STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Published under the authority of The Hon. Corey Tochor, Speaker

[The committee met at 15:01.]

The Chair: — Well good afternoon, everybody. I welcome members to the committee. We have myself, Fred Bradshaw, who is Chair. Substituting for Carla Beck as Deputy Chair is Nicole Sarauer. We have Greg Brkich, Terry Dennis, Warren Kaeding, Kevin Phillips, and Colleen Young.

This afternoon we'll be considering the General Revenue Fund, non-budgetary appropriation for Saskatchewan Liquor and Gaming Authority; Bill No. 23, *The Liquor Retail Modernization Act*; and Bill No. 24, *The Liquor Retail Modernization Consequential Amendments Act, 2016*.

General Revenue Fund
Non-Budgetary Appropriation
Saskatchewan Liquor and Gaming Authority

The Chair: — We now begin our consideration of the General Revenue Fund non-budgetary appropriation for Saskatchewan Liquor and Gaming Authority. Minister McMorris, please introduce your officials and make any opening comments.

Hon. Mr. McMorris: — Thank you, Mr. Chair. It's a pleasure today to be here to talk about Liquor and Gaming, their budget, as well as Bills 23 and 24.

Before I begin, I'd like to introduce the officials that we have around us here. To my left is Barry Lacey who's the president and CEO [chief executive officer] of SLGA [Saskatchewan Liquor and Gaming Authority]. To his left is Rory Jensen, acting director, financial services. To my right is Raynelle Wilson, director of enterprise initiatives. Lynnette Skaalrud is sitting behind, over my left shoulder, as well as Brent Hebert who's an ADM [assistant deputy minister] with the revenue division of the Ministry of Finance. We thought we should have him here if we had some liquor consumption tax, which kind of tends to move over into the Ministry of Finance. And he didn't get enough of being in estimates last night, so we brought him along today.

So I'll just really briefly just go, a quick overview of the SLGA budget. The net income for the budget for '16-17 is $511 million, an increase of about 11 million from 2015-16's budget which was 500 million. And the budget roughly breaks down, roughly, half liquor and half gaming.

SLGA's liquor revenues are expected to increase, primarily driven by the growth of the province. SLGA's video terminal, VLT [video lottery terminal] lottery terminal revenues are expected to increase, based on average of VLT growth rates in revenue in recent years. Saskatchewan Indian Gaming Authority, or SIGA, net income is expected to increase, driven by the new progressive jackpot. SLGA's capital investment in its operations include updating its accounting and retailing system.

So as I said, my remarks will be brief, and we'll open it up for questions from the committee.

The Chair: — Well thank you, Minister, and are there any questions? Ms. Sarauer.

Ms. Sarauer: — Sure. Thank you and thanks for your time. And I'd like to first start by thanking the officials for being here this afternoon. I think it's about 29 degrees and sunny outside, so thanks for being inside in the House where I'm sure you're so happy to be. I do have a few questions with respect to the estimates, and then I'll move on to the bills, although they do overlap a bit.

My first question, you mentioned SIGA's new progressive jackpot. Could you explain that a little bit more to me?

Hon. Mr. McMorris: — When we get into . . . I'll probably let the officials answer a lot of these because they know it better than me. What we have under SIGA is six casinos; there's six locations. Within those six locations, of course, they have VLTs or terminals that are all linked together.

You can, as a gambler you can be playing one and win on just that terminal, but there's a bigger jackpot linking all the locations or casinos together. There's two different games that do a jackpot, I guess Smoke Signals — and what was the other? — Rider. So there's two different games that you can possibly win on, depending on which machine you're playing. But it is a, you know, a consolidation of all of those casinos for one prize. You just don't know where it's going to hit, and it just adds to the, I guess, the interest and excitement because generally it's a much bigger pot.

And I know that someone won the pot, not too terribly long ago I believe, at Smoke Signals, and it was around $1 million. So it's, you know, a combined total from the six sites, two different games, although they won on one game. But I guess it just gives the gambler an added chance to win, not only on their own machine, but on the progressive jackpot. And it says "progressive" because that's exactly what it is; it grows and grows and grows until somebody hits a proper number. They win, it starts again and continues to grow.

Ms. Sarauer: — Thank you, and you mentioned this was a new jackpot. When was it implemented?

Mr. Lacey: — SIGA started offering a progressive jackpot, jackpots, starting last fiscal year. So last fiscal year was kind of the first full fiscal year that they offered this type of linked gaming opportunity to their players.

Ms. Sarauer: — Okay, thank you. Do you have any new initiatives around gaming or alcohol addiction plan for this fiscal year?

Mr. Lacey: — In addition to the continuation of much of what we call social responsibility programming that we currently have — which on the gaming side includes funding the problem gambling hotline that is provided by a number of NGOs [non-governmental organization] out there — we do other things as well on the liquor side such as funding FAS, or fetal alcohol syndrome, funding for a number of community groups to provide promotional material around that piece. Those key initiatives will continue, moving forward.

One of the new pieces that we're working on this year that likely . . . Well the work's being done this year, likely won't be implemented until early next fiscal year, is the development of a responsible gaming module on our VLTs. And what a responsible gaming module will do is it will allow a player to — on the VLTs, as an example — manage their play. So it will allow them to access the VLTs, set up a unique identifier that only relates to them. We at SLGA won't know who that individual is, but they will be able to access their account.

Through that player management system, they have the ability to track their play, so know how much they've spent in the day or through a course of a specific time period. If they so wish, it will allow them to set limits on the amount they wish to play. So they only want to play $100 a week or whatever limit they self determine, they will have the ability, through their own self selection, to place those limits on themselves. The intent of this module, at the end of the day, is to allow players really to manage their play as they choose.

Ms. Sarauer: — So you mentioned that this new program is going to be implemented probably next fiscal year?

Mr. Lacey: — Yes, it requires some significant information technology development. As a result, what we are undertaking this year is the actual development of that information technology infrastructure to allow that type of interface to occur with the player. And we expect that we won't be completed that development until the end of this fiscal, so likely launching it early next fiscal.

Ms. Sarauer: — Thank you. And then you had mentioned that you're continuing on with the initiatives that you've already had. The budgets for those, have they increased, decreased, or stayed the same this fiscal year?

Mr. Lacey: — Our budgets have remained the same as last fiscal year.

Ms. Sarauer: — Are there any organizations that were receiving funding for any type of addictions or gambling, I guess, gambling addictions or alcohol addictions programming that were receiving funding last year that aren't receiving funding this year?

Mr. Lacey: — So our responsible gaming budget and funding is primarily directed at responsible use and providing promotional material and educational material about their responsible consumption of beverage alcohol as well as responsible play. And so from that perspective, our budget remains unchanged from the previous year. Since we're only newly into the year, allocation decisions about specifically what groups will access that funding, whether the level of funding will change will be a process that will be undertaken over the course of this year.

The one piece I guess I would highlight is, and maybe it's just a clarity point . . . And I'll cycle back to, our focus of our funding is on kind of the prevention education piece. You, if I understood your question correctly, kind of made reference to treatment programming, etc., which is largely funded through the Ministry of Health. So I just wanted to ensure we had clarity around that piece.

Ms. Sarauer: — Yes, sorry, I was referring to education and awareness programs, so thank you for that answer. I'm going to move on to the estimates here for SLGA. I'm looking at the receipts for Crown corporations loan repayments, and it looks like there was a decrease of about $10 million from 2015-2016 to 2016-2017. Could you explain that change to me?

Mr. Lacey: — So the debt repayment that we made last year was approximately 15 million, so I'm not sure where the 10 million you're referring to is. But we made a $15 million repayment on our debt last year, and we're anticipating making a further $5 million payment on that debt this fiscal year.

[15:15]

Ms. Sarauer: — Yes. No, that jives with the numbers that I have, so thanks. I just explained it differently than you did. So, okay, thank you for that. I want to ask a couple of questions about staffing at SLGA. How many SGEU [Saskatchewan Government and General Employees' Union] members will . . . What will the change be at SGEU members at SLGA for this fiscal year?

Mr. Lacey: — Are you referring to the impacts of the changes we're making to the liquor retailing framework?

Ms. Sarauer: — That, and if there are any as well in addition to that.

Hon. Mr. McMorris: — It's tough to give an exact number as we move forward because we don't know. There'll be some head office, a small number, maybe a small number of head office people impacted. But most of the impact of course is out in the retail side of it. There's 175 in-scope employees and about nine out-of-scope employees that will be affected. We don't know how affected because they will have the opportunity to, depending on the location, some may have the opportunity to bid in, kind of thing, although it would be not then necessarily SGEU. But some in the cities, there's two facilities in the cities, two stores, that they may have an opportunity to move.

As well as we don't know the impact on our retail outlets as we move forward. There'll be more, I guess there will be more competitors in the market; we don't know. I don't think we know the exact impact it'll have within our own retail side of it, the stores that we have right now.

Ms. Sarauer: — Okay thanks, and that sort of segued into my next question about if there were any . . . So you said there's going to be a small impact to the employees at head office. Is that out-of-scope and in-scope?

Mr. Lacey: — In-scope and out-of-scope affected at head office.

Ms. Sarauer: — But you're not sure what the actual numbers are going to be yet at this time.

Mr. Lacey: — Well the number of positions impacted at head office were 14, but we've seen some attrition already. So the actual number of actual individuals impacted will be different at the end of the day, depending on whether people leave the organization, retire, etc. As I've said, we've seen some of that happen already.

Ms. Sarauer: — Thank you. Will there be any changes to any roles or responsibilities of any of these employees that would remain in head office?

Mr. Lacey: — Certainly there will be some changes to our organizational structure as we move to an environment where we are more focused as a wholesaler and we will have more wholesale customers than we have today. And as a result of that, I do expect that there will be some changes in responsibilities and focus as our broader operations adjust as well to be able to ensure we're serving that new model well.

Ms. Sarauer: — Okay, thank you. Can you explain SLGA's change in focus as a wholesaler?

Mr. Lacey: — So as a wholesaler, our current focus as a wholesaler right now is in our 75 government stores. We serve our 75 government stores out of our warehouse. We serve the four private stores in Regina and Saskatoon out of our warehouse. And we serve approximately 190 franchises, our liquor vendors, out of our distribution centre. And with the franchises, some of them may choose to go directly to our store, although the majority still access their product out of our warehouse.

In the new world, all retailers — which will include about 450 off-sale establishments that will become eligible for a retail store permit — will also be served out of our warehouse if they choose to access the wholesale price on liquor that they will have access to as retailers.

So essentially, we are doubling to tripling the number of individuals that we will be serving directly out of our warehouse. Currently, they're served out of our liquor stores, the 450 off-sale establishments. So it is a shift in where they're being served from, from within our organization.

Ms. Sarauer: — And the changes that are occurring, is it also fair to say that SLGA is assuming more of a regulatory role over the franchises?

Mr. Lacey: — Thank you for that. As we move to a level playing field, one of the key changes is everyone will, to be eligible to be a liquor retail, will be issued a liquor retail store permit. And as a result that liquor retail store permit is through our regulatory side of our business. Today we have a variety of retailers out there, all of which have the authorization to sell liquor off-site through a variety of mechanisms. Some of them are through a permit system, which is a regulatory system. Others are through an agreement, an operating agreement with SLGA. And as a result you will see a shift to the regulatory side of the business with respect to the authorization to retail beverage alcohol going forward.

Ms. Sarauer: — How does SLGA intend that this regulatory role will be filled? It's an increase in regulation that you'll have to do in terms of oversight. Is that correct?

Hon. Mr. McMorris: — I think SLGA has always had the responsibility of regulating the sale of alcohol, and that still will be the case. It will change in that it's a different type of system moving forward, but we'll still have that whole role as the regulator.

As Barry mentioned in the previous answer regarding HR [human resources] and how it will affect . . . I mean right now commercial permittees, for example restaurants, can go right to an SLGA store and the SLGA store will package it up. Commercial permittees in the future will have the opportunity to buy from any of the retailers, so that's where the role of each individual will vary, whether it's at the stores. It may have an impact. But as far as the regulator, that remains the same.

The new world, as Barry mentioned, is all kind of driven through regulation, you know, what the retailers can do and can't do. So we'll still maintain that role. There may be a little more work in that area because we're going to have a transition here where off-sales will have a retail licence. Vendors will have a retail licence. Private stores will have a retail licence, and public stores. So they'll all have the same licence and we regulate what they can and can't do under that licence.

Ms. Sarauer: — Are there going to be any changes to reporting requirements for those who have a retail licence?

Mr. Lacey: — So today, depending on what type of retailer you are, just like many of the things, the reporting requirements are different depending on what type of retailer you are and the relationship you have with SLGA.

