those members within those organizations as to some of the practical differences that one designation will make.

**The Chair:** — Any other questions on this bill? We're going to vote on Bill No. 112, *The Accounting Profession Act*. Now this bill has 75 clauses. I will ask if I can have leave to review portions of the bill by parts rather than each individual clause. Is that agreed to?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Well thank you. Leave is granted. We'll go clause 1, short title, is that agreed to?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 75 inclusive agreed to.]

[19:15]

**The Chair:** — Her Majesty, by and with the consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Accounting Profession Act*. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I would ask a member to move to report Bill No. 112, *The Accounting Profession Act* without amendment. Mr. Parent has so moved. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Any closing remarks on this particular bill? Okay. Well I want to thank the members and the question.

We will move to the next order of business with this committee. There is consideration of estimates for the Municipal Financing Corporation of Saskatchewan. Okay, we'll just have a quick minute while we change officials.

**General Revenue Fund  
Lending and Investing Activities  
Municipal Financing Corporation of Saskatchewan  
Vote 151**

**Subvote (MF01)**

**The Chair:** — We will move on. We will now begin consideration of vote 151, the Municipal Financing Corporation of Saskatchewan, Loans (MF01). I would ask the minister if he has new officials to introduce, and any opening remarks.

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. Of course, Ms. Isman still remains here as my deputy. But joining me at the table, Mr. Chair, and committee members, is Jim Fallows. Jim is the treasurer of Municipal Financing Corporation.

I'll make some remarks, Mr. Chair, if I might. The Municipal Financing Corporation of Saskatchewan — and I'll refer to it as MFC — was established in 1969 under *The Municipal Financing Corporation Act*. MFC's sole purpose is to provide a financing alternative to local governments as they undertake their capital programs.

MFC has a legislative borrowing limit of \$350 million. Although MFC is a Crown corporation, its functions are managed by officials from the treasury and debt management division of the Ministry of Finance. MFC has two expenses: \$8,000 audit fee to Dudley & Company LLP, which are of course MFC's external auditors; and \$19,500 paid to the GRF [General Revenue Fund] to administer the operations of the corporation. I should note that, like all other Crown corporations, the Provincial Auditor also reviews the audit report of the external auditor.

The corporation borrows money primarily through advances from the Ministry of Finance or from the Canada Pension Plan, and can only purchase debentures which have been approved by the Saskatchewan Municipal Board. MFC can purchase from local governments up to 100 per cent of approved financing. Local governments have the ability but are not obligated to use

MFC to finance their capital assets. Local governments who choose to borrow from MFC achieve a cost of financing similar to that of the province.

As of December 31st, 2013, MFC had purchased debentures with a value of approximately \$165 million from 90 local governments. Again, Mr. Chair, sorry, that's 90, nine zero. Subsequent to December 31st, 2013, MFC has purchased an additional \$104.4 million of debentures, the largest being a \$100 million debenture from the city of Regina.

MFC provides financial assistance to local governments, whether it be a stadium development in Regina, or a regional water pipeline financed by the towns of Elrose and Kyle and the RMs [rural municipality] of Lacadena and Monet. There are many examples of MFC providing financing for sewer, water, road, and other capital investments by local governments throughout Saskatchewan.

Therefore, Mr. Chair, at March 31, 2014, MFC has purchased from 93 local governments \$268.3 million of debentures. The average interest rate paid by local governments on these debentures is 3.94 per cent. As I noted earlier, Mr. Chair, MFC's sole purpose is to provide a financing alternative to local governments to assist in meeting their capital financing requirements. That concludes my remarks.

**The Chair:** — Thank you, Mr. Minister. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thanks for the update on the Municipal Financing Corporation. The total balance right now of, I think you touched on it, but the total balance within the Municipal Financing Corporation right now is?

**Hon. Mr. Krawetz:** — \$268.3 million.

**Mr. Wotherspoon:** — And lending for the upcoming year is down a little bit from last year anyways. \$53 million is the planned lending this year. Just wondering what the \$53 million is pegged for?

**Hon. Mr. Krawetz:** — Actually in 2013-14, the borrowing requirements were \$122.5 million and this year for 2014-15, \$53.3 million. You have to remember that that \$100 million last year is in last year. It's in '13-14.

**Mr. Wotherspoon:** — So the 53, can you give us a bit of a scan on what the utilization will be for those dollars?

**Hon. Mr. Krawetz:** — Absolutely. There are actually four different areas. First one is to repay short-term debt, so there'll be some debt that's maturing. That's \$28 million, 28.0. A \$5 million loan to the city of Martensville for land purchase is the second one. A point five million, \$500,000 loan to town of Middle Lake — not Meadow — Middle Lake for construction of a multiplex. And \$19.8 million for anticipated loans to other governments during '14-15, and as I said, that's an estimate that's anticipating, and we have no idea whether those will materialize and actually who will take advantage of them. We know that there are municipalities considering that. So that makes up your 53.3 million.

**Mr. Wotherspoon:** — Sure. And 3.94 per cent, I believe you

touched on, was the average interest rate. What's the current interest rate that you're providing?

**Hon. Mr. Krawetz:** — Well I can mention two things. It's changing a little wee bit. The average of all of the loans up to the end of the calendar year, December 31st, 2013, that interest rate was 3.92. And now since January 1, we've had a few more loans that have been given out, and the interest rate now, that average, is 3.94.

So you know, we're moving up a little bit in terms of the interest rate, but as far as a specific rate of today . . . As you know, what we do to actually reflect the cost, it'll be depending upon what the municipality actually wants. Some will want a five-year. Some will want a 10-year. I know looking through the records here, I have a number of communities from my constituency that have varying degrees. The town of Sturgis is involved. So that interest rate will be dependent upon what they actually take as their term.

**Mr. Wotherspoon:** — I have no further questions at this point in time for the Municipal Financing Corporation. Certainly it's an important tool for municipalities and pleased to just keep track of it here.

**The Chair:** — Thank you. Seeing no more questions, we will adjourn consideration of the estimates for the Municipal Financing Corporation of Saskatchewan.

The committee will now be considering the estimates and supplementary estimates for the Ministry of Finance. Before we begin, I would like to just to remind officials to introduce themselves when they speak for the first time for the purpose of Hansard. We'll have a brief intermission maybe while change of officials, for a minute or two.

[The committee recessed for a period of time.]

**General Revenue Fund  
Finance  
Vote 18**

**Subvote (FI01)**

**The Chair:** — We will now begin with the consideration of vote 18, Finance, central management and services, subvote (FI01). I'll welcome the same minister, and I will have the minister introduce if he has new officials.

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair, and committee members. I do have one new official at the table here with me, but I'll begin of course with my deputy minister, Clare Isman, as I've already introduced. And Jim Fallows, seated next to Clare, is with us. Jim had a different responsibility with MFC, but now he's the executive director of cash and debt management. Seated on my right is Arun Srinivas, executive director of taxation and intergovernmental affairs.

Right behind me, seated on the floor of the Assembly, Mr. Chair, is Brandee Murdoch. Brandee is the acting director of financial services. We have Kelly Laurans who is the acting assistant deputy minister of revenue. And in no particular order, but somewhere behind me, we should find Denise Macza who

is the associate deputy minister, treasury board's branch. As I've already introduced, the Provincial Comptroller, Terry Paton. We have Brian Smith, assistant deputy minister responsible for the Public Employees Benefits Agency. And behind also is Joanne Brockman. Joanne is the executive director of economic and fiscal policy. And my chief of staff, Dawn Popescul, is also back there, Mr. Speaker. There are other officials in attendance that are observing but I won't go into introductions.

My opening remarks will be brief, Mr. Chair. The Ministry of Finance estimates, vote 18, are found on pages 61 to 68 of the Estimates book. The 2014-15 expense budget for the ministry's operations is \$68.8 million. That is an increase of just \$4,000 from the previous year.

When the funding requirement of \$301.4 million for pensions and benefits is included, the budget grows to \$370.2 million. That's up 10.3 million or 2.9 per cent from '13-14. Virtually all of that \$10.3 million increase is for pensions and benefits mainly due to negotiated increases to the public employees pension plan and to employer contributions toward employee benefits.

[19:30]

The ministry's 2014-15 budget provides \$6.3 million for audit and compliance capacity. That's an increase of \$470,000 and six FTEs [full-time equivalent]. Four of these FTEs will be auditors and two will be compliance officers. Increased audit and compliance officer capacity is a priority for the ministry for a couple of reasons. It will allow the ministry to be more proactive in helping businesses better understand their responsibilities and obligations in Saskatchewan's taxation regime. And secondly it ensures the ministry is able to monitor PST [provincial sales tax] growth associated with our province's growing economy.

Our compliance officers provide businesses with the latest information and follow this up periodically with one-on-one meetings helping business people to apply this information correctly and integrate it into their business planning.

The ministry's 2014-15 budget also provides \$2.2 million in government-owned capital to begin development of a replacement for our revenue management system. The current system began with an intended life cycle of 10 to 15 years, but it is now 35 years old. It was originally designed to handle about \$300 million in tax charges, but currently tracks more than \$3.1 billion in revenue. And this annual revenue is from several taxes such as the PST, fuel tax, and corporation capital tax. The ministry's 2014-15 budget also provides \$15 million for the research and development tax credit.

I'd like to quickly mention some of the other highlights outlined in the ministry's plan for 2014-15. In terms of the ministry's commitment to timely release of financial information, Saskatchewan has consistently released public accounts within 90 days of the fiscal year. Only two other provinces have been able to maintain this standard. The ministry produces 800,000 cheques and deposit notifications to suppliers, employees, and program recipients, and supports 8,000 financial system users. Approximately 56,000 businesses on the tax roll and 36,000

farm fuel permits are renewed annually by Finance staff.

The ministry also approves financial statements for 107 government agencies which are to be tabled within 120 days of those agencies' fiscal year-ends. Eighty-nine per cent of these entities are now meeting the tabling deadline, which has been trending upward from a low of about 76 per cent in 2006-07. The ministry also effectively manages \$2.5 billion in money market securities on behalf of Saskatchewan people. And this year, the ministry moved to a summary focus for the province's budget presentation and public accounts, in keeping with the recommendations of the Provincial Auditor. The ministry is making this fundamental change to enhance government's fiscal reporting to the people of Saskatchewan.

Those are just a few examples of the efforts, initiatives, and achievements of the Ministry of Finance, Mr. Chair, helping our province continue on the path of steady growth. That concludes my comments, Mr. Chair.

**The Chair:** — Thank you, Mr. Minister. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you so much. Thank you to the minister. Thank you to officials that are here tonight for the time we'll spend on the estimates. Just as far as the FTE changes, there's increase of six. They were identified by you in your opening remarks. Those are all in the audit and compliance piece and they have to do with business compliance and PST compliance, is that correct? And if there's other shifts or reallocations of FTEs within the ministry I'd appreciate hearing those. So the first part is just to clarify the six additional that have been picked up, and then if there's any changes in reallocation of FTEs into other areas within the ministry.

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Wotherspoon, for that question. I'll begin by talking a little bit more about the six extra FTEs in revenue division. As I explained, four of them are going to be officers and two are going to be compliance individuals. So we're going to add six to that. And as I've explained in my notes, again, we have a growing province. We have more businesses starting up. And we want to make sure that we provide as good an education as possible to new businesses, as well as though there may be audits that need to be done to ensure that people are meeting their responsibilities. That's going to move the revenue division from 143.9 to 149.9. So that's your extra six.

Now as far as all of the other sections or divisions that are within the Ministry of Finance, there are a total of six, of which I've already given you the revenue division. None of the other divisions either increase or decrease. They remain the same. And same means for the central management and services division, we will remain with 21.4 FTEs; for treasury and debt management division, we will remain with 14.1; for the Provincial Comptroller's division, the number of FTEs there is 88.7; for budget analysis division, it will remain at 47.6; and the final one is referred to as personnel policy secretariat, 3.7. So that makes a total of 325.4. And last year's was 319.4, which is the six that I explained to you.

**Mr. Wotherspoon:** — Thank you for that. And there's no one being seconded to Executive Council?

**Hon. Mr. Krawetz:** — No.

**Mr. Wotherspoon:** — The minister referenced the new, I guess, the work towards rebuilding or building a new revenue management system. I'm interested in what that process looks like, what sort of time lines, what the cost is. Just a little bit more information about that process and what sort of system you're looking for, and if there's models out there that you're able to build upon or look to as a preferred model.

**Hon. Mr. Krawetz:** — Thank you very much, Mr. Wotherspoon. This is a replacement that has been needed for a while. As I indicated in my opening remarks, the actual busyness of the current program and what it does and where we're going, it's going to be a five-year project and it's going to be extensive. But seated up here now is Kelly Laurans who knows a lot more about the actual project, and I think it would be much better having an explanation about information technology coming from a gentleman like that rather than me. So, I will turn it over to Kelly.

**Mr. Laurans:** — Kelly Laurans. I'm the acting assistant deputy minister of revenue division, and as the minister said earlier, we're trying to replace a 35-year-old system that does collect a significant amount of revenue in our consumption taxes, provincial sales tax, liquor, tobacco, and the corporation capital tax.

This phase of the project, we're looking to get detailed requirements gathered to issue an RFP [request for proposal] to select a vendor, to do a gap fit analysis of possible solutions. You asked the question as to whether there were solutions out there. There certainly are some COTS [custom off the shelf] solutions which are custom, off-the-shelf software products. There's also the option to custom build. There's options to have software as a service provided, and the idea in this phase would be to firm up the cost, figure out exactly what it is.

We did a project last year where KPMG came in and gave us a high-level estimate of around 29.8 million, plus or minus 50 per cent. They always give you a broad range of costs. And so this phase is to just firm that up, to have somebody go out and explore the market, figure out exactly what those COTS solutions can or can't do for you, where your gaps are, and basically get a signature-ready procurement for budget approval next year. So there is an off-ramp for us at the end of '14-15 where we spend the money to do the detailed analysis today, and then we go back to treasury board and go through the budget process and make it a final determination to actually proceed with the five-year project.

So once we get through the detailed requirements phase, then we would be in a position to procure a solution. And at that point there would be a four-year implementation. And we're taking a phased approach such that it's less risky. So the first phase would be our fuel and tobacco taxes, which represent a small amount of taxpayers versus the PST which would take into consideration 55,000 taxpayers. So there is a lot less risk in taking your smaller statutes initially. So phase one would be the small statutes. Phase two would be the provincial sales tax. Phase three would be the capital tax and then phase four is the final programs.

So as I said, there is an opportunity for an off-ramp once we can figure out those costs, and the government can decide whether it wants to proceed to the next step.

**Mr. Wotherspoon:** — It seems quite logical that a 35-year-old system may not be able to service to the full capacity that we require right now, but maybe if you could just speak to some of the current issues, concerns, or risks of not, I guess not building this new system and continued reliance on the current system.

**Mr. Laurans:** — Sure. Yes, certainly the greatest risk of course is that it is built on archaic structure. It's a mainframe system. We used to share the mainframe with a number of other businesses and, of course, as the number of businesses move away from the mainframe technology to COTS solutions, the cost of that mainframe increases. So basically it's a fixed cost from CGI for the entire mainframe. Whether we use a piece of it or whether we use the whole amount, the mainframe costs the same amount. So it's basically a flat charge. So those costs of posting keep increasing whether you replace or don't replace.

The screens that we use in the current RS50 system are the old black and white, you know, green writing screens and very, you know, it's hit PF1 for related taxpayer information, hit PF6 for another function, hit PF18 for history of a taxpayer, and a fairly slow process. So client service is definitely impacted with having to view multiple screens to get information.

There's also no single view of a taxpayer currently, so we'd have to do searches in each of our tax statutes to determine whether somebody is operating in multiple statutes within the province. So for example, most folks that have a liquor licence run a hotel, also have a provincial sales tax licence. And so if you access the liquor tax screen, you wouldn't necessary know that information, that there is also related provincial sales tax information. So what the new system would do is give you a single view of that client.

The other benefit with the COTS solutions is that when you purchase the product, there's usually upgrades that come every six months or every year, and so your system always stays current. When you have a mainframe system, unless you invest considerable amount of money each and every year to keep the systems current, you tend to fall behind on technology. And that's exactly what's happened with this old mainframe system, is that it is 35 years old. There's been very little money put into upgrades over the years, and so we just really haven't kept pace with technology.

Certainly an investment in a COTS solution, you pay an annual charge, probably no greater than the annual hosting cost we have now with RS50, but it does keep the platform current and follows best practices.

So there's a number of other jurisdictions in Canada that have COTS solutions. The province of Ontario went with a COTS solution, Manitoba, British Columbia. And certainly the experience of those jurisdictions is they're seeing their systems stay more current than their competitive jurisdictions.

**Mr. Wotherspoon:** — Thanks for that information. We'll look forward to tracking that project. As it relates to private contractors and the utilization of private contractors by the

Ministry of Education, could the minister just highlight any changes as it relates to utilization of private contractors within the ministry for various functions? I guess there may be one that is being discussed right now in the creation of this system, that those will be in the coming years. But if you could just look past on the last year, and then the year ahead, have there been changes as far as taking functions or roles of the ministry and engaging private contractors?

[19:45]

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. We're going to look for that information. But I do want to make one other comment about the RS50 system, which you'll find probably, maybe intriguing. The system is limited to six digits. So if we have to issue a cheque to someone in excess of \$999,999, you actually have to issue two cheques because you can only issue a cheque up to that limit, and then you can add the remaining balance beyond that. So that's another reason why we need to explore, ensuring that we can stay up to date and are able to move forward.

For the fiscal year that just ended on March 31st, we can't tell you exactly who was contracted. We don't use any contract employees, but we will contract with someone to do something. We have a contract with CIBC [Canadian Imperial Bank of Commerce] for banking services. We have a contract with Phoenix Advertising Group for advertising. We contract with IBM Canada Ltd. So those will be produced in the public accounts document. There's not a lot. If we look at the '12-'13, we range anywhere from 15 to 20 contracts through the year that we contract for people who do very specific things for us, but as far as employees that serve in a contracted role, we don't have any.

**Mr. Wotherspoon:** — Do you contract any policy functions of the ministry or policy or strategy functions?

**Hon. Mr. Krawetz:** — As far as I know, Mr. Wotherspoon, at the moment for this fiscal year we don't have any individual people contracted to do anything in policy. We have different officials that will, you know, will look at . . . And I guess the good discussion about the revenue division and the old audit section. And when we looked at the policy of how we use individuals within revenue division and came to the conclusion that, you know, six extra people would serve the province well, as well as Ministry of Finance. So the simple answer of your question is no, we don't have anybody.