As we move forward, we'll be standardizing the reporting requirements for all, from all retailers moving forward. That'll be part of a term and condition on their liquor permit. I mean, the reporting requirements will capture similar information to what we capture today, and then there will be consistency across the board now moving forward.

Ms. Sarauer: — Are you planning on increasing the level of inspections?

Hon. Mr. McMorris: — So what we are doing — and it's not necessarily driven because of the change in the retail but it certainly is complementing that — is that we have currently eight inspectors. We'll be moving to appoint to 10. We haven't filled the roles yet, I don't believe, but we'll be moving to 10 just to make sure that we get the province covered.

Ms. Sarauer: — Thank you. How many inspections were done in this last fiscal year?

Hon. Mr. McMorris: — Sorry, we don't have that information with us, but we'll get back to the committee on that.

It's interesting you know, quite often we hear from retailers, be it commercial permittees or whatever, some of the frustrations that they have with the liquor inspectors. But I was out to a facility just out in Riceton, which isn't very far from here, and talking to a fellow that just got a retail . . . not a retail licence, a commercial licence where he . . . And he couldn't have been . . . I almost didn't leave the place because he couldn't have been more complimentary on the liquor inspector. It was just a different tone than what I normally hear when I talk to some of the businesses that they've . . . And it's not that they've had trouble, but there's, you know, they figured they were doing it okay and the liquor inspector may not necessarily agree. But in this one case, I sure heard a lot of positives.

And we don't have, did I say we have . . . We don't have that information with us, but we'll get back to the committee.

Ms. Sarauer: — Yes, thank you. I appreciate that. You've already mentioned once, and I know you have before, that the purpose of these changes is to level the playing field. Can you explain that a little bit more for me?

Hon. Mr. McMorris: — I will start answering, and I'm sure Barry and/or Raynelle can join in after I'm done to hopefully not correct but add more information. I think I have it fairly clear in my head, but there are quite a few changes. We heard on a regular basis when I would go out — and this is in past years — that retailers weren't necessarily happy with the way the program ran regarding retail because there was such a discrepancy between all the retailers in the province.

And we can go through them. So the public stores, the public stores were . . . the public stores, 75 of them. They sold to just the individual coming in, but they also had, you know, commercial permittees had to buy their alcohol from them. They were just kind of run through SLGA as just another arm. There was, you know, it wasn't factored in. What we've ended up looking at is their general, their overall revenue, but what wasn't factored in was the expense of the alcohol that they were selling. So you had that, you know, 75 stores.

Then you had four private stores that are fairly newly introduced in the last couple years. They were able to get . . . and it's a discount. So what was happening before is we bring in the alcohol; we mark it to a retail level, and then we discount for the various people that were buying it from us and then reselling. The private stores were at . . . help me, Barry . . .

A Member: — Sixteen per cent.

Hon. Mr. McMorris: — Sixteen per cent, for example, on hard liquor. So it would be at a retail price. They'd get it dropped down to 16 per cent, and then they could resell it.

The vendors had a different deal; it was 15.3 per cent. So the alcohol was retailed at whatever the number was. They got a discount of 15.3 — different than in the private stores, and was kind of different than the public stores.

Off-sales, they could buy the alcohol, but they bought it at the retail price, and then they marked it up from there. There was no discount. Off-sales could sell hard liquor, and have been able to for a number of years, but again they buy it at the full retail and mark it up. Off-sales also could have then of course sold cold beer for takeout, whereas some franchisees couldn't. Some franchisees had cold beer within their store and a lot — I shouldn't say a lot because it has been shifting a little bit — but some franchisees could not sell cold beer because it was in competition with the off-sale.

[15:30]

So there is just a real kind of variation as to, depending on the retailer, what you could and couldn't do. We heard pretty significantly from the stakeholders. If you go through the review that we did back in January, we heard from consumers. They wanted more choice, more convenience, and competitive pricing. So we have a pretty good idea what the consumers want.

But then you get into the stakeholder land, and what do they want, because they're the ones then turning around and retailing. And what we heard on a pretty darn regular basis is they wanted a level playing field. In other words, the franchisees in communities were saying the off-sale is the only cold beer seller or, even in some cases, beer seller. We want to be able to do that.

The off-sales were saying, yes but the franchise were getting it at a discount price. We would like that. And so it was so many different tiers.

What we are striving to do as we move forward is level that playing field. So in other words, anybody that has a retail licence will all be then receiving, or buying their alcohol from SLGA at a wholesale price — not a discounted price where we start from retail and drop down — but from a wholesale price. And a wholesale price is determined by what we bring it in for from the distiller or manufacturer. Let's say we bring a bottle in for $10. We wholesale it up, we mark it up to maintain our revenues. So we mark it up from 10 to 20. Then all the permittees, all the retailers will get that alcohol at the same price and then mark it up from there.

So it is a real change in the system, a significant change. But what it is all aimed to do is level the playing field. The only thing that I will say to that . . . And you know, there may be some, as we roll this out over the next four or five months, six months, there'll be some concern.

Because you know, I can say level the playing field, but what is level to me is different as far as level to somebody else. So it's all in the stakeholder land. I don't think we'll hear much from the consumers at all, but we'll certainly hear from the stakeholder land, even though they've all been brought in many, many times and we've worked through a number of these situations. Until it becomes live, if I can use that word, on the ground, you don't exactly know the impact. We have a pretty good idea, and we've been dealing with the Vendors Association. We've been dealing with the hotel association. We've met with the private stores, and you know, they all have . . . They can see positives. I think every one of them will see some positives. They could also see some negatives as well.

But any time you change and try and, you know, adjust . . . Because this system has been built up over 50 years, and it's been built up for the most part around protectionism. You know, I've got this, and I don't want them to have that. We've got this, but I don't want that guy to have that. And so we're working on trying to level the playing field so it's no longer three or four different, five different licences.

It's one licence for retailing of alcohol, all getting it at the same wholesale price. All being able to offer the same, if they wanted to, the number of SKUs [stock-keeping unit]. All being able to offer, if they want to, chilled beer, whereas that hasn't been the case. Some can. Some can't. Some get it at more of a discount rate than others. It really is kind of a mixed bag that has been built up over decades and decades and decades, and what we're trying to do is kind of tear that away, level it so all retailers will be at the same point. Level playing field is what we call it.

From a consumer's perspective, I really think, you know, levelling the playing field will do what we want it to do, which is give more convenience. In other words, they'll be able to purchase maybe in a few more spots. I won't use the example, but on Sunday afternoon I was at a restaurant, a retail outlet that has an off-sale. And I'd never been in this place, but this off-sale was different than any off-sale I'd been in. It was like a liquor store and has been for a long time. They were buying alcohol at the retail price, marking it up, and obviously doing fairly well because the place was a pretty nice place. That will all kind of change.

But from a consumer, it's about convenience. It's about choice. We've heard lots of positive . . . I don't know how long you want me . . . this is a long answer. Sorry about that. But we have heard from the private, people who shop in the private stores. They like the opportunity for choice, and they like the education that the employees have as far as different products. So the choice, the convenience, and the competitiveness is what we're striving for, and I think we'll get to that with this level playing field. That was a long answer. Sorry.

Ms. Sarauer: — You've mentioned a few times that consumers have been very clear that they want more choice and more convenience. Are there any, on that note, are there any changes that will be made this fiscal year to any of the existing SLGA stores to acknowledge that?

Hon. Mr. McMorris: — So what will remain after the changes the way we see them — although some of these, there's one or two caveats there — but for the vast majority that we have, 75 stores, we're going to convert 40 into private opportunities. It's important for the communities to know that if they have, you know, in a smaller community, if they have a public store that's being converted into a private store it won't be . . . The private store will have to be up and running before we close the public store. In other words, we're not going to go a year or two where the community had access to, you know, a public store and has no access now.

So you know, we're working on that piece. But what will remain is the 35 stores, and they'll be operated differently probably than they are today. It'll be operated in the subsidiary that then has to buy its alcohol from the wholesaler, ourselves, and then retail it. So there's a business plan being worked up to be competitive in the retail field because it's going to become a very competitive environment. We've already seen it with two private stores both in Saskatoon and Regina of what their offerings are compared to the SLGA stores. But the 35 remaining will be operated as a subsidiary under the SLGA.

The Chair: — I guess we will move along now since we've kind of hit our allotted time on this particular part of it. And the committee will now conclude its consideration of the General Revenue Fund, non-budgetary appropriation for Saskatchewan Liquor and Gaming Authority. We now move to consideration of the two bills. Mr. McMorris, do you need to change any officials at all?

Hon. Mr. McMorris: — I think we have all that we need here, and we'll see where it goes. But I'm sure we've got all the officials we need. We're not adding any.

Bill No. 23 — *The Liquor Retail Modernization Act/Loi de modernisation du commerce des boissons alcoolisées*

Clause 1

The Chair: — Okay. We'll now begin our consideration of Bill No. 23, *The Liquor Retail Modernization Act* bilingual bill. Clause 1, short title. Minister McMorris, would you like to make any opening comments?

Hon. Mr. McMorris: — Can we get what I just said from *Hansard* already, because I think that those are pretty much my opening remarks regarding Bills Nos. 23 and 24. But I'll just very briefly kind of go through it again.

Under Saskatchewan's current liquor retail system, an uneven playing field exists. Currently only certain types of retailers are allowed to make decisions about their hours of operation, price, and availability of chilled products. All of this is determined . . . is in detriment to the consumer. The bill will correct that, I think, yes by going to one licence.

I think maybe I'll just leave it at that because I already, kind of my preamble on the previous question . . . So I would open it up to questions on Bills 23 and 24.

The Chair: — Thank you, Minister. Ms. Sarauer.

Ms. Sarauer: — Thank you. Bill 23 confirms SLGA's authority to establish a minimum price at which alcohol can be sold. Why was this done?

Hon. Mr. McMorris: — What is being referred to is what we call social reference pricing; in other words, the lowest amount that a certain product can go. And this was introduced I think in other provinces. And we've had it under our government since 2010, so for the last six years, where alcohol, depending on what it is, can only be sold at a lowest rate. And usually, it's high alcohol. For example, high-alcohol beer that would come in and people would, you know, retailers would, may discount it even lower than what it came in at. But it'd be a very, very low price and because it was so low priced and maybe high-alcohol volume, people were, certain clienteles were leaning that way.

So what we had done is, again followed by other provinces, is put a bottom, a low that these alcohols can be, these different types of alcohol can be sold at. So it is kind of . . . You know, I think it's a good program and it will carry on for all retailers as we move forward. Kind of a basement as to how low they can go with the pricing because, you know, if you make it too cheap, then it may not attract, maybe . . . I shouldn't say the clientele, but it may lead to greater consumption of very high alcohol at a low price.

Ms. Sarauer: — Could you explain in more detail the process you intend on using to transition the full off-sale outlets to retail store permits? You've already mentioned a little bit about it, but could you explain a little bit more?

Hon. Mr. McMorris: — On just off-sales?

Ms. Sarauer: — Just off-sales.

Mr. Lacey: — So with this legislation, it'll allow us to establish a new permit called a retail store permit. And with that, on the date that we'll be implementing a level playing field — which we are targeting, hopefully it'll be this fall when we set that date and ensure that we've addressed the necessary pieces to make that happen — we will be issuing notice to basically all of the different retailers that exist out there today that whether it is currently a off-sale endorsement or it's an agreement with SLGA, we'll be notifying them that that authorization is no longer in effect. And at the same time, we'll be issuing a retail store permit to those retailers.

Ms. Sarauer: — Thank you. Yes, thank you, I appreciate that. I missed a question on minimum prices, so I have to go back to that. I apologize. How often are reviews of minimum prices completed?

Hon. Mr. McMorris: — So the social reference pricing program was introduced, as I had mentioned, in 2010, and we haven't adjusted since that time. So it's six years old. It's a good question. We should . . . We'll be looking at it as we move forward.

In fact I think what we're going to do is index it to the CPI [consumer price index] so that it will increase. Otherwise if you don't index it and you don't increase it, in 10 years it's kind of missing the point of what we wanted it to do. So we haven't moved on it in six years, but we will be moving on it as we move forward with this new system.

Ms. Sarauer: — Okay, thank you. Bill 23 will, from what I understand, it will repeal section 98 of the alcohol and gaming regulations which authorizes SLGA to establish and operate stores. So in the explanatory notes it says that this is because SLGA will now be permitted the same way as private stores, and there's no need for separate language covering SLGA stores. So I just want to clarify, does this mean that SLGA will have to apply to itself for permission any time it wants to establish a new store?