**Mr. Wotherspoon:** — You mentioned the advertising or communications contracts that might be in place. What's the total spending planned for the next year in advertising and communications for the ministry?

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. I'll respond this way. I think I presented this information last year, so I'll try to make it similar and which really is the total preparation of the budget. The total expenses last year were 141,714. So this year we're going to be up a little bit. The total printing and advertising costs are 156,119.

I can tell you that the printing of the budget books and all of the folders and Supplementary Estimates, etc. were about



\$45,568.95. I shouldn't use the word, about, because that's pretty accurate, \$45,568.95. We had other advertising costs to creative and media strategy — budget print ads, budget signage, budget banners that I've been using throughout. So the total advertising was \$110,551. So added to that \$45,568, that's where you now have the number of 156,119.95. And that's the whole expenditure for the budget.

**Mr. Wotherspoon:** — Thank you. As it relates to lean, lean activities, lean spending, what are you projecting to spend or planning to spend on lean or lean-related activities in the upcoming year? And what were those dollars last year?

**Hon. Mr. Krawetz:** — Thank you, Mr. Wotherspoon. I'm going to just open with a quick comment, and I'm going to allow my deputy minister who is much more in tune with what's going on right within Ministry of Finance.

But I'm going to open by saying, since '10-11, so since 2010-11, the ministry has engaged in 25 efficiency initiatives. So we've been, you know, maybe it was referred to by way of a different word before, but lean or becoming more efficient, we've been doing a lot of initiatives over the period of time. And I'm going to have Clare Isman, my deputy minister, expand a little bit more on what has been done and where we see our focus for becoming more efficient into this fiscal year.

**Ms. Isman:** — Thank you, Minister. For both 2013-14 as well as '14-15, there were no budget dollars with regard to lean consultants. We didn't use any lean consultants last year that we paid for, and we haven't planned for any in the current year.

As the minister said, a lot of the work that we do internally, whether we use some of the lean tools that our staff have already been trained on or whether we just use general efficiency best practices of other tools available, that's generally how we have approached continuous improvement in the ministry on an ongoing basis.

Where we see an opportunity for maybe streamlining some of our processes, we use our staff. We use, as I say, either lean tools or other tools to assess what the processes actually look like, where there's potential to eliminate some of those touch points in terms of then being able to achieve efficiencies, either on some of the services that affect our services directly to the public, or in other cases just internal processes where we can actually free up some of our resources to then do some work in another given area.

The 25 efficiency initiatives that have sort of gone on over the last four years, generally speaking in terms of dollars that we can actually attribute from some of those initiatives, we estimate the savings to be about \$210,000 in terms of overall savings and about a 0.4 of an FTE, which is in one of the cases where we've actually looked at being able to reallocate some things. In other cases we actually don't measure quite that specifically. We simply change our processes and move on to the next initiative. So that's kind of where we are with regard to overall lean.

The only other point that I might note is in '13-14, the major initiative that we did undertake using the tools of lean was with regard to our internal planning, budgeting, and reporting

processes. So once again this was very much an internal-driven process to see where we could find some efficiencies not only in terms of the work that we do in the Ministry of Finance but with our colleagues in all of the other ministries that are intimately involved in doing planning, budgeting, and reporting on an overall basis.

**Mr. Wotherspoon:** — Thank you for those answers. The one part of the answer was that there wasn't any planned spending on or engaging consultants that you are paying for, and there wasn't last year as well. Were there consultants that you didn't pay for, that were paid for through government in some other way, that were engaged in the ministry last year or in the coming year?

**Ms. Isman:** — Yes, with regard to the last one that I just spoke to, the planning, budgeting, and reporting, we used Westmark Consulting to assist us with the value stream mapping on that initiative over nine days with a team of cross-ministry people. The contract was for \$51,000. And we received funding through the productivity fund. Because it was an enterprise-wide initiative that we were undergoing, the productivity fund funded that initiative.

**Mr. Wotherspoon:** — Westmark, I think I'm familiar. I think other ministries have engaged this consulting company as well. But just to clarify, is this the company that's located out of British Columbia, if I'm correct?

**Ms. Isman:** — I believe that's correct, yes.

**Mr. Wotherspoon:** — And this is an area I don't know much about at all as far as the colour of, you know, belts or different statuses that the consultants have within the lean structure. But what status does Westmark have within lean itself?

**Ms. Isman:** — I'm afraid I don't know the answer to that question either.

**Mr. Wotherspoon:** — Sure. And I don't know the ranking system. I know it's a bit more the Premier's project, but if someone could just endeavour to provide back the information as to, you know, what colour of belt they've accomplished or achieved. Okay. Thank you.

**Hon. Mr. Krawetz:** — We'll endeavour to do that. But I look back at all my officials and I saw heads shaking in the negative fashion that said, no we don't know what belt Westmark has achieved. So we'll ensure that we provide that for you.

**Mr. Wotherspoon:** — I thought Chris Bayda might be a black belt, but maybe in a different field of sorts. Anyways, thanks for that information. Maybe we'll move along to some of the other areas of the estimates. As you're moving forward, what considerations do you have or what changes are occurring as it relates to tax policy?

[20:00]

**Hon. Mr. Krawetz:** — Thank you, Mr. Wotherspoon. I'll make some comments on some specific areas and then maybe in a general sense first.

We do an analysis of, you know, taxation policy at each of our budget development stages. So really, you know, we've already had our first treasury board meeting for the planning for next year's budget. So those are things that we're going to keep looking at over a period of time. One of I think very specific ones that I think you are aware of, we have been considering for a number of years now a continued reduction of the corporate income tax.

You know, a number of years ago we reduced the small-business tax from 4.5 per cent down to 2. And we had indicated that there is a desire — and again we're looking at being competitive even though British Columbia has moved back a step from where it was just a short while ago — we've indicated that it's a desire to lower the corporate income tax from the current 12 down to 10. But we also said that we would only do that if it was sustainable and if it was within a balanced budget. And we have not done that. So is that one on the drawing board? The answer to you, you know, which is what your question was, I think is yes. We still would like to do that. But as you know, in this budget, the answer was no. It did not change.

One of the other things that we also look at is sometimes as, you know, being lobbied by groups within the province or because of what happens federally, we have to then respond. And one of the very specific things that we had to respond to which occurred last year was at the federal government level. The federal government made a change to how the credit unions are taxed, and it did affect the province of Saskatchewan. Last year in November we indicated to credit unions and to all people in the province of Saskatchewan that we were not going to follow the federal changes, which again they're implementing a change that would eliminate the reduction that the federal government has given to the credit unions. They're going to reduce that over a five-year period and remove that exemption.

We decided last year in November of 2013 that for the year 2013 we were not going to do that. And we said that during the budget process for this year, to get to the budget for this fiscal year of 2014-15, that would again be under consideration. Again, a very extensive lobby by the credit unions but also a lot of good discussion with different members of the credit unions pointing out that their role was a bit different than the financial institutions, the other financial institutions in the province. And the federal change would have meant that had we stayed in step with the federal government, we would have removed an exemption that would have cost the credit unions in the province of Saskatchewan on an annual basis about \$7.6 million. So pretty extensive change if we would have made that taxation policy decision.

The other one is also a benefit that the credit unions have and that is regarding capital tax. The capital tax benefit for credit unions is about a \$5 million value if I could use that term. So overall the tax changes that we could have made for credit unions would have resulted in about a \$12.6 million further revenue to the province of Saskatchewan from credit unions. And we decided as government in our budget planning that we were not going to remove that exemption. So that's a tax policy change that we made because we said now we have to . . . And the other thing is, as you know, the legislation has to be

amended. And that's why the bill was introduced today, because we are now having to remove ourselves from what we are as far as the federal government is concerned.

So those are just a couple of examples that I can give you, but overall if your question is, you know, whether or not we have direct discussions going on about other tax changes, either lowering them on a personal income tax side or increasing them, we have, as I indicated. And this really wasn't part of the budget, but we in the province have the indexation of personal income tax, so that was announced in the last week of December where all of us, every person who has a personal exemption, all of those things were changed by the CPI [consumer price index] and that resulted in about a \$6.5 million saving to taxpayers. Because if their exemptions would have remained the same, those would have been additional tax dollars.

So those are probably the only three that I can sort of think that we've had on the drawing board. Now we've had many requests from different groups to change the taxation policy, whether that be Great Western breweries or others, and none of those have changed. So I guess the simple answer to you is, no there's not too much on the drawing board. But each year everything comes back on the table when we look at preparing the budget, and that will remain the same for the upcoming budget.

**Mr. Wotherspoon:** — Thanks for touching on a few of those pieces. And we've spent some time talking about credit unions over the course of the past year. I think it was in this committee this time last year that we were responding to the federal budget and the changes, the surprise hike on credit unions that the federal government had imposed. And we were talking about what that impact was. And certainly we spent the better part of the year discussing this in the public forum, and I know that your ministry was engaged directly with the credit unions and as well doing your analysis on this front.

And I've certainly passed along, on budget day and since budget day, that this was . . . that we supported of course the decision not to hike those taxes on credit unions, and that was the position we'd been advocating with your government from basically the time of the federal tax hike last year and then throughout the year.

So we're pleased to see the credit unions not having another tax hike imposed on them. Understanding how they do operate differently, how their capital market, their capital environment is very different and their role within the communities is fairly, is quite significant.

So that's the decision that was made this year. What sort of confidence can you give to credit unions and the lending they provide across the province and the role they play across Saskatchewan moving forward? Last year I know of course there was a lot of uncertainty for them. It started with the federal tax hike; then there was the uncertainty as to whether the province would follow suit. As I say, we're pleased that you came to the position that we were advocating and that you did come to. What commitment can you give them moving forward?

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. Mr. Chair, the

changes, I guess that I can say is . . . And you were right. Last year at this time there was a lot of uncertainty because credit unions were surprised, and so were we, about the federal government change. And we made that decision in November of 2013 for the calendar year 2013 because we were still tied to the federal system.

What I can indicate to the credit unions, as I have over the last two and a half weeks since the budget, is that we are creating legislation that will remove our tie to the federal system. So as the federal system winds down . . . and they're now in their second year I guess. They're 40 per cent through and they're going to continue to remove 20 per cent in each of the next three years until it will be at zero. Our legislation will indicate that the small-business tax threshold doesn't exist for the credit unions as we have it and we're going to put that in legislation. So it's not going to be a decision that we'll be making each and every year.

Now as you know, I mean, legislation is there for the moment. And if there ever is a government that would be wanting to consider other changes to the legislation, they may in the future. But it would require legislative change then.

**Mr. Wotherspoon:** — Thanks so much for that. On the tax policy front, harmonization, where are you on harmonization?

**Hon. Mr. Krawetz:** — Our government's position is pretty clear that we are not considering harmonization.

**Mr. Wotherspoon:** — On the corporate income taxes, you're suggesting here tonight that you're, you know, it was announced . . . and what was it? It was about a year and a half ago in the plan for growth that this was sort of the goal of your government. Now I think many were anticipating that change when it was announced sooner than it's occurred. Of course it hasn't occurred yet at this point in time.

I've expressed concern on this front as far as fiscal capacity to make that change and whether that's the appropriate change to make. That being said, it's a commitment that your government has made to the people of the province. So I'm just wondering as to the timeline towards fulfillment of that commitment.

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. I guess I'll respond this way. And I think I've already put a statement on the record when I talked about, when you asked me the question about whether we were considering any tax policy changes. And I responded by saying that we had talked about moving away from the 12 per cent corporate income tax rate. And our goal is to continue with that plan as outlined in the growth plan to get it from 12 down to 10. That change from 12 to any number, whether we decide to even move like British Columbia is right now at 11, for the province of Saskatchewan, one point has a financial impact of about \$75 million.

So if we were to begin to change or we changed it all in one year, if we moved from 12 down to 10, the negative effect on the revenue for the province of Saskatchewan would be about \$150 million. So as you would appreciate, I'm sure, with the surplus of \$71 million, that would not have produced a balanced budget. So our desire is to change and we may phase it in over a longer period of time. That's been a consideration because you

can begin a change that would be a quarter of a point or a half a point, you know, and spread it out over a lot of years.

[20:15]

The goal is, as we've said, that we want to move in that direction. But it is only on the premise that we can introduce the change and that it's sustainable, and we wouldn't have to back up as BC [British Columbia] has backed up from 12 going down to 10 and now back to 11. We want to make sure that if we began the process, however lengthy that process might be to take us down from 12 to 10, it would be sustainable and it would be within a balanced budget.

So that's the commitment I make to the people of Saskatchewan. It's on our radar. It's something that we want to move forward because, you know, there's a pretty good indication that, you know, the province of Saskatchewan is an attractive place for businesses. And we want businesses to be able to come to Saskatchewan or to consider Saskatchewan as a base. And we have to be competitive, and that means that we have to look at British Columbia and Alberta and Manitoba to see whether or not we are competitive on that, as I've mentioned already, on that small-businesses tax rate, which affects everybody.

I think a lot of people don't understand, Mr. Chair, that the small-business threshold in the province of Saskatchewan is 500,000 but it's on the first 500,000 for all businesses. That's 2 per cent. And that's been reduced over the last, I believe it was two years ago that we reduced it from four and a half down to 2. So you know, is there more room? Absolutely. The lobby will be that we should move to even lower. But in the whole picture of things, you have to compare what is our PST versus our neighbour to the east, Manitoba. What is our PST with reference to Alberta, who is the only Western province that doesn't have a provincial sales tax. So there's a lot of things that come into discussion at budget planning and at cabinet finalization of a budget that was under consideration but did not make the grade for the '14-15 budget.

**Mr. Wotherspoon:** — Well we continue to urge caution on this front, as we did when it was announced by the Premier a year and a half ago. It seemed that the Premier maybe got a bit ahead of himself in understanding the fiscal capacity and some of what was going on within the province on this front, and it seems that he may have tied the hands of government a bit moving forward here. And it seemed reckless at the time and not reflective of some of the other priorities and pressures facing the people of the province and the province itself.

So we would certainly continue to urge reconsideration on this front and to understand, of course, what that \$150 million means from a fiscal capacity perspective, which you've touched on here tonight, and what that means to the people of the province, but also understanding what some of the needs and pressures that exist across the province with whether it's affordability for families, whether it's all the other factors that are important as well to that strong business climate that we need to make sure is in place.

And it's not just that one tax and that tax policy that's important to businesses across Saskatchewan. I know it's important for

them to have the infrastructure they need in communities across our province. I know it's important for them to see a strong education and system of training that brings forward the next generation into productive roles within our province and our economy.

And when we look at those pressures of affordability, when we look at the pressures and opportunities within growth, but the needs in infrastructure, it just seems that this cut, this reduction of \$150 million, is misplaced as far as a priority. And I certainly urge reconsideration of that as being a, you know, policy of government. But I'll leave it at that here tonight.

There's also some change to oil and gas taxation. I believe it's been described as it's an increase that will bring a certain portion of that around to be cost recovery for a certain function. If you could just mention that piece.

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. Mr. Chair, the question that the member asks about oil and natural gas well levy of course is under the Ministry of the Economy. But we did have a page, and I'd like to reference that, Mr. Wotherspoon. It is page 29 of the core document. And I'm going to just, not going to put all of this on the record, but there's a couple of paragraphs I think for people who don't understand what is occurring within the Ministry of the Economy. Mr. Chair, if I might, I'm just going to highlight a couple of the paragraphs or a few of the sentences that are contained on page 29 of the Core Operational Plan for those that may have accessed this document online.

Mr. Chair, the second paragraph does a bit of a descriptor as to where Saskatchewan is today. So if might, and I'll quote:

Saskatchewan currently levies a number of different fees for regulatory functions such as well licensing, facility licensing and geophysical permits. These fees recover only about 20 per cent of the current regulatory costs. In contrast, British Columbia and Alberta have more efficient licensing processes with fees that recover 100 per cent of the cost of their regulatory functions.

Later on, Mr. Chair, in the document it also says, and I quote:

The 2014-15 Budget therefore announces that Saskatchewan will replace many of its existing licensing fees with a single levy and a single window for service, as well as moving to a model of cost recovery whereby industry will contribute 90 per cent of total regulatory function costs. This change will eliminate over 20,000 transactions per year, representing a major improvement in efficiency.

So I think, Mr. Wotherspoon, with those comments, you can see that this is something that the Ministry of the Economy has worked on. They have had discussions with the people involved, the different companies involved. And you know, it's becoming more efficient, as you can see. The government is going to be a benefactor, the revenue division, because of course now we're getting 90 per cent of the costs covered by the industry directly, not by the government. But it will also eliminate over 20,000 transactions per year.

So I think that's becoming more efficient or, to use the term, it'll be a little leaner. But it will also mean that I think that we're moving into an era that makes us comparable to both British Columbia and Alberta.

**Mr. Wotherspoon:** — That's a reasonable way of describing it. I think it seems to be a reasonable measure, and I try to be a reasonable guy.

I wonder if, I sometimes wonder if the member, the current Minister of the Economy, if you were sitting in my chair and it was the previous government, I wonder, he might have characterized this as — what do you think? — a job-killing tax hike of some sort. But I wouldn't do that.

I think it looks really reasonable, and I certainly will continue to track changes on this front and understand the important role for government to balance priorities and to ensure a competitive tax regime for the oil and gas sector.

I would like to . . . Sorry.

**Hon. Mr. Krawetz:** — If I might, Mr. Wotherspoon, you know one of the paragraphs that I didn't . . . and I did mention that of course there has been consultations.

And the one sentence, as you have been able to read, it says, "Oil and gas companies have consistently supported sound regulatory oversight as essential to maintaining a healthy and robust industry in Saskatchewan." So I think this is the industry also. And you know, to alleviate maybe some of your fears or concerns is, this is an industry is saying, we have to ensure that we're doing . . . that the industry is developing correctly. And they've been very supportive of saying, we have to make sure that the policies that are put in place are supported properly.

**Mr. Wotherspoon:** — We have a lot of really strong oil and gas players in the province of course making investments, and certainly they're important to all of us.

As it relates to the grain transportation crisis, what economic analysis has your ministry undertaken, and what impacts have you found from a financial fiscal perspective on the province?

**Hon. Mr. Krawetz:** — Mr. Wotherspoon, I guess I'd respond this way. As far as the Ministry of Finance doing an analysis of whether or not there is a positive or a negative effect by non-movement of grain, we have not done that. We don't do that.