Hon. Mr. McMorris: — So just the end of your question there, to apply for new stores, what has happened and will continue to happen — and we've made this very clear even before we went to levelling the playing field — that we as a government don't plan on opening up any new stores run by SLGA. What we do plan is — if there are more opportunities, and that's only driven by population, as the population grows in a community and, you know, we determine that it's warranted — we'll open up a licence to be bid on like we did in Regina and Saskatoon with the four private stores: Sobeys, Co-op, and Willow Park here in Regina. So you know, as far as SLGA, the subsidiary applying to open up more stores, that wouldn't be the direction. I mean we've got an — what is it, 15 new greenfield sites? — 12 new greenfield sites, and SLGA will not be bidding on any of those. Those will be coming from outside or the private sector.

[15:45]

Ms. Sarauer: — Sorry, can you explain to me what greenfield sites mean?

Hon. Mr. McMorris: — Yes, sorry. So a lot of this is the transition of currently vendors and off-sales and in the conversion of the 40 public stores into a different licence. The 12 new opportunities are new licences into the marketplace. And when we say greenfield, they'll be start up, brand new, as opposed to taking over from an existing business or off-sale. So greenfield is a new site. And we've determined because of population, such as White City, Emerald Park would be, because of that population growth, eligible for a new commercial permittee or liquor retailer. It will go out to RFP [request for proposal], and hopefully we'll have a number of companies bid on it, and it will be awarded to the one that is the most successful obviously. But it will be a new operation, not taking over from an existing operation.

Ms. Sarauer: — Thanks. I have a few questions about RFPs, so maybe I'll move into that right now since you had just mentioned that. When is the bidding process going to start for the RFPs for the 12 new private stores?

Hon. Mr. McMorris: — So we're just working on . . . well we have been working; I shouldn't say we're just working on. We have been working on details and working to make sure that we have the proper processes in place. As you can imagine, just from my perspective, we've had an awful lot of interest from a number of retailers, some that are in the business already of retailing alcohol and quite a bit of interest on some from some groups that haven't been in the business of retailing alcohol. So we think there'll be quite a bit of interest.

We're taking our time to make sure that we've got the RFP done right, the process done right. We hope to be going out sometime in July, hopefully early July. We're going to probably stage the process a little bit. In other words, you know, there's 40 conversions of stores, and there's 12 new greenfield. To do evaluation of 52 all at once, all coming in at once through one RFP, we don't think will work. So we're going to be staging it. I won't give any dates because we're not 100 per cent sure, but, you know, early in July will be the first, and then it will run July, August, and September. We hope to have it all done by October, but that's kind of the time frame.

And I can't give you the specifics on which community and when that RFP will be going out. But we're going to work very hard to make sure that all the parties know we're going to be on SaskTenders, that, you know, it will be there. And that's already a fairly robust website as well as . . . I'm not sure if we're going to do any public . . . Yes, we'll do some public notices as well. So we want to make sure that all the stakeholders know the process that we'll be going through.

What I think will happen is there's going to be . . . I would be surprised that anybody that is interested in this and looking to bid will not find where and when because we're already getting a lot of questions — when and where can we get this information? And it will be out through SaskTenders, I would think, hopefully early in July and then continuing on.

The first RFP that will go out, even though it's not for the 40 public stores or maybe the 52 . . . It will be — well I think it will be — well-viewed by others that will be looking at tendering in a smaller community because they'll be looking at that RFP process, although it may vary a little bit. But I think this first shot at the RFP which won't be a large number of stores, a small number of stores, anybody else that's interested will be looking at this process. And you know we're looking to hear feedback from it as well.

Ms. Sarauer: — When you're looking into choosing the successful bidder for your RFP, are you going to be giving any consideration to local organizations? And if so, what?

Hon. Mr. McMorris: — I think what I would say to that is . . . and we can't really release a lot of the details this afternoon. It just wouldn't be prudent for people to, you know . . . I'm sure there's a lot of people viewing in to this committee meeting right now, but not all. So it wouldn't be fair to have some get the information, but not all. And if they were wise, they'd be watching right now. They wouldn't be. They're running businesses probably and not watching us.

So will there be community groups? I think all I could say, and it's not necessarily a community group, but we've been very public by saying that groups of employees bidding on the store conversions in the 40 communities, and if they ever wanted to get a group together and bid on a greenfield or a new location, they're more than welcome to that. But I think as far as consideration of specific groups, that will be the only consideration that that we'll be having through the RFP process is any proposals coming in solely by employee groups or backed by someone else with an employee group in front of it.

I think we could see many different variations or iterations of that process, of that model. But that would be the only group that we would be looking at evaluating a little differently because that will be positive to us and I think it will be positive in the process, in the RFP process.

Ms. Sarauer: — Have you had any employee groups express interest yet?

Hon. Mr. McMorris: — It's kind of a tougher question to answer because there's been no RFP. But how I can answer that is through anecdote. We've heard kind of through the ministry and, you know, store managers or area supervisors that there is some interest. What I would say more commonly is the feedback that I get from our MLAs [Member of the Legislative Assembly] that cross the province and are in every one of these, obviously, communities that are being converted that have talked to employees.

And there's an awful lot of . . . I'm surprised at how many of our colleagues, you know, know the staff very well. Not that they're in there a lot, but it's just that they're in the community together. Don't get me wrong; they're in the community together. And so they've no doubt been talking to our MLAs. They're very interested. They don't know exactly how the process would work. It just depends on the group. And some I think will probably be more active than others. Some probably won't be very active. And we really won't know until the RFPs go out, and we start getting calls and people are asking questions and then the proposal.

We certainly hope there will be a large uptake and interest, but we don't know that for sure. What I would say, though, is there's lots of conversation going on out there, and it kind of takes a couple different forms. As I said, one, just maybe the group themselves within a community would be interested. Others are employees that are being backed by someone else that, you know, someone else doesn't know much about liquor retailing but the people in that store do, so that's another option. And then there are some areas where, you know, I think the employees aren't as interested.

Ms. Sarauer: — You've mentioned that the RFPs are going to be staged and that you've also mentioned that the conversion stores, the government stores that will be converted won't be converted until you know that there's going to be a private store in its place. So I'm interested to know how that's working for the employees at each store in terms of notices of change of employment and things like that.

Hon. Mr. McMorris: — So you know, there's been a couple of questions around the employees, and I would say absolutely that is the toughest part of this whole transition. I remember when we did the press conference saying kind of the direction we wanted to go, and as I was walking in, I mean that's all I could think about. I mean, I was briefed very well as always by the officials before going in, but it's that human element. And you know, some of the questions were directed at that, and there is not an easy answer for any of those. You try and deal with them as best you can. And they're in, you know, they're in a collective bargaining agreement so that, you know, there was a process to work through that.

What I would say is that on those 40 conversions, you know, the employees will be given notice that their store will be converted or closing and then opening up as another entity. They'll be given notice at that time. That doesn't mean that they're terminated at that time. They're being given notice. Depending on the community and the interest within that community, some of the public stores may not close as quickly as others. So it will be a bit of a — and I don't want to use the word — dragged-out process. We hope to have it cut and dry as clear as possible, but we don't know exactly. I mean we don't know exactly in the 40 communities what offers will be coming forward.

We do know in the four that we converted about three years ago, Kerrobert — And I shouldn't start down this because now I won't remember them all — but Langenburg and . . . [inaudible interjection] . . . Ponteix and Ituna. See? That's what happens when you've got really good people around you. They have a memory when I don't. But those four communities that were converted, there was interest. And you know, it went through a process not unlike what we're going to be going through, this process. So it isn't like this hasn't happened before. And I know it's happened, you know, over many, many years, not just since we've been government, the conversion of stores. So it is a tricky part and a difficult part. But the conversion will happen once the proper person or company is selected to carry on the retail in that community.

Ms. Sarauer: — Thank you. Do you know who will be doing the RFPs?

Hon. Mr. McMorris: — Right. As you can imagine, you know, there's a lot of interest for sure, and it can be a bit of a complex process. So what we have done is we've contracted through KPMG to help us on this. They will not be doing the selection, but they're going to work us very closely, have been working with us very closely to make sure the process is in place, and evaluating, you know, what that process is. As well at the end is writing a report to make sure that if we haven't stayed with the process, if there have been problems, you know, that will be reported out.

So they've been working with us in the beginning to get this set up. They've got the process set up. We as SLGA will be implementing it and following through. And KPMG will be overseeing that and doing a report at the end to make sure that the selection was fair, non-bias, all of those things. And so I think it's very important to have them involved as we go through it. I think maybe that I'll leave it at that. If there's more questions on that, I'll be more than glad to answer.

Ms. Sarauer: — Thanks. Just to clarify, so KPMG will be a part of the process, but ultimately the selection will be made by individuals within SLGA?

Hon. Mr. McMorris: — Yes. The evaluation, if you can imagine, it's not just the name and a phone number. There's quite an evaluation that needs to be done, making sure we have the proper questions and explaining it properly so that we can evaluate it. But the stakeholder that's bidding knows what is expected of them. They've been working with us to make sure that is in place. Once that's in place, we'll let the process work. SLGA themselves will then be determining who is the winning person on the RFP. KPMG will be making sure that, you know, we followed the proper process to get to that determination and write a report at the end.

Ms. Sarauer: — Okay. So KPMG won't be doing any of the evaluation part of the RFP process?

[16:00]

Hon. Mr. McMorris: — You're correct. No, they're not because I mean they've done the work leading up to make sure that that process is in place. We're going to follow through with it and then make the selection ourselves. KPMG isn't. You can imagine, you know, the cost of having them evaluate. You know, there's 52 opportunities, and you can imagine — I don't know how many; let's say there's 10 per community — that's 520 right off the bat. Then evaluating 520 submissions would be very, very, very expensive.

And it's not necessarily just the cost. We feel that, you know, we've been through it with the conversions. We looked after, SLGA did the conversions in those four communities that I've mentioned. And I won't mention them again because I've forgot them already. But those four communities, SLGA did the evaluation and naming of those, so it's not that we don't have some expertise in this area.

This is certainly much more public; you know, perhaps in some cases, higher stakes. That's why we've had KPMG working with us through the process.

Ms. Sarauer: — So will this evaluation process require more staff within SLGA to be hired to deal with the evaluation, or is it going to be done with staff that's already existing?

Hon. Mr. McMorris: — Existing staff. I think you heard that, but I will wait till my light comes on and say, existing staff.

Ms. Sarauer: — Thank you. I just need confirmation about Bill 23. The term "permittees," does it cover both retail stores and commercial stores?

Mr. Lacey: — So permittees has a broad meaning to it, and basically means any liquor establishment that has received a permit from us. So it can be these new retail store permits that we will be issuing, but also we refer to licensed restaurants, sports centres, curling rinks, hockey rinks that might have a bar, that have a liquor permit. They are a permittee as well. So permittee has a broad meaning and application within SLGA.

Ms. Sarauer: — Would it be fair to say that it includes any business that's selling or serving alcohol in Saskatchewan?

Mr. Lacey: — Any business that receives . . . any business that's in the liquor business, that is licensed by us, is referred to as a permittee.

Ms. Sarauer: — You've also mentioned a few times that you intend that these changes will be revenue neutral. Can you explain that to me please?

Hon. Mr. McMorris: — I'll take a kind of broad brush at it. The vast majority of revenue that's generated is generated through bringing alcohol in and marking it up. We control that through SLGA. So what we've done is we've run all the numbers, all the models. We know how much we make right now as far as net revenue, and we need to get to that mark.

So what we're doing is, as a wholesale can guarantee as close as possible, because a lot of it depends on, you know, I mean the amount of alcohol sold depends on the weather at times. In the summertime, if it's a hot summer, you sell a lot more. If it's a cold, damp summer, you don't sell as much. So on the retail side, we can't always control that because those are driven by market forces. But what we can do on the wholesale side is we're bringing the alcohol and marking it up and marking it up to an appropriate amount. That will see this province stay revenue neutral. You may have more on that. I know probably when you get more in depth, I can certainly let Barry take a swing at it too.

Mr. Lacey: — Well I guess I would . . . to some extent, you know, our current markup system and the wholesale system, the current markup system and the discount structure that the minister referred to is quite different than the wholesale structure that we're moving to in the new world.

So I think, as the minister referred to earlier today, the world we work in, we have one markup. We don't differentiate between a retail markup or a wholesale markup. We have one markup that's applied to essentially the cost of liquor that we pay for it. When retailers that currently have the ability to retail to the public buy that liquor from us in today's environment, they receive a discount on it. And those discounts vary greatly, as the minister referred to, depending on the type of retailer. So currently we already have an expense that relates to these discounts that we provide off of retail price.

In the new world, as the minister referred to, we're going to have two markups going forward. We're going to have what we'd consider a wholesale markup, and then we'll have for our 35 remaining stores a retail markup in that store system.

So in the new world, the vast majority of the net income . . . because we don't break it out today. We don't break it out between profit that's made on the wholesale side of our business versus the retail side of our business. In the new world, the vast majority of the profit or net income generated for government will be through the wholesale operation of SLGA. The retail markup for the remaining 35 stores will also generate a profit in those 35 stores, but compared to what we're making on the retail side, it'll be fairly small compared to what the wholesale markup is. So when we compare the current system and the sales that occur through the current system, the discounts provided off of that system compared to what we will be selling at wholesale, we believe that overall we will be revenue neutral.

Now the 40 stores that will be converted to private opportunities, when we were looking at our store system, those 40 stores overall are our least efficient stores in the system. And when you look at the overall operating cost of those stores versus what the wholesale price and profit on that wholesale price will be in those communities that we're converting, once again we believe that that conversion will result in a revenue-neutral position for SLGA and then the liquor profit that we turn over to the Government of Saskatchewan.

Ms. Sarauer: — Thank you. You had mentioned that the stores that are up for conversion are the least efficient stores. Can you explain that to me?

Mr. Lacey: — So when we were reviewing our 35 stores, we looked at primarily two pieces: the overall operating costs of those stores, which includes the direct cost of those stores — so basically the store's salary, the salaries of staff in those stores, the lighting, the lease costs, etc., directly related to those stores. But in addition there are head office costs associated with operating our retail locations as well. So you need human resource officers, for example, to staff and support the labour relations in that store system, etc. So the one component we looked at was the overall operating costs of those stores, direct cost as well as associated head office costs.

And secondly as well, some of our store infrastructure that requires significant capital upgrades was looked at as well and was factored into the analysis. And we did that for all 75 stores, and the 40 stores that had been identified, had been identified because of those two categories: overall operating costs, or any significant planned capital costs that would bring the overall cost of those stores up over the next short while.

Ms. Sarauer: — On that, what are the plans for the capital structures of the stores that will be converted? Is it the intention that the private store will move right into that space, or is there going to be a separate space for the private stores in those areas?

Mr. Lacey: — The RFP process does not require any of the proponents that will be submitting proposals to take over SLGA store operations or, I should say, the building. So there's not a requirement through the RFP process. That will be up to individuals who submit their business proposals as to what building or infrastructure they wish to use to deliver that service out of in their community.

Ms. Sarauer: — So what are the plans for those stores, for those buildings, if they're not going to be part of the RFP process?

Hon. Mr. McMorris: — Of the 40 stores that are being converted, you know, a lot of people think, well it's got the SLGA sign on the front, it must be owned by SLGA. But a number of stores are leased.

I can think of the community of Indian Head; I know that space is leased. Many of them are leased. But there are 28, I guess of the 40 that we own — am I correct? — 28 of the 40 that we own, and not unlike what happened in other communities, the four communities that I mentioned earlier and stores that were converted before, they will go up for bid. And you know, if the group that was successful in getting the retail licence in a small community wishes to go into that store, they would be very interested in the bid process and could then hopefully be, if they wanted it, successful in the bid process and then continue on operations in that store.

If they weren't interested in the store, they were successful with the permit but weren't interested in the building itself, they would move the licence and retail outlet to the building that they wanted to. And it could be conjoined with another business like we have in many communities right now, Balgonie being one where alcohol is sold in the grocery store. They could move that licence to sell alcohol in whatever business that they wanted, more or less, or it could still be a stand-alone.

If they are not interested in the store, then we would put it up again, as I said, for a bid and take what the market would give us for those stores at that time . . . [inaudible] . . . but just exactly the way that we had done it in the four communities that were converted three or four years ago.

Ms. Sarauer: — Thank you. How do you plan on keeping wholesale costs down with the change?

Hon. Mr. McMorris: — That's a pretty big question. You know, I think it's not uncommon that if people feel that the costs are too high . . . So we raise the wholesale price up, then the retailer will have to put their markup on it. If consumers think it's too high, they'll start shopping somewhere else. And we hear of that now, especially on the west side, although not as prominent. And I think if they were to shop for a whole basket of goods, they would find the prices in Saskatchewan are very competitive. It's maybe when they go to the higher end products is where they'll find the difference.

But you know, again as a wholesaler we need to be competitive because we're not onto an island by ourselves. You know, there's markets on east, west, and especially south, when people see the prices of alcohol south. So you know, we're operating, obviously in Saskatchewan, but it's a competitive business. We control the markup, absolutely. But we have to be competitive with other provinces as well.

Ms. Sarauer: — So just to clarify on the changes, SLGA is going to remain the central purchaser for all liquor in the province?

Hon. Mr. McMorris: — Yes.

Ms. Sarauer: — Are any other retailers going to have the ability to reach agreements with any, for example, craft brewers in the province, or is it all going to still be flowing through SLGA?

Hon. Mr. McMorris: — So although this is not in the bill, I think it's a good question and a good topic to talk about. Right now the craft industry has grown exponentially, and you've mentioned craft producers I think in your question.

So the expansion of the craft industry in the province has been amazing over the last 10 years. I don't think our policies have maybe kept up to what that has . . . the growth of the craft industry. So because of that, we're going through a review and want to report out relatively soon. We thought we would have it done before, but as you can imagine, there's a lot of moving parts in liquor retailing right now. So we're going to have, you know, the review come out.

[16:15]

We already started on a bit of it with the growler piece, people being able to fill their growlers in, you know, in different locations. But we're going to look at, you know, just kind of . . . All the alcohol is retailed through the government, is wholesaled through government. Craft have the opportunity, producers have the opportunity to go to off-sales and market some of their products through off-sales, as well as commercial permittees, restaurants. But they can't through SLGA, or not necessarily SLGA but they can't go directly to the private stores or the franchisees. So that's why I say there's so many discrepancies and idiosyncrasies in the way alcohol has been retailed.

What we're trying to do with Bill 23 and 24 is level that. And another layer of that is the craft piece. And we're going to be coming out with the review and recommendations that will help hopefully level the playing field and be suitable. We've, you know, we've looked at what other provinces do, and we can certainly make some changes as to how we are dealing with the craft industry, and they may have that opportunity into the future. Right now it's a pretty small window, commercial permittees as well as off-sales, but we're looking at how we can make that a little more level as well.

Ms. Sarauer: — So with the changes that Bill 23 is bringing about, commercial permittees and off-sales will still be able to deal directly with, for example, craft brewers, but other liquor providers — I can't think of the word right now, what it's called — liquor sellers, to sell their product?

Mr. Lacey: — So maybe just to clarify on the Saskatchewan craft producer piece, so I think what we've been referring to . . . And often when there's a discussion out there on this piece, it's about the fact that craft manufacturers in Saskatchewan currently have the ability to direct ship their product from their manufacturing facility directly to a commercial permittee, which can be an off-sale or it can be a restaurant or any other type of permittee that I've referred to.

Under the current rules, they're restricted from shipping directly to the four private stores that currently exist, the 190 franchisees, or directly to an SLGA store. And so if they want to access that market, they've got to go through SLGA's warehouse system, like all other national suppliers. So with the change . . . The way the regulations are drafted right now is that if there were no changes to that in the new world, that would continue that way.

But what the minister's reference is, I won't call it parallel process, but we've been undertaking a separate review of the Saskatchewan craft industry here in Saskatchewan and this direct shipping issue. And the ability to, you know, negotiate directly with a retailer on your product and then ship that product directly to the retailer from your manufacturing facility is one of the items that's under review as part of this review. And you know, we're very hopeful, and anticipate that we will have come out with the outcome of that review prior to implementing level playing fields. So I'm anticipating hopefully that when we do come out with a level playing field, we will have addressed this issue as well even though it's part of a separate track.

Ms. Sarauer: — Okay, thanks. I may have complicated this issue by bringing up craft brewers. It sounds like that's what I did. But I'm just trying to figure out with the new bills, whether or not, after they're in effect, liquor producers will have to market product to customers other than SLGA or if everything is flowing through SLGA.

Mr. Lacey: — Oh, currently today liquor suppliers deal with us at SLGA both as . . . we don't term it that way, but both as a wholesaler, so what product we're going to list in our warehouse, negotiating with them and talking to them about what the price point is at which we're going to purchase that product. And those suppliers also deal with us today kind of in that same meeting with respect to then the retail side of the business which is, you know, store promotions, displays. Right now with respect to what we call LTOs, limited time offers, so that's limited time sales, they work with us on the wholesaling side, and so we work with them with respect to what those sales are going to be.

Even today though those suppliers, many of them have representatives in the province already today. Those representatives are calling upon the private stores. They're calling upon commercial permittees with respect to off-sale and on-table business, and they're also dealing with the current private stores today with respect to the product offerings that they have available in Saskatchewan.

In the new world, I don't see that changing a lot. One of the changes that will occur for the suppliers is instead of having one meeting with SLGA to talk about the wholesale side of the business and the retail side of the business, because we want to have some transparency now between those two operations, they're likely, when they're in town, they're going to have to meet with one set of individuals from SLGA that represent our wholesale operations. And at that point in time, there'll be a discussion about, you know, the product they wish to try and get into our warehouse or what's in our warehouse, talking about the same things we talk about today, forecasting what we think demand is, delivery schedules, price. They'll have the opportunity to do limited time offers on products coming out of our wholesale system, so that's available to everybody that would order from our warehouse. They probably from that meeting now will move into a meeting with a different set of individuals from SLGA now that will represent our retail subsidiary, and they may have conversations then with our retail folks about in-store promotions, so selling, having price reductions, for example, in our store system, displays in our store system, etc.

They will continue to interact with the other private retailers out there that they do today as well. And they will I expect have conversations with those private retailers as well, whether it be Sobeys or Co-op or whoever about store promotions of their product within those private retail locations similar to the discussion they'll be having with SLGA retail. As well if they want to offer any price promotions at that particular retail, they'll be engaged in those conversations as well.

So while it will change perhaps a little bit in how those conversations happen, I would say that suppliers have agents in the province today who are regularly interacting not only with SLGA, but the private sector. And if anything, I see those conversations continuing, if not perhaps being more frequent, as they have now more ability to engage with the private retail segment of our retail system in Saskatchewan.

Ms. Sarauer: — How do you plan on ensuring that the smaller centre stores maintain a diversity of selection?

Hon. Mr. McMorris: — I guess what I would say to that is it really becomes a market-driven thing for the retailers. They'll be, you know, hopefully they'll know their market and, you know, study their market and see what their market wants. But it really is more of a market-driven issue. In other words, the retailers will try and meet the market that they're going for. And that market varies and will vary greatly from location to location. I mean in Regina here, one of the private stores has certainly gone to more specialty products, more higher end. And I think we may, depending on the locations, we may see that as well.

When you get into more of the rural, I think it's kind of a stock number of SKUs or product lines that they will carry. But that will be driven by the manager of the store or the owner of the store, whoever has that retail licence. It will be driven by them as to, you know, the selection they want to put on their shelf.

Realize that it's going to become more of a competitive market moving forward, in that in some communities they're going to have an off-sale that can retail. It can right now but they'll have an off-sale that will retail at the same level, if they want to, as a right now vendor, which will be just a liquor retailer.

So there's a competitiveness, I think. You know, if you walk into a store and they've only got a few SKUs, that won't look very good compared to the store down the street that has a number of SKUs. So it's really going to be more driven by market and the general public as it is dictating to the stores what they have to carry and what they don't have to carry.

Ms. Sarauer: — Okay. So is there no longer a requirement for a minimum number of SKUs?

Hon. Mr. McMorris: — That's right.

Ms. Sarauer: — I understand some restaurants in smaller centres have expressed concern about having to negotiate a discount with their local, what would become their local provider, which would be an off-sale store. How are you planning on addressing these concerns?

Hon. Mr. McMorris: — So that's an interesting question in that . . . So the commercial permittees, restaurants and, as Barry said, maybe the curling club, those type of sellers on table definitely have some concern. They wanted to see more out of this. They wanted to see all of them, you know, and there's thousands of them in the province wanted the same, to be able to get their alcohol at the same wholesale price as what the licensed retailers, be it off-sale franchise, private store, public store — they're all the same — the commercial permittees wanted that same break and that would just be too large.

So what they can do now, which they couldn't do before . . . And you know, I think, I imagine you listened to the hearings when the committee was on and the restaurant association were still positive. Even though they didn't get everything they wanted or maybe even a lot of what they wanted, they were still positive because what it does is gives the retailer, the commercial retailer of alcohol on table, the ability to negotiate a discount. Right now they have no opportunity whatsoever. They have to buy the alcohol that they serve on their tables at the same price as it's sold in the retail outlet at the full retail price. So there's no break at all. If they are able to work out an agreement with a retailer at a 5 per cent discount, it's 5 per cent more than they had before.

And I know we're just hearing already that there are, you know, some groups that have a retail licence off-sales, or a businessman that's saying, I'm going to try to capitalize on that commercial permittee market. I'm going to go and try and get three dozen restaurants to buy all their alcohol from me and I'll give it to you for a lot less than what you're buying it for right now, which is at retail prices.