The Ministry of Agriculture I know has been involved in hearing from farmers and doing an analysis. And you know, one of the things that I know I'm hearing now, and we're going to be monitoring that even closer — and my question is, even of my staff, is I'm not sure whether it'll be within the Ministry of Agriculture or within the Ministry of Highways and Transportation — my understanding is that we're now getting weekly reports on how grain trains, I'll call them that, how grain trains are moving and whether or not we're meeting an objective of 11,000 cars per week or 13,000 or whatever it is.

So that's going to be much more important because sometimes as we look at a loss of sales, that will have a negative impact on

farms, on farmers. And that's of concern because lost revenue to farmers of course means less profitability, and that means maybe less income tax. So that's of concern to us.

So the simple answer to your first question is — what analysis are we doing in Finance? — the answer is none in terms of actually monitoring that.

You know, if I can use the opposite analogy, we know that many of our oil producing companies are transporting a lot of oil by rail now, whereas a few years ago they didn't have any transportation by rail. And we don't do that analysis to see whether or not, you know, the financial gain is X dollars or Z dollars.

So the similar situation is here with agriculture. We don't . . . I don't even know how we would be able to do an analysis of a negative because I'm assuming, as you would, that this is probably a negative impact on finances. I don't know how you would even do that.

**Mr. Wotherspoon:** — It seems to be an area that's maybe been overlooked, and maybe it should be of interest to the ministry. You know, the numbers that we continue to hear are multiple billions of dollars of farm incomes, and I think that I've heard \$5 billion, \$6 billion of farm income hit here in Saskatchewan that will be lost. And I suspect that, you know, that has to have an impact back onto the Ministry of Finance and the fiscal position of the province, the spinoff and regeneration back into the economy.

So I was expecting in the budget just some analysis on that \$5 billion hit that's been purported that producers are . . . And last year I think farm cash receipts were over \$12 billion. So this is, you know, I know it's not the number one sector anymore in the province from an economic perspective. But you know, what does go on — and I think you know this or I know you know this as well — is that that sector still puts those dollars directly back into the province in a fairly direct way. And you know, all sectors are important but maybe in a way that's in a disproportionate way that agriculture sort of punches above its weight in putting those farm incomes right back into the province.

So I guess just looking, is there an analysis of the \$5 billion as a concern? It's a concern from an economic perspective. It's a concern as well where it impacts the province on a fiscal perspective and what revenue streams it would impact. Of course it's a major concern for the producers across the province, and that's our first and foremost concern, but right now it's the fiscal impact on the province.

[20:30]

**Hon. Mr. Krawetz:** — All right. Thank you, Mr. Wotherspoon, for being patient. I just want to make sure that I can give you a better explanation of what goes on with the different ministries. And I say different ministries because we rely on the information that comes from Agriculture and Economy. And we take that information about production, whether it's, you know, the best crop ever, as was produced this last year. We take all of those things, and we rely on the inputs from those ministries. And we put that through what we call our economic model, so it

helps us determine what impact certain things will have on the economy of the province. So we rely on the information from Agriculture and Economy.

As I said, you know, maybe I erred in saying we don't do any of that ourselves, but what we do is rely on the information from Agriculture and Economy, put it through our economic model, and then we're able to have a fiscal forecast about what's going on. And these are the documents that are published regarding real GDP [gross domestic product], nominal GDP. They're all affected by crop production. They're all affected by price. So we do build those things into the plan for the province of Saskatchewan.

As you said, absolutely we are concerned about any loss of revenue that might be there for a long period of time because sometimes in agriculture there is . . . Anyone who's ever sold grain or who's ever sold cattle, you know, there may be a day when you can't sell the grain at a particular price. But if you're able to wait without incurring any hardship and then wait for the better price, I mean that's what farmers have done for ever and a day. They continue to be active in marketing to ensure that they look forward to maybe forward pricing product.

But you know, the other thing I do want to indicate to committee members is because we've had good discussion in the province about, you know, how does the government . . . how do governments support agriculture? And I do want to indicate, because I've been asked this question by others — not you, Mr. Wotherspoon, but by others — about what kind of benefits do farmers get?

There are many areas, but I want to highlight two things, and that's in the area of sales tax. We have a 5 per cent sales tax, and farm machinery and repair parts across all of Saskatchewan are not subject to PST. And I know there are members who are in the agricultural sector here. That has a value of about \$83.5 million. So that's PST that farmers don't pay on farm machinery and repair parts. Also farmers don't pay a PST on fertilizer or pesticide or seed. That has a value of about \$137.5 million. So that's some pretty significant PST that farmers aren't paying.

The other one of course, and we've had this discussion, and I know the Chair will have a smile on his face when I mention the fuel tax and the exemption for farm activity. Fuel tax, both on the gas side as well as the diesel side, results in an exemption for farmers of \$115.3 million.

So while, you know, we're quite concerned about transportation and the ability to move forward, and that's why last week, I think it was last week that the Minister of Agriculture again asked the federal government to put more teeth into its legislation, to make sure that there are stiffer penalties, that indeed railway companies have to be obligated to move the grain if there is places for the grain to be moved. But on the other side we . . . Every budget processed there is discussion about the rebates or the exemptions that are given to farmers. And as you can see by the numbers that I've just entered, Mr. Chair, that's over \$300 million worth of exemption for just those three things of fuel, farm machinery, and fertilizers and pesticides and seeds.

So those are things that we're going to continue to look at. We believe in the agricultural sector and, as you said, it doesn't play quite as important a role. I mean Saskatchewan used to be called the bread basket or the wheat province. It's not anymore because we produce so many other crops. Our farmers are very good at producing canolas and lentils and peas — pulse crops. And as a result, the economy of this province is still very dependent upon the value created by agriculture.

**Mr. Wotherspoon:** — Just to clarify my point, I was sort of suggesting that by size and volume of that sector, it may have moved down in its ranking as its place in the province economically. But its value is huge, and I think it punches above its weight. And I am concerned that there maybe hasn't been the review and analysis of what the impacts will be.

And you know, I guess it's good that you highlighted some of the structures built out to support producers. But the reality right now, I'd hate for anybody sitting at home to hear that and thinking, wow those producers, they receive a lot. What they do is they've produced a heck of a crop out there, and they're in a difficult spot here this year. They're not out of the woods on it in many cases. Lots with loans and bills, bills due. And a \$5 billion hit to their income across the province is a big hit. It's a hard one for a lot of those producers.

And you know, I think it certainly is incumbent of government to get a handle on what that impact will be back on the treasury of Saskatchewan. That's after of course the first goal of making sure that governments are actively supporting producers to get grain to market and receive the best price they can.

Just as far as the commodity prices that are forecasted, along with potash and oil, I've heard from some that feel the commodity prices are a bit high on the agricultural side for wheat and canola. Does the minister share any of those concerns or does he have any feedback?

**Hon. Mr. Krawetz:** — The short answer to that, Mr. Wotherspoon, is we rely on the ag economists. These are not numbers that my officials created. These are numbers that come directly from the agriculture economists. These are not only provincial but federal because we . . . In fact for, as you would know, for crop insurance premiums and the determination of the insurability of a particular product, I mean those are federal. Those are determined federally.

So we rely on these numbers. These are at best . . . As you see on the projections for the outlying four or five years, there isn't a lot of upswing to the price of wheat. There isn't a lot of upswing to the price of canola. So I think these are quite conservative when you look at the price for 2014, seeing wheat down at \$235 Canadian per tonne, growing somewhat over the 2016, 2017, 2018. Those aren't extreme growth. Those are very limited amounts of value growth.

And I think canola again almost remains flat right across the piece. So those are not prices that I think are extravagant. You know, there's always dips in the market. We have seen quite a bit of fluctuation especially in the price of canola over the last four months, and again I think the harvest has a lot to do with that. But we're now starting to see a little bit of a rebound. Forward pricing into the summer months is better than today. I

think that those are going to bounce back.

**Mr. Wotherspoon:** — Of course the much larger basis is a big hit for producers. What does the larger basis . . . what's the impact of the larger basis on the province?

**Hon. Mr. Krawetz:** — Well your basis question I think should be more directed to Agriculture as far as of the net effect on the producers. I mean that's why you're not seeing a lot of sales, because farmers are looking at that basis and they're saying, we're not going to sell because the basis is just too high. So maybe that will have had a negative impact as well on the farmers who are saying, I'm not going to sell at this price. As far as what overall effect a prolonged very, very high basis by grain companies will mean, I'm sorry. You'll have to direct that to the Minister of Agriculture.

**Mr. Wotherspoon:** — I know it's a dramatic shift. I know just historically it's been about 80, 85 per cent that the producer would receive out of a bushel. And in a recurrent environment, I understand it's been ranging from 30 per cent into the mid-40s that they're taking in the last year here. So that's a big impact on what the producers are taking and bringing back to Saskatchewan out of a bushel of grain. And so this is an area that certainly we would urge some attention.

And I think the impacts, you know, unfortunately will be felt by many across the province. They're going to require some planning and some actions. But without a doubt, when you pull \$5 billion out of farm incomes, there's an impact back onto purchases of vehicles, certainly back onto our farm manufacturers and our implement dealers, and there's a lot of other spinoff that should be understood by the ministry.

I would like to move along to just a couple other areas here as well. As far as oil right now, what's the impact for the change in a barrel of oil on the province? I know it varies year to year. Is it about \$20 million right now per dollar?