So there's some business opportunities within that, that we're already hearing some aggressive entrepreneurs are looking at. So from a restaurant's perspective, you know, I would be out there pushing whoever they're going to about purchasing their alcohol from, to give them the best discount they possibly can. Again we let the market kind of take care of that because I'm sure there'll be opportunities out there for them.

Ms. Sarauer: — Okay. What are you doing to ensure prices won't increase, especially in some of these smaller centres?

Hon. Mr. McMorris: — So it's going to remain a competitive marketplace, as I said before. People are mobile. If you're in a community that the alcohol is extremely high priced, you may be purchasing from another location. Remember that in most communities, there's going to be two permittees operating, the off-sale and the vendor. In some cases it could be off-sale and public store. So it will be . . . You know, that's that whole competitive piece that the public were looking for. They wanted it to be competitive. If a retailer isn't competitive, I think they'd probably notice their revenues dropping.

Ms. Sarauer: — Thank you. Sorry, I'm just looking through my notes here. Can you explain to me a little bit how the discounts will be working, the discount being offered to retailers after the changes?

Hon. Mr. McMorris: — I'll take a swing at that. So that was the terminology that was used in the past, discounting. And I guess it can be still used in the future when, if you were looking at . . . You could use the word if you're looking at a commercial permittee such as a restaurant going and buying from a licensed retailer. They may get a discount on what they're buying it from. We look at it at a wholesale . . . How much are you marking it up? So it's really not discounting as much as wholesaling.

The old system talked a lot about discounting because everybody bought their alcohol at a retail price. Then we discounted to some that were reselling — as I said in my earlier answer, quite a bit earlier answer — and that discount varied between retailer and retailer. There is no discounting now. It's all being based off of a wholesale price.

[16:30]

So the landed cost marked up, I'll say $10 marked up to 20; I'm a retailer, I get it for $20, government gets the 10. I get it for $20, and I may mark it up another four or five per cent. So it's really not discounting. It's tough to use the word "discount" anymore when it's driven off of a wholesale price.

And I don't know if I'm being clear enough. I guess you could still use the word "discount" if I'm selling it at 25 and you want to come and buy it from me as a commercial permittee. I give you a couple of dollars off, I guess I've discounted it. But it really is more driven . . . what we're trying, what I really have to work on hard, continue to work on, is it's all driven off of a wholesale price now, as opposed to a discount.

Ms. Sarauer: — And how often will that wholesale price be reviewed?

Hon. Mr. McMorris: — Yes, the wholesale price will be bringing it in at X amount, and it's marked up $10. Bring a bottle in at $10, mark it up to 20, that's up $10. When will it become $11 and $12 markup? So you know, right now we review the . . . We bring it in right now and we review it on an annual basis, usually around budget time. We review it on an annual basis as to where the markup is as we move forward.

Ms. Sarauer: — Okay just to clarify, I was talking about the $10 level. So moving . . . $10 marked up to $20, the wholesale price is the $10, right?

Hon. Mr. McMorris: — The landed cost . . . I should have explained it better. The landed cost. So in other words, it comes from — I don't know — I'd have to ask some of my colleagues where a good scotch comes from, for example.

A Member: — Scotland.

Hon. Mr. McMorris: — Well, Scotland, but I was going to ask for the exact town because I'm sure some people know the exact town. But it comes from Scotland. It comes in, and we have to buy it from the distiller at a certain price. The landed cost is $10. That's our landed cost. Then we put up the wholesale price, we mark it up to 20.

We are hoping through this new system that we can drive some of those landed costs down. We're not 100 per cent sure, but we are feeling that on some of the products we should be able to drive that landed cost down through negotiation with the distiller, but they usually run through a distributor, distribution channel. But we can hopefully drive some of those costs down and then turn it over to the retailer, which hopefully it turns over to the consumer.

Ms. Sarauer: — I just want to move back to the revenue neutrality piece. You had mentioned that there will be twelve new greenfield stores added under the new plan. When you're talking about revenue neutrality, are you saying that the mainly public system we have now is going to be revenue neutral compared to the new system?

Hon. Mr. McMorris: — So when we're speaking about revenue neutrality, we're talking about the total income net. You know, this would be really rough figures, but I said that the budget for SLGA is $511 million moving forward. And if it was half and half, let's say roughly, let's use last year's even number of 500 million. Two hundred and fifty of that roughly would be liquor, and that's what we would be looking to . . . the target that we'd be looking to hit through the markup as well as some that we get in through the public stores, some revenue that we derive from the public stores through the retailing process.

Ms. Sarauer: — So at what point are you going to have to decide that you're not hitting that, hitting your target, so you're going to have to increase the markup? What's your process going to be for that?

Hon. Mr. McMorris: — Well it would be like any other budgeting process that we go through. You know, we try and determine how much alcohol is being sold, and again if . . . We could miss it this year. It may not get quite to that number, but that could also mean that there wasn't as much alcohol consumed this year either.

So you know, it's kind of a sliding target, but when we extrapolate the numbers at the markups that we're at right now, 99 per cent, 99.6 per cent of the volume of alcohol shouldn't be marked up any higher than where it's at right now. Some of it will; about point 4 or 5 per cent, if my first number is right, will be up a little bit higher than it was.

But we still feel that, you know, at the markups that we're working on, there'll be . . . That's something that will go out through the RFP process, is a full price sheet of what they're going to be having to purchase the alcohol for. When we extrapolate those numbers, we should be very close to what we've made over the past number of years.

Ms. Sarauer: — Thank you. In section 20.1 of Bill 23, you're mentioning incorporating subsidiaries. Could you explain what types of subsidiaries SLGA will be incorporating?

Mr. Lacey: — So we had commented earlier that we were going to move our, the remaining 35 liquor stores into a subsidiary of SLGA. And so what this section does is just clarify that we're going to do that, and that the statutory authority to create a subsidiary related specifically to a retail component of SLGA continues to exist.

What this does is allow us to have transparency in the revenues our retail stores generate, and the costs as well of those retail stores, which will include the wholesale price of liquor that they'll have to buy at now. So that'll be transparent, the same price as any liquor retailer, as well as the operating costs associated with those stores, both direct and indirect.

Ms. Sarauer: — Okay, thank you. Section 47.1 is going to allow retail stores to issue special occasion permits. Can you explain that a little bit?

Mr. Lacey: — What this section allows is . . . So the issuance of special occasion permits is a SLGA regulatory responsibility. And this, I think you're probably familiar with it, this would be weddings, anniversaries, etc.

So what this piece of legislation does is it allows any retail store permittee to work with a customer to access our permitting system and allow in circumstances where that permit can be issued on-site — typically they're lower risk permits like weddings and anniversaries — basically provides for the ability for all retail stores to basically facilitate the issuance of that permit. That speaks to some of the unlevel playing field piece today. SLGA stores could issue SOPs [special occasion permit] or facilitate the issue of SOPs on premise. Franchises have the ability to facilitate that as well, but off-sales for example do not have the ability to facilitate the issuance of SOP permits from their current locations. So what this does is basically allows all retailers to have the ability to facilitate that process.

Ms. Sarauer: — Okay. Just to clarify, currently can any private stores offer SOPs, or is it just SLGA stores?

Mr. Lacey: — Private stores do have the ability to do it if they so choose. So it's primarily the off-sales today that do not have that ability.

Ms. Sarauer: — Okay. Under what circumstances do SOPs require head office approval?

Mr. Lacey: — So these are typically permits that are large permits, have a higher risk. They, you know, they might be large community events, might be some type of a one- or two-day liquor permit associated with a sports day. You know, I was trying to be general, so sports day works, not to pick out a particular sport event. So it's typically ones that are higher risk where we want to ensure that there is more vetting of the proposal with respect to how they plan to carry out that activity.

Ms. Sarauer: — And will any of this change with the new regulations?

Mr. Lacey: — None of that will change.

Ms. Sarauer: — So with the change, will all retail store permittees be allowed to enter into agreements with SLGA to offer SOPs?

Mr. Lacey: — That's correct. If they so choose to offer that service to their customers, they would have that ability. It would be up to the business to decide.

Ms. Sarauer: — Will there be any other restrictions other than what you've just mentioned, those SOPs that require head office approval?

Mr. Lacey: — No, there would be no other restrictions. It would be the permits that we consider to be low risk that could be issued on site.

Ms. Sarauer: — Is there going to be training for these new stores to be able to issue SOPs?

Mr. Lacey: — So we're still, you know, as we move forward to implementing the level playing field, there are some pieces that we're still filling in. So my colleague tells me that we've been having conversations about how we might offer training and what level of training might be required. But those details are still being developed and worked out.

Ms. Sarauer: — Have you figured out how the process is going to be monitored yet?

Mr. Lacey: — As part of a broader initiative we're undertaking on the regulatory side of our business, we are moving to a system that we hope will be in place by the time we move to a level playing field that will automate much of this permitting process, particularly for the more straightforward, simple permits.

So it will be an online process whereby you as individuals can either apply for that permit at home. Or if you want to have some help in walking through the steps to apply to that permit, you can go to your liquor store of choosing and they can help you through that permitting process online.

So for these simple permits, the way the process will work is there is certain information that you will need to enter. Depending on the information that is entered and the nature of the permit that you're applying for, on these lower risk permits essentially the system will have a number of checks and balances in it. And if the information as entered would signify that this a low-risk permit, the permit will be issued automatically by the system.

Ms. Sarauer: — Okay. Thank you. I'm going to move on to section 135.1 that deals with offences for permittees and suppliers that contravene SLGA's standards respecting business relationships. I was just looking for some explanation on what those standards are.

Hon. Mr. McMorris: — We could spend a lot of time on this piece if you wanted to and just depending on how in depth you want to go on this. Right now the process regarding inducements . . . Just so that all the viewers out there know what an inducement is, an inducement is when a company goes to a retailer and says I want to take up this much shelf space, or I want all my products in this cooler, you know, so it is a . . . That would be an inducement, where a manufacturer goes to the commercial permittee.

[16:45]

It's been very, very restrictive. This is a very tough process to police, but it has been very restrictive. What this allows us to do is to open it up a little bit. We're still the regulator. We still set it in policy and regulation as to what can happen, but this allows us to look at inducements and maybe open it up a little bit moving forward. And that's kind of what we're looking at doing.

It goes even a little bit further, though, because before if a manufacturer and a retailer had an inducement agreement and something went wrong — they weren't supposed to; you know we found out that they had an inducement policy; they weren't supposed to — all we could do is punish the retailer and not the company that probably went forward with the offer, be it Molson or whoever. This allows us to now punish both the retailer and, for example, the manufacturer which we didn't have that opportunity before. So that's one piece. But the other piece is it allows us to try and — I would say; some would say — more modernize the inducement process than what we've had in the past.

You can imagine it varies greatly from province to province, and we've looked at what other provinces have done, but we're looking at not opening it up completely, not at all, but modernizing it a little bit from where we have been over the last number of years.

Ms. Sarauer: — Okay, so when you say modernization, do you mean allowing for more inducements?

Mr. Lacey: — With respect to modernization, what we're looking for is to allow a little bit more of a business relationship to exist between the retailer and the supplier. You know, for example, if a supplier has space in front of an aisle and you know, they want to provide an opportunity . . . Sorry, a retailer has space in front of an aisle, and they want to have an opportunity to go out to suppliers and say, I have this retail space available. Do you have any promotions that you want to promote in my store? This space is available, but I'd like to talk about perhaps there being a charge to use that space and have your product here. It allows that kind of a business engagement, a relationship to occur.

So we see it more as allowing suppliers and retailers to have an expanded relationship that exists today although we are mindful that we want to be thoughtful about the nature and parameter around those relationships.

And so moving forward, I do expect we will, well we will continue to have some rules and parameters upon which suppliers can interact. For example, you know, we wouldn't allow things like a relationship occur where for a certain inducement you're not going to carry another competitor's product. We wouldn't allow a relationship where all the shelf space in the beer section is just going to be my product. So we are looking at continuing to have some parameters in place around this piece moving forward.

Ms. Sarauer: — Okay, and is this process monitored through the inspectors?

Mr. Lacey: — So this is a regulatory process. So it is part of the terms and conditions of the liquor retail store permit and, just like today, if there are any breaches of those terms and conditions, then yes, it becomes a regulatory matter. And as in any regulatory matter then, you know, appropriate sanctions and actions are available to the regulator on that piece.

Ms. Sarauer: — So how are breaches uncovered by SLGA?

Mr. Lacey: — To be honest, a lot of it is complaint driven. So other retailers and other suppliers will come to SLGA and issue a complaint. So typically it is complaint driven. I will reference the minister's comments. Admittedly these are very tough. Even in today's environment, these are very tough regulatory matters to investigate because there needs to be proof and evidence that an actual wrongdoing has been committed. And to be quite frank, this is a very challenging area, as a regulator, to regulate in.