**Hon. Mr. Krawetz:** — Mr. Chair, I guess I'll begin a little bit of discussion about oil just by referencing what this budget is built on. And for us, we use the WTI [West Texas Intermediate]. And again I know the member knows that, but for anyone who might not be aware, there are many different prices for crude: Brent crude, there's WTI, and there's the American prices as well. So what we use is WTI oil price and that, for this budget, we have used \$94.25 overall for the entire fiscal year. That means that there's one price for the calendar year 2014, and another price for the calendar year 2015. That results in a price per barrel of oil of \$94.25.

Now your question, Mr. Wotherspoon, is, so if there is a deviation from that \$94.25, either up or down, what will that mean in either a positive or a negative factor for the revenue to the province of Saskatchewan?

For every dollar that the price changes, so I guess I could use the example, Mr. Chair . . . and again this is for the entire year. So it's not just a period of time like today where the price of a barrel of oil was up \$2.23. And I'm sure I must have had a little smile on my face, but that's only, as my officials caution me, it's only one day out of 365. So I have to remember that.

But if we happen to average over the entire 365 days, if we average one dollar lower or one dollar higher, in the case of a dollar lower, we would actually lose approximately \$20 million. If we are a dollar higher, we would make, or there would be additional revenue of 20 million. So it's 20 million for every dollar. The member is correct.

And the price that we have used — I may be jumping ahead to what might be your next question — of course we use a lot of forecasters who look at the period of time. I have been into Toronto to meet with our financial institutions and they have experts on board. They use a lot of different forecasters to determine what might be the best example or the best price of surety. Whether or not \$94.25 remains the price for, on average, for 365 days, we don't know. But that's what our best estimate is at this point.

[20:45]

**Mr. Wotherspoon:** — Thank you. And the exchange rate, the Canadian dollar, what's a cent change on it worth right now?

**Hon. Mr. Krawetz:** — Thank you very much for that. I spend a little time explaining to the people of the province the exchange rate. The exchange rate is planned a very similar way. We rely on forecasters to give us an estimation of what they see for 2014. So that would mean that for nine months of 2014, we will be looking at a particular price, and then there will be an exchange rate forecast for 2015. And of course that's January, February, March, which is again another three months or another quarter of the year.

So the budget that we have presented is based on an exchange rate of 91.50, so ninety-one and a half cents for the exchange rate. And again this one's a little different because of course, as you would expect on the price of a barrel of oil, if the price of oil is going up, we're getting more revenue.

The dollar works the exact opposite. Because we are a trading nation and we trade extensively, the exchange rate works differently. In fact if the exchange rate drops by a penny and goes down from . . . On average for a whole 365 days of the year, it would lower itself from 91.5 to 90.5. We would actually gain \$30 million. So lower penny or lower dollar means more revenue for the province of Saskatchewan.

And again similarly, if it goes up a penny so that the exchange rate on average for 365 days would not be the ninety-one fifty that we've set the budget at but would be at 92.5, we would lose \$30 million, or there would be \$30 million less revenue to the province.

**Mr. Wotherspoon:** — Thank you. As far as your government entering into considerations with lots of P3s [public-private partnership], I'm just wondering if you can clarify for us here tonight how those obligations or those liabilities or that debt will be booked in the budget moving forward?

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. Thank you for the question, Mr. Wotherspoon. The whole functioning of P3s will work very similarly to conventional builds as well, in that as assets are being constructed by either a P3 method or a traditional build method, which we're still continuing with

many, many, many projects in the province by that method, there will be, as completion occurs, there will be an asset that will be recorded on the books.

At the same time, as the project continues, and there's going to be a percentage of completion then, and we're borrowing the dollars from either traditional build through a financial institution as the government would, or through a project co for a P3, there will be a similar recording of liability. So it will not differ in terms of P3s or conventional, but it will all be recorded, both the asset and the liability that will be recorded as we move through completion stages from beginning to end.

**Mr. Wotherspoon:** — So whether it's contractual debt or obligations through the private entity that you're engaging, or whether it's more traditional debt representation, it's an obligation that will be on the books.

**Hon. Mr. Krawetz:** — The answer to that is yes. We're going to be recording both the asset and the liability on the books.

**Mr. Wotherspoon:** — So just on that front, if you're engaging, you know, the private sector or private sector partner to secure the financing, and then you're contracting to cover that — and let's say it's 300 and some million dollars for schools — that's an obligation, a liability that will show up on your books just similarly as if you were securing that debt itself in a more traditional way to build those schools. Is that correct?

**Hon. Mr. Krawetz:** — The answer would be yes, because if you are building an asset — and let's just assume that the schools as you referred to them have an asset value of 300 million — you would record that as an asset. And the other side would be if you are 100 per cent financing that \$300 million, then that's your matching liability. That's not how, you know, P3s would work, because there will be some requirement by the province to put in a particular percentage. Now whether the province borrows that, if the province borrows it by its own methods, then it would all be recorded as a liability. So, you know, there's going to be a combination. But there's no difference in terms of asset and liability recording.

**Mr. Wotherspoon:** — Right. No, and there shouldn't be on a summary basis. Debt is debt is debt, is sort of the piece. It's just where I struggled then with the justification of some, and I'm not sure I've heard you make it, but some would say that, well if we want to build schools today for example, then we need to go this P3 route, because where are you going to get the money, is sort of the statement. Well there's no money being given to anyone. It's either an obligation, a liability that's contractually entered into with a private entity, or it's a more traditional debt representation on the books.

So I guess maybe I'd just appreciate your comments as Finance minister to bring some clarity to that statement that some will make that say that, you know, well how else do you build the schools that you need if you don't have the money in the end? If you're entering into a P3, you're bringing on debt onto the books of the province. If you're building schools and borrowing to build them, you're bringing on debt onto the books of the province. And it seems to me that it should just be a more open, rational discussion with the public.

**Hon. Mr. Krawetz:** — I guess, you know, my knowledge of P3s, Mr. Wotherspoon, will begin this way by saying that Finance part of P3s will be just a portion of what is involved in P3s. Because when you look at P3s across Canada . . . And I guess I'll begin by saying, as Minister of Finance, I've had an opportunity to meet with Infrastructure Ontario who's been a leader in P3s. And moving forward, a lot of the information that I've garnered from those entities that have been involved with P3s for a longer period of time, it's all about establishing with a private sector company . . .

It's a transfer of risk. It's a transfer of risk to someone who's taking on the responsibility of ensuring that a contract or a construction of a project is on time. It's ensuring that it's within the budget that was provided. And there are certain, you know, sectors that stay on. So when we do the evaluation for a P3, I mean, it's all about value for money. Because there are different phases of a P3. You know, you can have a P3 that might be a design and build and maintain. It may be a design, build, maintain, and operate. It may be a design, build, finance, maintain, and operate.

So in all of those situations there is an evaluation by . . . In Saskatchewan of course it's going to be SaskBuilds that's going to handle the P3s. It will not be, you know, specifically for a potential Highways project. It won't be just Highways. It'll be Highways working with SaskBuilds. For schools, it will be Ministry of Education working with SaskBuilds. And we can move on to, you know, North Battleford and the Swift Current long-term care and health care. They're all working with SaskBuilds to determine whether or not there are packages that can be put together that are going to enable Saskatchewan to move forward on P3s.

So the Finance portion is not the largest portion when you talk about the ability to transfer risk to a developer. I think that's what I've seen in terms of advantages of P3s in other provinces. There is a transfer of risk. There is certainty in terms of the project coming in by a specific date, or there are significant penalties. And of course the other side is that the projects themselves will be on budget. And we've seen that in many projects they're not on budget. So I think that's where, you know, the analysis will be by SaskBuilds on all the projects that move forward. It'll be around whether or not there is a value for money and whether or not there is, you know, some certainty with regards to what the project will bring about.

**Mr. Wotherspoon:** — The question was directly to the piece around debt is debt. And I appreciate that you're suggesting that there's other potential benefits of a P3 and other potential drawbacks as well which weren't talked about. But the important piece that you touched on, I think, is that debt is debt. And anyone who wants to pretend that, you know, either . . . I think I heard it once from one of your members . . . say that, you know, basically unless you can find a money tree, then we need to deal with P3s. But it really doesn't reflect the reality of what a P3 is. You have an obligation and a liability that has cash flow impacts for many years forward whether you're dealing with a P3 or whether you're dealing with traditional build. So thanks, as the Finance minister, for asserting yourself on that front, and I appreciate that.

[21:00]

The point that I would challenge a bit is I would urge some caution around this whole notion of P3s are on time, on budget, and the traditional routes don't deliver that. This really is a matter of not whether it's a P3 or not. In many ways that's a matter of procurement and a certain detail often that's built into a P3 procurement process as well as a choice in contracts such as fixed price contracts, specificity in design that may not always be there with the traditional systems of public procurement. But there's no reason that they can't be. So we should be cautious on that front as well. There's no reason that the public sector can't refine, if they choose to, its procurement processes to achieve pieces such as fixed price contracts, specificity in design, and sorts of penalties and whatnot around times that of course are sometimes purported as benefits of P3s, around risk transfer. Just again I'd say be cautious on that stuff. I think that stuff . . . There's potentially some merit sometimes on some of those fronts, but I think those numbers get torqued around at times in a way that may not represent what an independent validator, verifier would suggest.

We come at these P3s in a very practical way. We need schools today. We need infrastructure today. We also need it to service into the future. We have to understand cash flow impacts. I won't press any further questions to you as Finance minister here tonight, but I would appreciate your ministry, your office, yourself, taking an active role in reviewing some of the actions and statements of government. Because we need to make sure we get it right as we build this infrastructure and to make sure we get the value proposition right for the next generation.