Ms. Sarauer: — Okay, thank you. There's some mentions in the bill with respect to dealing with First Nations groups. There's some provisions that relate to First Nations groups. Has there been any consultation done with any First Nations groups?

Mr. Lacey: — Sorry, this is primarily just a housekeeping amendment for us. There are various parts in the legislation that require us to give notice to municipalities when certain permittees are looking at opening up within that municipality. The current Act, it's been something that we missed in previous amendments to the Act. We have not included the same notice provisions to First Nations, for example. The commercial permittee was a set-up one for a First Nation. The same provisions do not apply with respect to notice, and so what this does is now brings First Nations into the language of the legislation just like municipalities. And we view the changes in here that relate to First Nations to be housekeeping in nature to bring them up to the same level and standards as other municipalities.

Ms. Sarauer: — Okay, thank you. Section 67 of Bill 23 allows for commercial permittees to buy beverage alcohol from a variety of sources, including from any retail store. I was wondering if you could elaborate on what a variety of sources means.

Hon. Mr. McMorris: — So this would refer to what we've kind of spoke about before, but allowing commercial permittees, which is restaurants or sports clubs, to buy from a variety of retail. So it could be a public store, or it could be any of the private retailers which are now known as vendors, off-sales, and private stores, but that will all be one type of licence. It will allow a commercial permittee to buy from any or all of those retail outlets.

Ms. Sarauer: — Okay, thank you. And I know I've asked this a few times, but just to clarify. All of those, that layer, will get all of their liquor from SLGA still?

Hon. Mr. McMorris: — All the retail licence, retail outlets, off-sales now, vendors now, private stores, and SLGA will get all of their alcohol, virtually all their alcohol through SLGA.

Ms. Sarauer: — Thank you. I have no further questions.

The Chair: — Okay. We will now continue on with the bill. We have clause 1, the short title; is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 39 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Liquor Retail Modernization Act*.

I would ask a member to move that we report Bill No. 23, *The Liquor Retail Modernization Act* without amendment.

Ms. Young: — I so move.

The Chair: — Ms. Young moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 24 — *The Liquor Retail Modernization Consequential Amendments Act, 2016*

The Chair: — We have also now got Bill 24, *The Liquor Retail Modernization Consequential Amendments Act, 2016,* clause 1, short title. Do you have any questions on this? Seeing there are no questions, we'll go to clause 1, short title. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clauses 1 to 3 inclusive agreed to.]

[17:00]

The Chair: — Bill No. 24 . . . oh just a minute here. Yes, get this right. Bill No. 24, *The Liquor Retail Modernization Consequential Amendments Act, 2016* without amendment. I would ask a member to move that . . . Yes, I'm sorry. I did this a little bit wrong. *The Liquor Retail Modernization Consequential Amendments Act, 2016*, I have to sign it first.

Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Liquor Retail Modernization Consequential Amendments Act, 2016*.

And I would ask a member that we report Bill No. 24, *The Liquor Retail Modernization Consequential Amendments Act, 2016* without amendment.

Mr. Dennis: — I will make that motion.

The Chair: — Mr. Dennis. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business this afternoon. Mr. Minister, do you have any closing comments?

Hon. Mr. McMorris: — Sure. I would just like to thank the committee for your work and most importantly and especially the officials that I have around us. They've had a very, very busy year and have done great work over and above the work that they do each and every other day, added all this on top of it. So I'd like to thank all the officials from SLGA as well as the one official from Finance.

The Chair: — Ms. Sarauer, do you have any comments?

Ms. Sarauer: — Sure. I'll just close by also joining with the minister in thanking the officials for their thoughtful responses to my questions today and apologizing to the official from Finance. I didn't actually get to ask him any questions, so I'm sorry you were here for naught. And then also to the folks from Hansard and to yourself as Chair and to the other committee members, thank you for your time today.

The Chair: — Well thank you very much. And I also want to thank everybody for being here and especially for the Clerks who try and keep me organized. We will now recess until 7 p.m. this evening. Thank you.

[The committee recessed from 17:03 until 18:59.]

General Revenue Fund
Lending and Investing Activities
Saskatchewan Opportunities Corporation
Vote 154

Subvote (SO01)

The Chair: — Well welcome back, committee members. We have Warren McCall substituting for Carla Beck. We will now start a consideration of lending and investing activities for vote 154, Saskatchewan Opportunities Corporation loans, subvote (SO01).

Minister McMorris, could you please introduce your officials and make your opening comments, please.

Hon. Mr. McMorris: — Thank you, Mr. Chair. It's a pleasure to be here to provide additional information on the estimates of the Saskatchewan Opportunities Corporation, or SOCO.

And before I get started, I'd like to introduce my officials. To my left is Van Isman who is the president and chief executive officer. Ken Loeppky is vice-president and chief operating officer, and Brent Sukenik is the chief financial officer.

I'll just have some very brief opening comments. SOCO corporation's mission is to support and facilitate the advancement and success of Saskatchewan technologies and key growth sectors through the development of, through the operation of research parks. These parks operate at the province's two universities and at a forestry sector building in downtown Prince Albert.

SOCO operates under the brand name of Innovation Place, recognized as an international leader in the development of infrastructure in support of innovation. Innovation Place is home to approximately 160 tenants in its three locations, approximately 84 per cent of which are from the private sector.

SOCO's research and technology parks provide a range of specialized scientific and business amenities that are concentrated in close proximity to address the need for emerging and establishing private sector technology firms. These firms and amenities then become a draw to attract more firms to locate and start up in the same area.

With that, Mr. Speaker, I'll open it up to any questions the committee may have.

The Chair: — Well thank you, Minister. Mr. McCall.

Mr. McCall: — Thanks very much, Mr. Chairman. Mr. Minister, officials, good evening. Welcome for the consideration of SOCO estimates this fine June evening.

I guess the first question off would be if you could provide a bit of detail in terms of the different research parks that SOCO operates in terms of Innovation Place, Research Park, and certainly we've got into the forestry centre at greater depth. But if you could just provide a greater sort of sketch of how those facilities are operating and where the capacity is at and how it's going for SOCO.

Mr. Isman: — Thank you. Basically the parks that we have, the two principal parks as well as the facility in Prince Albert all have a bit of a different focus on them. The park in Saskatoon focuses on certain clusters, specifically agriculture; life sciences which includes biotechnology, mining, and other engineering; and a smaller but very vibrant information and communications technology cluster. The park here in Regina focuses on environmental technologies, energy, and has a fairly significant information and communications technology emphasis. The forest centre building in Prince Albert originally was meant to focus on the forest centre, then was broadened to be the entire resource sector. And subsequently, in order to address a lot of empty space, it was broadened to accept a number of other tenants from the business community in Prince Albert.

Mr. McCall: — Thanks very much. In terms of interaction with government instruments such as Innovation Saskatchewan or with the academic sector or the federal government and their different innovation, research, and technology arms, what's the state of affairs in Saskatoon? In terms of occupancy, are you full up? And are there challenges, greater or lesser, with each of clusters? What's the state of affairs for Saskatoon to start?

Mr. Isman: — Thank you for that. Specifically let me address the occupancy numbers first of all. In Saskatoon as of May 31st, we're sitting with a twelve and three-quarter per cent vacancy rate, which is high by our standards. Our objective actually is to hit about a 5 per cent vacancy rate. The reason for that is it really allows us an opportunity to be nimble, if you will, in terms of new opportunities that come along.

I should point out, while twelve and three-quarter per cent doesn't sound very good, when you look at both the central business district and the suburban office environments in Saskatoon, they're both sitting around the 15 per cent level of vacancy at the present time. As forecast by Colliers International, they could go as high as 19 per cent later this year, so there has been a certain softening in the market across the piece.

As far as the relations with the federal government and academia and other institutions, I have to tell you I think they're very healthy. We work closely with our colleagues at Innovation Saskatchewan. As a matter of fact, I met with people from Innovation Saskatchewan just earlier today. We work closely with the National Research Council, and we work closely with the university.

We've also entertained people recently from industry — Science and Economic Development Canada, I believe that's the name of the federal department — as well as with Western Economic Diversification.

Mr. McCall: — Thank you for that, and certainly as it should be. In terms of the vacancy in twelve and three-quarters per cent, what's the past 5-year average, 10-year average in terms of vacancy?

Mr. Sukenik: — I don't have the average calculated, but it is amongst the highest that we have had in the last 10 years. We went on a trend that we started higher in about 2007, and then it decreased. It was at its lowest just three, four years ago at 2 per cent. So it is a negative trend for us.

Mr. McCall: — In terms of historic highs, I'm presuming from your remarks it's been higher?

Mr. Sukenik: — Yes, we had higher but it was back when we had built a few new buildings. So it was just natural, bringing inventory into the mix, that the vacancy was higher.

Mr. McCall: — In terms of the vacancy that's there, is it specialized in any way in terms of the facilities on offer? Or is it essentially office space that can be made to order in terms of who would be occupying?

Mr. Loeppky: — So we have some of the specialty space. We have greenhouse space vacant. We have laboratory space vacant, and then we have office space vacant and a combination of office/lab that's vacant. So the specialized space would be made up of the greenhouse, office/lab, and lab. That would make up probably 20 to 25 per cent of the vacant space and then the balance is office space.

Mr. McCall: — What sort of plans does SOCO have in terms of . . . Mr. Isman, you characterized it as being able to stay nimble and to capitalize on opportunities. What's the forecast for opportunities where that space might be brought to bear?

Mr. Isman: — Well first of all we're optimistic, I suppose, by nature but we are very optimistic in terms of some of the new business development discussions that we're currently having on a number of fronts. Obviously I can't discuss some of those, but we're being very focused in terms of making sure that we're talking to entrepreneurs and potential tenants that are true to our purpose in terms of being a research and technology park. So we're being very particular in that regard.

I should also point out though, one item that is particularly relevant in the case of Saskatoon. Over the course of the last couple of years, of all of our sectors or clusters that I had listed previously, the mining technology cluster has been particularly hard hit over the course of the last, I'm going to say, two, two and a half years in terms of seeing a significant downturn in terms of the development of the technology and the need for technology in that sector. And accordingly, when leases have been up or when there was an option for one of our mining tech tenants to turn space back, we certainly saw that. So I really think that if we're to try and pinpoint a particular facet that relates to what's happened in the park, it's been in the mining technology area.

Mr. McCall: — So I guess in terms of tenants that have vacated the premises, any sort of characterization within the mining and technology cluster and others that have moved on, and where do those tenants go?

Mr. Isman: — A lot of it's been downsizing. We did lose one significant tenant two years ago that left the park because they required an additional 15,000 square feet, and they were looking for 15,000 contiguous square feet in terms of space that we just didn't have available. So they left, and they ended up renting space in the downtown core of Saskatoon, which interestingly enough I ran into one of these people just recently and a lot of it's now available for sublet. So they went and they leased the space and now they've retrenched. So it's happened across the piece.

Mr. McCall: — Okay. Within biotech, information technology, computers, what's the relative situation there?

Mr. Loeppky: — I would say the ag-biotech is stable. I wouldn't say that it's in really a retrenchment or a growth mode. It's basically stable. I guess one positive we've seen, our greenhouse space that we had a vacancy issue with a number of years ago, four or five years ago — essentially full, a bit of turnover. So that's really healthy.

On the information technology side, I think there's been some . . . It's been interesting because there's been some retrenchment, some downsizing, but on the other hand we're seeing companies that are negotiating. We just finished last fall a project here in Regina where we saw an IT [information technology] company expand significantly, and we're working with another one right now in Saskatoon to expand significantly.

So pockets in the industries, different sectors are doing well and some pockets are stable. I think it's been characterized the mining sector and associated sectors have been probably the most severely hit over this last while.

Mr. McCall: — In terms of the . . . Certainly one of the arguments that always made sense for the research parks was providing that on-ramp for folks coming out of the research arena with the different . . . with the universities, with other applied research endeavours. In terms of folks that are choosing to locate in these clusters and the different sort of advantages that affords, is that still the bread and butter of a place like the research park in Saskatoon?

Mr. Isman: — Yes, I think it's pretty fair to say that our target market, that we really focus in on Saskatchewan-based technology businesses. And our board of directors has given us particular direction to emphasize and focus on new technology start-ups. Over the course of the last fiscal year, I believe ending, 12 months ending December 31st, we had nine new technology companies start in the park. And we seem to be hovering in between that, anywhere from six to ten new technology businesses annually. So that's nice to see. I mean, it's constant growth. And we also see, you know, some tenants move on.

Mr. McCall: — Again, in terms of where those, on average, nine new tech start-ups, where do they come from? And in terms of those moving on, where do they go?

Mr. Isman: — Well some of the ones that move on are getting into manufacturing and processing or other things that aren't necessarily a good fit for our park.

The new ones that start up, we're seeing a lot of interest in terms of both coming out of the field of agriculture, but also the information communication technology cluster. We've done some unique things to try and support the development there, and accordingly we've seen a greater emphasis in terms of new companies emerging and developing in that particular field.

Mr. McCall: — How competitive are your rents?

Mr. Loeppky: — Our goal is to, when we meet with tenants to talk about rent, is to charge at- or above-market rates. We believe the product that we offer demands that kind of rate. It's typically a value equation.

What the discussion ends up at is if for financial . . . If they're in a start-up mode or in a young company, lots of times they need the infrastructure, but the rates are too high. So we'll go work through a process with them of them disclosing their financial circumstances to us, and then we'll try to find, if we can, a place where, you know, the value equation works for them. And, you know, we'll put in place a lease that either grows with them, can be stepped rents, can be percentage rent, some very unique approaches to try to capture their success as . . . give them a chance at the start but capture their success as they grow.

[19:15]

Mr. McCall: — In terms of those unique approaches that the official references, what percentage of the tenants would that sort of incenting be focused on?

Mr. Loeppky: — We take a look at our tenants and try to identify those that have unique relationships with us, and this is actually a balanced scorecard measure, a new balanced scorecard measure coming up.

And I think we're in the, just over the 20 or 25 per cent range right now, and that would be tenants where we've made a unique arrangement in our business deal with them. And that could be a variety of things, anything from rent to providing them with access to services at discounted rates, maybe process utilities or steam or bandwidth.

Mr. McCall: — But again about 25 per cent would be sort of the exceptional . . .

Mr. Loeppky: — Yes, that's a close guess.

Mr. McCall: — Okay. I guess shifting to Regina, again the clusters identified there, what's the situation in Regina?

Mr. Isman: — Our largest single cluster is information and communication technology, and we have a number of very vibrant firms there doing some very unique things, I might add. It's kind of exciting to see some of the things that are going on there and some of the new expansions that are happening. We also have . . . We have seen on the energy side, we have seen some of the impact of lower commodity prices and that has impacted some of the things.

But I was just in discussion with people from the PTRC [Petroleum Technology Research Centre] on Friday of this past week and things are still going very good for them, and they're very busy and active in that regard. We've seen on some of the other energy tenants, we've seen a little downsizing, a little bit of a softness in the market, but it all seems to relate to the commodity prices.

Mr. McCall: — Again, situation around occupancy, and again what sort of space is going vacant?

Mr. Loeppky: — So in Regina we're running as of the end of May just over 8 per cent, which is a very similar situation to Saskatoon. It's slightly higher than we'd like to see. Again, our target would be in that range of 5 per cent. But the markets in Regina are running on an average of just over 13 per cent and it's a little fragmented.

They have a little higher, 16 per cent roughly in what's called the suburban office and a little lower in the commercial office at about 12 per cent. But even within that commercial office there's sections that are running as high as 19 per cent. And the forecast for Regina is that the market is stable. Maybe even, there's some of the people are forecasting a slight downturn and vacancy getting out of 17 into 18.

Mr. McCall: — Again, in terms of distribution between, from what you're saying and I would gather, information and communication technology is a bit ahead in terms of the space being fully subscribed. Energy, a little less. Where would environment be at?

Mr. Loeppky: — With regards to the vacant space or occupancy?

Mr. McCall: — Both.

Mr. Loeppky: — The vacancy that we have in Regina, all of our specialty spaces are full. So predominantly what we have in vacancy would be office space, which is primarily the infrastructure used by technology companies and of course even the support people that work in, say, in specialty space.

And with regards to . . . I don't have this off the top of my head. With regards to the sectors, in Regina information technology is about 34 per cent of our tenants and followed by a combination of engineering, environment, and petroleum at about 30 . . . sorry, 24 per cent. And then the others are a mishmash of smaller tenants.

Mr. McCall: — I guess this would be as good a place as any to ask. In terms of changes in federal policy, there's different sort of characterizations to be made of the federal innovation strategy as it evolves. What sort of opportunities does an organization like SOCO perceive with the federal innovation strategy, particularly as regards greentech or cleantech?

Mr. Loeppky: — I think, from what we're hearing is that the government, federal government, is going to be very interested in clean technologies. And there is — I don't have the number right off the top of my head — but there's a fair, actually a surprising number of cleantech-related companies in Saskatchewan. And so I expect that they'll see growth, and with that will become, there will be an appetite for new technologies and new uses of old technologies. And so I think that it's going to be something that we're going to start to see hitting our radar screen a lot more than we have in the past, if the federal programs come through that support that through the agencies.

Mr. McCall: — Thank you for that. Prince Albert, what's the situation with the forestry centre?

Mr. Isman: — If I can just add to what Ken said first, and then I can speak to the Prince Albert situation. One of the issues that, in terms of federal public policy, the new government has made a renewed effort — and this was part of their election platform — was more resources into what they referred to the CAIP program, which was the Canadian accelerator and incubator program, and so there is a big push in that regard. And we've certainly had extensive discussions with a number of parties, and we're kind of excited about seeing a big push in terms of some new entrepreneurial things in the tech sector.

Now to address the P.A. [Prince Albert] question, I'm sorry, could you, would you mind repeating your question?

Mr. McCall: — Well I guess if . . . What's the situation in Prince Albert? And certainly there was an effort made by the government to sell the property within the past couple of years, so if you could update the committee on, first of all, that effort and then tell us about the situation with the property itself.

Mr. Isman: — Sure. First of all, the property itself is sitting at just under 95 per cent in terms of its occupancy. So it's sort of sitting at that little-over-5 per cent vacancy rate. So that's, generally speaking, what we set as being our target, so we're pleased to see that.

We went through a process a couple years ago in terms of taking a long hard look at what was going on with the P.A. forest centre, and actually only 13 per cent of the space in the facility was being occupied by people in the forestry or resource extraction sectors. So accordingly there were a number of very good tenants, and accounting firms and law firms, some ministry offices, I believe the housing authority — all very good tenants; that's certainly not an issue — that had moved into the building. But really the line of business that we're in is to help advance the technology sector in the province as opposed to operating office buildings. And so we made a recommendation to government, and government agreed with it, in terms of looking to potentially divest ourselves of that particular facility.

We went through the process of having an evaluation done or an appraisal done on it, and it's pretty hard to do an appraisal on a building of that nature. First of all, it's a LEED [leadership in energy and environmental design] gold standard building in terms of the technology to which it's developed, and I think it pretty fair to say it's probably the nicest, most advanced building in the province north of Saskatoon. And accordingly, how much of a premium do you put on things of that nature when you're in a city that maybe it's overkill for what the demands of the local market are?

So we had the appraisal done, and we then went out and went through a competitive process to find a brokerage company to take the listing on, which we did. It was appraised to $12 million a couple years ago. That's what it is currently listed at. We have had a couple of offers come forward on it. The first one was pretty much a lowball offer. The second offer was getting a little bit more interesting. And we have some individuals that are working with our brokers right now that are taking a long, hard look at it, but until we see an offer come forward, we don't know how serious they would be. So it's not a distress sale situation and the building is holding its own financially, so we want to ensure that we extract good value for it.

Mr. McCall: — Okay. In terms of the forestry sector and the resource sector and . . . You'd referenced 13 per cent in terms of related operations, the rest being as you've described. Has that changed at all? Has there been a redoubled effort in terms of again, something that's more in line with the original vision for the building for the research park, to build that cluster?

Mr. Isman: — Yes, we've taken a long, hard look at that, and to be quite frank we haven't lost market share, really, within the city of P.A. I mean there are a few other organizations situated in other places, but the original intent . . . You need to remember that when that building was contemplated and built, Weyerhaeuser was going strong with the pulp and paper operation in Price Albert, and unfortunately the closure of the Weyerhaeuser operation almost coincided with the opening of the forest centre. So the timing . . . and it was happenstance, but the timing wasn't very good. And so we haven't seen a huge recovery in that, and accordingly we haven't seen an increase in demand.

Mr. McCall: — Thank you for that. One last question in terms of the three properties overall. We're in an era of transformational change. What do those considerations hold for the Saskatchewan Opportunities Corporation? Is there any consideration of selling the other two properties? What does the future hold?

Hon. Mr. McMorris: — I think this is all the time we have, so I'll just finish up by saying that SOCO I think has always been looking at, you know, refocusing itself on what it was designed to do in the first place. And you know, as was just mentioned, they got rid of a few things. What was it? . . . [inaudible interjection] . . . The bioprocessing centre, right. And so they continue to focus on kind of their mission statement, if I could. So really nothing in particular as far as that. They always have been, over the last couple of years, looking to focus in on what they do best, and that's start-up businesses.

Mr. McCall: — Thanks for that. And that would certainly conclude the questions we've got for the estimates under consideration here tonight. Thank you.

The Chair: — Thank you. Are there any more questions? Seeing no further questions, we'll conclude our consideration of Saskatchewan Opportunities Corporation, vote 154.

Saskatchewan Opportunities Corporation, statutory, loans, subvote (SO01) in the amount of $19 million. There is no vote as this is statutory. Mr. Minister, do you have any closing comments?

[19:30]

Hon. Mr. McMorris: — Yes, I would just like to thank the officials for the time that they spent here tonight but, more importantly, the time that they spend all year long to do the work that they do. It was a very pleasant 30 minutes that I could just sit back and listen to all the answers. So thank you very much.

The Chair: — Mr. McCall.

Mr. McCall: — No, again thank you, Mr. Minister, Mr. Isman, Mr. Loeppky, Mr. Sukenik. These are pretty interesting facilities that you've got stewardship of and, at their best, serve the province very well in terms of adding knowledge and value to our economy and society. So I wish you continued success.

The Chair: — Well thank you very much, Minister, and officials. We'll take a short recess to change officials for our next meeting.

[The committee recessed for a period of time.]

General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153

Subvote (ST01)

The Chair: — Well welcome back, committee members. We'll now start a consideration of lending and investing activities for vote 153, Saskatchewan Telecommunications Holding Corporation loans for the subvote (ST01). Minister Reiter, please introduce your officials and make your opening comments.

Hon. Mr. Reiter: — Thank you, Mr. Chair. I have with me today Ron Styles, president and CEO of SaskTel. I have

Charlene Gavel, chief financial officer; Darcee MacFarlane, vice-president, corporate and government relations; and my chief of staff, Angela Currie.

Mr. Chair, SaskTel has had a very good year. Unaudited results from the fourth quarter of 2015 show SaskTel achieved strong financial results exceeding $1.2 billion in revenues and recording a net income of $97.7 million. For the full fiscal year of 2015-16, that income will exceed $125 million.

In April of 2016, SaskTel announced that it will invest 331 million in overall capital expenditures in ’16-17. Residential and business customers in communities across the province can expect improved and expanded SaskTel services as a result of this investment.

Some key programs are fibre to the premise which will receive $50 million, wireless network enhancements of $52.5 million. Wireless demand growth will cost roughly 40 million, and over $40 million for business system enhancements that will provide self-serve capabilities for SaskTel customers, plus a new asset management system to better integrate fibre assets. SaskTel will continue to focus on enhancing services in rural Saskatchewan with programs such as the Connecting Canadians program, which will increase high-speed internet speeds in 26 northern Saskatchewan communities by early 2017.

SaskTel works hard in keeping Saskatchewan connected, and they can continue to deliver on its mandate to deliver high-quality, accessible, and affordable services while investing in core business operations and services within Saskatchewan.

Thank you, Mr. Chair. And with that, we’d be happy to entertain questions.

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

Mr. McCall: — Thank you very much, Mr. Chairman. Minister, officials, welcome to the consideration of estimates for SaskTel, statutory of course.

But first off, I guess the borrowing under consideration here tonight is for $75 million, down 7 million from the year previous. Can the minister or Mr. Styles or officials describe the purpose of that borrowing?

Mr. Styles: — The minister in his opening remarks provided a fairly extensive list of the areas that the money is going into, but I can repeat a few of them and maybe just expand a little bit.

We’re investing $51 million for instance into our fibre to the premise program. So each year for the past four years, we have been replacing copper with fibre to the home. We’re now at about 170,000 homes that we’ve passed, and we’ve connected up about 75,000 of those homes as well. So we’re continuing that program. In today’s world, it’s essential to replace copper with fibre in order to provide the kind of speeds, the reliability that our customer base is looking for.

In addition we’re putting a fair bit of money into our business systems. We’re moving into self-serve in a pretty aggressive way. People in this day and age now want to do everything on the Internet rather than make a phone call to a call centre, etc., and we’ve been working on that program for about a year now. We’ll have completed it some time in probably late 2017, so it’s a multi-year program. And we are committing this year, I believe, something just north of $10 million to that particular initiative.