**Hon. Mr. Krawetz:** — Thank you, Mr. Wotherspoon. There's nothing that you've said that isn't things that we are concerned about, absolutely. As a government and as an entity, SaskBuilds is going to do its job. It will do its due diligence on the projects that are before us. It has expertise. I mean we've been very fortunate as a province to begin our SaskBuilds with the experience of a gentleman from Alberta who's had a lot of experience. He's got us started in that direction. So we're going to be cautious.

But I would also like to add that I forgot to mention one other item when I talked about design, build, finance. One of the other entities that P3 projects are very keen on of course is around innovation. I mean innovation as you move forward. And I agree with you in that sense. We've been fortunate in designing hospitals and long-term care facilities and other things with innovation in mind, and it doesn't matter whether you're doing it by the way of a P3 or whether you're doing it by way of a conventional build.

Innovation though, I think spurs developers in a P3. Because if a developer, as I've mentioned, from Ontario, if a developer is doing the design and the build and the maintain, and is now also implementing innovation — and it's everything from a heating plant and all kinds of other things — because the knowledge is that they're going to be maintaining that facility for a number of years and they have to make sure that they are doing it right. Because if they're not doing it right, then it's their costs. It's their penalty.

And traditionally as I've been involved with, having served on a school board for many years and done, you know, a number of . . . been involved as a board and doing a number of capital



projects, you have to be careful with the actual project management and the materials that you end up with. Because it's very easy to, I'll use that term download, on an entity as a contractor, and then leave someone with less than a facility, a facility that's less than what was expected.

**Mr. Wotherspoon:** — I want to move off P3s, but it's an important topic and it actually fits very well into this piece here and just on the whole piece around innovation. Innovation can be driven through public procurement and through contractors without a doubt. I know I chat with the design community, the engineering community, the architecture community, the builders of this province, and I know they're really game for that task. They're excited about it. But I think there's some refinement and modernization of procurement that could occur on these fronts.

And I would also be cautious in the statement around that, you know, that P3s deliver somehow better quality infrastructure. I think that there's many, many examples of flawed infrastructure that's been delivered. There's also been infrastructure I think that has met the needs of communities. But it goes back I think to some of the procurement pieces and some of the management pieces. And I do think there's room for improvement on that front.

The one other piece before we depart from P3s that I'd appreciate you having a better look at, we had pushed it as part of the accountability bill that we'd put forward that we thought was practical. But it was to have an economic analysis done of moving forward — these of course are public dollars — and just what is the impact when you're effectively shutting out many in your construction industry? And what is that impact then of course on you economically? What is the impact on you from a fiscal perspective? And I too have met with, you know, folks from Ontario including the Ontario construction folks, and there's a lot of concerns and a lot of adaptation that has gone on in Ontario. And they do, as I understand it, play by a little bit of a different set of rules. I'm not sure how they do it exactly, but around some preferential bidding processes.

And you know, call me old school, but I believe there's a benefit to be had when you're using a public dollar. And there's a range, of course not at all costs, but there's a benefit to be had to also then have the builder that's within the province, the contractor in the province that's employing within the province, being a part, a large part of providing that construction. Again not at all costs, but I do believe there's an economic measure that could be set out to understand what that benefit is.

And it's my concern on this front that, you know, when you open this up in an international perspective, we already know that there's not equal treatment of these sort of trade laws across even our country. It's my understanding that Quebec deals with this quite differently than the rest of Canada and that there's, in many cases I've heard, not even reciprocity in place there for many of our contractors or steel producers to go and do work in Quebec. But those same contractors from Quebec can come do the work here. I know there's some sort of preferential bidding structures that are built into Ontario and some sort of measure like this in Manitoba. And I think that as a province, the government needs to take an important role of understanding the economic benefit of having your construction sector and

your design sector engaged in your province, the economic benefits of doing so. And I'd certainly urge an independent economic analysis before moving forward with a decision to go forward with P3s. Because certainly I think the businesses of our province, and the taxpayers, deserve nothing less.

When we look at the changes on the summary side that you brought forward on budget day, a shift towards compliance with — as I see it right now, we'll analyze it moving forward — Canadian sector gap, public sector gap, that's a good step, the shift towards the summary focus. Maybe if you could just highlight some of the implications or some of the next steps on this front around the shift to the summary. I'm interested in things like what does this mean for quarterly reporting. I'd assume that those, the quarterly reports, will now be fully focused on the summary as well, but if you can just talk about the next steps and towards implementation.

**Hon. Mr. Krawetz:** — We're going to answer your second question right away once I put together my ideas on that. But I do want to make a comment about, you know, the concern of construction companies and architects and the like. Because we've initiated a very extensive infrastructure program in this province. We've had literally . . . well this year it will be \$887 million worth of infrastructure built across the piece. So I think that there's still going to be significant work for contractors.

You know, if I just take Advanced Education as an entity, Advanced Education, we're going to be spending \$6.5 million on the Academic Health Sciences Building in Saskatoon. That's not going to be through a P3. It will be a contractor who will be doing it. In health care in Saskatoon we're doing \$8 million renovations to the Parkridge home. We're building a . . . The government has committed \$10 million to building the Parkland Trade and Technology Centre in Yorkton. That's going to be a contractor and an architect who's bidding on that. We're doing the regional college in Weyburn. You know, those are just a few examples of AE [Advanced Education].

Throughout health care, I mean we're doing, right now we're finishing off the Moose Jaw Hospital. It's in its final tranche this year as you know. It's \$13 million there. We're doing LTCs [long-term care] right now in five communities, where we're having to put \$27 million into the budget to meet the cost requirements for those five LTCs. So those are all non-P3s.

And if we go, and I say if because those are decisions that are still being analyzed, I mean if a P3 model will be used for the North Battleford hospital and corrections centre, that'll be a project. That's one. If we move forward with the schools, that will be a two. And if we move forward with some transportation, which of course as you know is a very significant project right around Regina here, the news was yesterday with the route. I mean that's a \$1 billion dollar project.

But we're still going to be spending, as I indicated, we're spending this year \$887 million on infrastructure. So there will be, you know, there has been over the years . . . And I know I've met with many of the architects and contractors in the construction field who appreciate the fact that they've got work and they're busy. So those will still continue.

But you know, definitely we understand the concerns of smaller businesses that may not be able to benefit from the P3, and we understand that. But there will be contractors who will have opportunities to look at many of the other areas.

All right, Mr. Chair, some comments about the change to focusing on only a summary budget, and that is what we've produced. The summary in previous years, the update on the summary was only done at mid-year. So we only were doing it at mid-year and at budget time. So we're going to . . . Our officials are currently reviewing that, whether or not we actually have the ability or the capability of doing quarterlies on the full summary.

We're working with . . . Terry Paton from the comptroller's office is indicating, you know, there is about 150 different entities that are going to be making up the summaries. So whether or not Crowns are going to be able to give quarterly reports, whether or not the not-for-profit insurance organizations like the Auto Fund or Workers' Compensation Board or Crop Insurance are going to be able to accurately determine changes on a quarterly basis, we're going to do that analysis. And if it's possible, if it's doable, we'll be able to meet that challenge of still trying to do it quarterly. That's the goal.

Now as far as what kind of changes we're going to have to continue with, as you know, here in the Legislative Chamber we have the necessary changes put forward in the way of an Act, and that's *The Financial Administration Act*. That's going to be before the House and we'll require that change. The other thing is around *The Growth and Financial Security Act* and what role does it play if any. And we're doing an analysis there. My deputy minister, Ms. Isman, has already had discussions with acting auditor Judy Ferguson to indicate what kinds of changes we'll have to make, and we've indicated to her that we're going to be doing that over the course of this year. And of course she's supportive of ensuring that we move forward with those things.

[21:15]

**Mr. Wotherspoon:** — Just on the quarterly reports, I think that we're, you know, we're out of line with how those quarterly reports compare to the rest of Canada right now. They certainly are focused on the summaries. And so now that that shift has occurred, I would certainly urge the necessary actions and timelines to be met to make sure that all the reporting entities and organizations and Crowns report that information so that we have the full picture at the quarter. You know, I would see it as unacceptable and I think that — I can't speak for the accounting community and others — but I suspect they would as well because I think that's been a clear call for change. So we'll be anticipating and hopeful towards . . . in August, and be quite, you know, we'd be quite disappointed if it was anything but the summary.

**Hon. Mr. Krawetz:** — Well first of all a couple of responses there. You know, our officials are looking at other provinces, absolutely. And we're looking at what they do. Not all provinces do report quarterly. Okay? That's the first thing. But it's our goal and our desire to report, absolutely.

But I hope that you would understand that this is a year of change, that this is a year where we're working with the auditor to ensure that our legislative changes are accurate and correct, and we're doing that. So there may be, I say may be . . . It's not our desire to not have a quarterly report, but for this year, for this year of change and rewriting of everything, we just may not be able to achieve a quarterly report this year. So it's still our desire to do it, and we're going to try to do it. And that's why as we work through the requirements of all of the entities, and we're going to do the assessment of other provinces to see whether or not it's practical and possible, if those are both a yes to those, you'll see a quarterly report.

**Mr. Wotherspoon:** — I respect that it takes some resources, without a doubt, to accomplish, you know, what the changes are. But certainly the quarterly reports are important and we'll be anticipating one.

**Hon. Mr. Krawetz:** — If I might, Mr. Wotherspoon, my deputy is going to give you a bit more of a report on what's going on in the rest of Canada because I have not been involved in those. So please, Clare.

**Ms. Isman:** — Thank you very much, Minister. So we've been just doing this review right now in terms of trying to appreciate not only who's doing it but how they're doing it in terms of gathering the information. There's currently four jurisdictions that are doing first quarter reports on a summary basis. The others do not. And everyone does them at mid-year, and there are six that do it at third quarter, but the majority of them actually do it at the point in time that they're doing their budget. So they do third quarter at the same time. So that's the review that we're currently doing to then assess whether or not we can gather the information and what type of information we could gather. If it's not the whole thing, then what could we do that we'll propose back for government's consideration?

**Mr. Wotherspoon:** — We respect that there's some resources required towards this implementation but, you know, Saskatchewan people, the minister knows this. They care about their finances and they care about their public finances and they are a fiscally prudent, responsible bunch. And so we'll certainly be . . . You know, I think anything we can do to make sure that that information's available to them is important.

So I guess there was a few of the things, this education property tax hike that had been floated around by . . . I don't think I heard it from you, but I heard it from the Premier in advance of the budget. How much work went on out of your ministry then to figure out what it looked like? Of course we were opposed to it. We didn't think it made sense. And we were pleased in the budget to see that you didn't bring that forward. But how much work was done by your ministry, and just what did that proposal look like?

**Hon. Mr. Krawetz:** — Thank you, Mr. Wotherspoon. I'm going to say that I did all the work. As you can see, that would bring out a laugh. No, Mr. Wotherspoon, it was pretty easy to do the evaluation of what we might do with regards to education property tax.

As you know, since we made the change to ensure that the government sets the mill rates for education property tax across

the province, we've reformed and remodelled that because the initial system, as you know, had a three-tiered system in commercial which we said was temporary and it wasn't going to stay. And we moved to eliminate those three tiers.

But we now have four specific sectors: agriculture, residential, commercial, and resource. And that base, that assessment base that's there, that taxable assessment base is what I worked with. And you know, I mean currently mill rates for residence, and it doesn't matter whether the residence is in Regina or in Canora or anywhere else, it's the same mill rate for all residential that's 5.03, so a 5.03 mill rate. That mill rate has been reduced significantly since the time that we made the change.

Many rural school divisions, including mine that I was part of, still am part of, I mean they had a mill rate of 22 mills when we made the change. So those were considerations. And I did the analysis, Mr. Wotherspoon. I said, okay, if we're going to do a mill rate increase, what is a half a mill worth or for that matter what is a mill worth? So we said, okay, if we increase the mill rates by one mill — so agriculture would go from 2.67 to 3.67 and residential would go from 5.08 to 6.08 — what would that mean in terms of revenue for the province of Saskatchewan? And the answer to that is about \$110 million for one mill.

And of course you can take any portion of that. You say now, well let's only go a quarter mill across the piece, you know, where you're . . . 26, \$27 million worth of revenue. So that's the analysis that was done by me, and by my financial officials just to confirm that I was using the right numbers of assessment because assessments change as we have a growing province and there are additional assessments that are added in because houses are built and commercial buildings are built and all kinds of other things.

So that was under consideration, absolutely, because we have had six years of less property tax year over year or else flat property tax. So we said that maybe there is an opportunity to meet the challenge in education and otherwise. Because now the other thing that you'll see, you know — and I should have mentioned this when I talked about summaries — you're now seeing that we're looking at the summaries being produced on the basis of themes where you've got agriculture and now we've got an education theme.

And that's one of the other things that I've asked media and others to help explain that to the people of Saskatchewan, because now all of a sudden the education costs in the province are 3.6 billion I think is the number that we have, 3.6 or 3.7. My officials will correct me if I'm wrong. That's now the theme of education, but education just doesn't happen in the K to 12 [kindergarten to grade 12] system. It's in the advanced education. We have education dollars that are spent in other areas.

So the final assessment was, you know, because the municipalities have responded in the way they have regarding tax increases, and as a province who has, you know, had the government introduce a system that says tax increases are a last resort, our final decision was that for a half a mill at \$55 million or a mill at \$110 million was not something we wanted to do. And that's the short and sweet of that explanation.

**Mr. Wotherspoon:** — Well as I say, we're pleased to see that balloon that was floated out by the Premier not advanced. It was fraught with challenges and it really dismissed the affordability pressures that households are facing and the impact of property taxes. And really if you're looking at the different . . . you know, on one hand the Premier's saying that he wants to, you know, give away \$150 million out of the corporate income tax pool to the large and many out-of-province corporations — good companies, but at a time where those dollars are likely required to take care of needs here right now in the province — it just seemed really offside to be imposing that tax directly on households and certainly businesses as well across, many small businesses across Saskatchewan.

And you know as well, property tax is not a great tool of taxation for the provincial government. It's, you know, regressive in nature and it's indiscriminate of one's ability to actually pay. So we're pleased to see that trial balloon popped in the air and not become a reality for people.

Just a couple other pieces here. The concept of putting a little bit of dollars away from buoyant resources at a time of resource wealth for future generations, the idea of a futures fund or a heritage fund or a sovereign wealth fund, this is certainly a principle that Saskatchewan people support that's important to them. It's something we support, but we're not clear anymore where your government is at on the fulfillment of that commitment or when that fund will become a reality. So I'm interested just in timelines and in further considerations, because I think that many were expecting to see some clear commitments and timelines laid out in the budget.

**Hon. Mr. Krawetz:** — Thank you for that. I'll make some comments regarding the work of former president at the University of Saskatchewan, Peter MacKinnon. Government asked Mr. MacKinnon to do an analysis of what exists around the world and what kinds of things we might do to create a futures fund, if you like, because of non-renewable resource revenue. I mean that's the crux of the matter.

Mr. MacKinnon indicated that, you know, there was, there should be a desire to set up a fund, which we agree with. But he also indicated that the fund, in terms of putting dollars into the fund, would occur when the budget . . . And again I think you've asked this question before about whether or not we're still talking about what I'll call the core operational plan, about that \$11.8 billion rather than the \$14 billion. And the answer is yes to that of, course. It is still the core.

But what was mentioned was that if the income for the non-renewable resources reached a certain percentage, that is when we would establish the fund. Today in this year's budget, dealing with again the core operational plan, the non-renewable resource sector is rounded up to 23 per cent. In fact I think it's 22.6 per cent is the amount of revenue of the total budget from non-renewable resources. So we're not at the percentage that Mr. MacKinnon has suggested.

He did suggest though that a model, you know, a governance model should be looked at that keeps . . . that ensures that the entity that is established is at arm's length of government. It has an operating board. And those are things that we're going to look at over the course of this fiscal year. It's my desire as

Minister of Finance, and in discussions with the Premier, we're going to look at what we might be able to do in establishing the actual structure.

But in terms of placing the dollars, there has been of course many people who have suggested that, even in opposition to what was suggested by Mr. MacKinnon regarding the non-renewable resource percentage of the budget, we should be ensuring that debt is at zero, the government debt that still sits at about \$3.8 billion, the general government debt, that that should be zero first. We should pay that all off first. Then we should start the fund.

So that's something that's going to be, I'm sure, you know, there will be opinions on both sides as to whether or not when we reach . . . And I do believe that we have the opportunity to reach a percentage that was suggested by Mr. MacKinnon when we look at the potential of oil and now, you know, even a non-renewable resource like uranium. We're seeing now Cigar Lake starting to produce its first ore. Those are opportunities I think where we're going to be back at a point where we might have . . . and I think the magic number is about \$3.1 billion that we would need to have from non-renewable resources. If we reach that caveat, absolutely if I'm a person who has any input into that, I would be suggesting that that additional dollars would be going into the fund as we have agreed to.

**Mr. Wotherspoon:** — We'll continue to track that and certainly seek a plan and commitment that can be realized for Saskatchewan people. But at this point in time I know we've reached the conclusion of the time that we've had allocated for us, the two hours that's been budgeted, I think a little bit more than that. And I know I've also been double-booked so I need to go directly downstairs to the committee of Government Relations here tonight.

But I would want to say thank you to the minister for his time here tonight, and certainly to all of the officials for their time here tonight but also their work year-round and every day. So thank you.

[21:30]

**The Chair:** — Mr. Minister, do you have closing remarks?

**Hon. Mr. Krawetz:** — Thank you, Mr. Chair. Mr. Chair, I do want to put on the record an answer that you asked for regarding Westmark Consulting and what level. They were acquired by PricewaterhouseCoopers Canada. That's who has acquired them. And their level is a 6 sigma master black belt, so you'll know what that means. So for the record, Mr. Chair, that question that I promised an answer to the member has been put on the record.

I want to first of all thank you, Mr. Wotherspoon, for your questions. I hope that we've been able to convey to not only you but to the people of Saskatchewan some of the answers to your questions and people will better understand the budget in the process. But I also want to extend my appreciation to all of my officials who are with me and being able to supply the necessary information to you in a very pointed and very quick manner as we've just found out by the answer that we've already put on the books. So thank you to committee members.

**The Chair:** — Anything else? Okay. I just would ask a member to move a motion of adjournment, seeing that we're done. Mr. Bjornerud has moved that this committee now adjourn if that's the will of the committee. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This committee now stands adjourned until the call of the Chair.

[The committee adjourned at 21:31.]