In addition we’re putting in something called . . . It’s an asset management system. We refer to it as Optius Odin. It’s a project that will replace our existing asset management system. It tracks some, I believe it’s 10 or 12 million assets that we have here in the province. When somebody’s looking to be connected, it provides us with the necessary information to automatically connect them through the right routing. And so we’re replacing that and putting in a very modern system, very important for our fibre assets at this point in time.

In addition, about $54 million is going into the wireless system here in Saskatchewan. We’re upgrading all towers to LTE [long-term evolution] this year or almost all towers to LTE this year.

We’re also getting our preliminary work done to put in voice-over LTE or VoLTE in 2017, we think probably the second quarter of the 2017-2018 fiscal year. There’s a lot of capacity enhancements going in as well. We’re doing a bunch of work on our core. This is adding the necessary capacity to handle the increasing demand for data services here in the province.

On the wireless side, our data demand is increasing by about 50 per cent a year, and on the wireline side, it’s about the same as well. So we’re seeing a very quick set of upgrades.

We’re also replacing some of our switches. We’re starting to move from the old electronic switches that were put in starting in the 1970s through the early 1980s with what’s called broadband line gateways. And these are all soft switches that exist in a server environment, a data centre environment. And so that is going on as well. So there’s a wide variety of things.

I might add we’re building a new data centre right now up in Saskatoon as well. It’ll be a tier 3. It should be completed by very early in 2017 and, if I remember correctly, about $12 million is going into that particular project as well, so quite a vast array. Again, I would suggest the vast majority of it is to move more data for people.

Mr. McCall: — Thank you very much for that, Mr. Minister, Mr. Styles. In terms of the overall fiscal health of the corporation: debt-to-equity, the projected revenues down the line, any thoughts on the relative health of the corporation?

Hon. Mr. Reiter: — I would just kind of go back to some of the opening comments I made. Now these are unaudited results yet, but from the fourth quarter of 2015 it was very strong results. There was over 1.2 billion in revenues and more importantly I guess, is almost 100 million in net income. It was 97.7 million.

You know, telecommunications is a very competitive industry, as you know. And SaskTel has a great deal of brand loyalty in the province, and has done I would say, very well in a very tough industry.

I'm just going to ask Ron to give you a little bit more detail. You know, that was more current, but kind of on the overall financial picture of the Crown.

Mr. Styles: — So let me start with debt. We've had to borrow a fair bit over the past number of years and so our debt now is over $1 billion. If you net out the sinking fund, we're about 940 million, if I remember correctly. You know, so our debt hasn't been . . . has continued to grow over time. We've needed to do that to transition the corporation and to build out things like fibre here in the province to meet our customers' needs.

Our debt ratio has climbed a fair bit. We're now about 51, 52 per cent, just depending how you measure it and at what point in time you measure it. That's about industry average, and so we believe that that's approximately where we want to try to plateau and not let it grow much beyond that.

Our capital intensity still remains quite high as compared to industry. We're anywhere from, sort of depending upon the year, in the last two or three anywhere from about 22 to about 26 per cent, which is quite high for our industry. Capital intensity in most of the industry is lower. It's more in that 17 to 19 per cent level. So it's a little on the high side right now. We'd like to see that drop in the next number of years so that we're able to maintain very solid fiscal health.

We do have a lot of pressure on our capital side, and that's reflected in the numbers that I've just provided you. We're a very big province, and to try to serve places like Creighton, Saskatchewan . . . We're trying to serve the Athabasca Basin as well through our new fibre project up there. Very expensive projects. We have been successful in bringing in a fair bit of federal money, and we've talked to our major industrial customers in those areas as well to participate. That's been very helpful to us.

Our net income and our return on equity — maybe we'll start there — has been around 12 per cent over the last number of years on average. It's a little lower than it was in the early part of this decade or the latter part of the previous decade. Part of that is because again of the amount of capital that we're having to put out, and that increases your debt costs and your interest costs as well.

We've been able to maintain our EBITDA [earnings before interest, taxes, depreciation, and amortization] at around 27 per cent throughout most of the period in question, which isn't a bad EBITDA. If you look in the industry, most of the industry players are a little higher than that, probably into the low 30's.

So you know, we're doing okay. We're under considerable pressure though on the competitive side. We need to continue to try to grow revenues, and that is proving to be a bit of a challenge where again we've got three major competitors that are in the wireless side of the business; on the wireline side, a couple of cable companies, one that's very large in Saskatoon and some of the area up there; and you know, a market that can now be served over the top as well by companies such as Google, Hulu, Netflix. There's quite a wide variety of them.

So you know, it's challenging, but we're still holding our own and doing not too bad.

Mr. McCall: — This would be as good a place as any to say thank you to the minister and to Mr. Styles for providing a briefing on the Goldberg report concerning the sale of MTS [Manitoba Telecom Services] to BCE [Bell Canada Enterprises]. So I'd just like to get that on the record in terms of the courtesy that was extended so that we can be better informed and have a better informed opinion of these matters. And certainly that was one of the take-aways from that assessment was that, as the minister rightly points out, SaskTel has always operated in a fairly competitive, ever-changing business environment and certainly, as also has been pointed out, has a tremendous amount of geography to cover and public policy objectives that the competitors aren't needing to contend with. Fortunately that goes to the brand loyalty that the minister has also talked about.

So in terms of the customer base of SaskTel, are there any thoughts or observations in terms of, is it more particularly acute in the urban centres? Or what's the competition situation like in rural Saskatchewan, northern Saskatchewan? How does that competition present in the different settings in the province?

[19:45]

Mr. Styles: — So based on our experience of the last number of years, we've been watching very carefully to see what happens with brand loyalty and how customers in different regions of the province react to it.

If you look at urban and rural, we don't really see a lot of differentiation in terms of the competitive nature of the business. Rogers, Telus, Bell are all there in rural areas and, point of fact, about 50 per cent of Telus's customers are outside of the nine major cities. And so we know that they're there. They're competing with us quite strongly. Subject to bandwidth limitations, in rural Saskatchewan as well there is competition. They can get Netflix just as you can in a major city, etc.

So there's not a lot of difference between urban and rural. We probably dominate a little bit more in rural Saskatchewan than we do in urban Saskatchewan, but we still hold a high market share in both of those markets.

In the North it's a little different. There isn't the same type of bandwidth up there, plus our competitors don't tend to go to the North. It's not profitable, I guess, to serve some of the communities in the far North if you're talking about Stony Rapids, Black Lake, Fond-du-Lac, some of those communities. So we tend to be a much more dominant brand in those areas of the province.

But you know, competitive advantages, other than brand loyalty we don't really have a lot more competitive advantages. You have to earn your business. You have to provide good customer service. You have to be there to serve people. That's what tends to earn us, you know, maybe a better market share in some of those individual markets. But you know, I think our customers generally are fairly loyal to us, but in this day and age we found that price really speaks a lot of it. We need to be very competitive in price and then differentiate by service.

Mr. McCall: — In terms of absorbing the analysis of the Goldberg risk assessment, where's that at with the corporation, with the executive government, or CIC [Crown Investments Corporation of Saskatchewan]? What's the state of affairs?

Hon. Mr. Reiter: — You know, as you mentioned, you had the briefing on it. You've seen the report. So there's some risks that Mr. Goldberg identified and so we're kind of still sort of evaluating, I guess, if you will. I've asked the management and board of Tel to do a thorough review of it and report back to me with their thoughts on it. So I would imagine . . . I'm not sure. The next board meeting is in August, is it? Yes, so it would be sometime after that that we'll have further discussion about it.

Mr. McCall: — Thank you for that. If the minister or Mr. Styles or officials could comment on the federal or the regulatory environment that the corporation is operating in and different challenges that are presenting there. That's certainly been part of the history for the corporation, challenges that present. And what's the forecast look like for the future in terms of that regulatory environment and risks and opportunities therein?

Mr. Styles: — So we haven't really seen a change in the regulatory environment with the new government having come in. And again it's early in their mandate, so we're still expecting to see some announcement in the near term — maybe over the next six or eight months — that would signal precisely where they're going to go.

The MTS and Bell transaction will force their hand to a certain extent when it comes to the level of competition that they want in the market, whether it's going to be a three-company or four-company market for wireless services. There still are some issues and decisions around the use of fibre and common carrier status as well. While it doesn't apply here, it has been implemented for instance in Ontario and I believe Quebec shortly. We're concerned a little bit of that common carrier status being applied to fibre. We've built out part of a network. We believe that we've paid for, the people of Saskatchewan have paid for it, and we believe that the returns that accrue to that network should accrue to the people of Saskatchewan. So we're hoping that the framework when it is applied to Saskatchewan at some point in the future is one that balances those issues off of a fair return for the kind of investments that have been made.

We continue to pay attention to something that is called a BSO [basic service objective] hearing — basic service objectives for telephone service. It's something that we gain a fair bit of subsidy from the federal government for rural areas. We want to try to hold on to that, obviously, to provide lower rates for people living in rural Saskatchewan, and so we're hopeful that there won't be major changes to that. But there's still a decision to be made by the federal government or specifically by the CRTC [Canadian Radio-television and Telecommunications Commission], and we'll wait and see what they come out with this fall.

There's also hearings about the nature of Internet — is it an essential service? — guaranteed or aspirational targets as well. We thought that it was a pretty good discussion at the CRTC, but we won't hear on the results of that we believe till the fall. We're hopeful that they will continue to set aspirational targets. We think that's important to try to drive the kind of infrastructure that people need to be full participants in both the personal and the business life that occurs here in Canada or almost any place in the world in this day and age.

One of the debates that was going on was whether or not to determine it to be an essential utility or not. I think we've kind of bypassed that in some ways. Most people have it. Penetration rates are very high, you know, in the 80's here in Saskatchewan. Lots of other places in the world, it's as high as 100 per cent. So we think it's a question of speed and making sure you have the capacity that's there. But we're hopeful the federal government will take an aspirational approach and allow us to deploy technologies that are appropriate to different locations. The same technology does not work well in different geographic locations.

Past that, we haven't seen anything else that we believe is a material threat to the corporation at this point in time, and we're hopeful that there will be a slight change in policy that might begin to recognize that regional carriers such as ourself have a part to play maybe in making sure that the services are available and they're provided at reasonable prices in the telecom market in Saskatchewan.

Mr. McCall: — Well best of luck with that. There is something that, Mr. Styles, I think you had said in public discourse around the release of the Goldberg report and the ever-changing environment that the corporation's operating in, and I was just wondering if you could get that on the record for the committee tonight. But it seems to me it was something like 55 per cent of the corporation's revenues from, I believe, 2011 on were derived from new technologies or new offerings. Am I relating that correctly?

Mr. Styles: — You're very close to it. Starting from 2010 measured to today, 50 to 55 per cent of all our revenues now are from new products and services that didn't exist before 2010. So it has been quite a sea change for us. In a sense, we say we're not a telephone company anymore; we're really an Internet company. We provide ICT [information and communications technologies] services, the intersection between telecommunications and IT services going forward. And the corporation, we've tried to transform it over time to drive us towards that goal.

If you look on the traditional land line side, we're losing anywhere from 20 to 25,000 land lines per year. These are cord-cutters or cord-nevers and, you know, trying to focus our business on something that is a legacy that will probably be largely gone in the next number of years, is something that we've, you know, made sure we're not doing. But we're looking to the future.

Mr. McCall: — Any guess as to when it will be gone in terms of the land lines and that aspect of the market?

Mr. Styles: — I'm not sure it will ever be gone. I think what you're going to find is that it will transition from being a focused and sort of a central service that's there for people to being a service that will be an app [application] on the Internet for you. And some of that is already there today. If you're using Skype, you know, you're essentially using a VOIP [voice over Internet protocol] system right now. We think over time that this will all transition into applications, applications on the land line or applications on a telephone. And so it'll be a gradual reduction in its importance.

I'm not sure most people would say land line telephone service is all that important anymore. You know, it has its application and it's a convenience, no doubt about it, but most people have cell phones in this day and age, Internet access, and they can use any number of different applications on the Internet, on your home Internet on a land line to contact people and to communicate in many, many different ways. So I think it's a gradual, slow transition where it sort of blends into the rest of the Internet fabric that's out there.

Mr. McCall: — Thank you for that. I guess one last sort of, you know, popcorn kind of question: CommunityNet and the way that it interacts with the education sector in the province. What's your take on the satisfaction with the educational sector partners with the offering of CommunityNet and the role that SaskTel plays in the provision thereof?

Mr. Styles: — Maybe I'll start with . . . For the education system, similar to the public, the demand for bandwidth continues to grow, to increase as they change their curriculums from being strictly books to being online, to being video, maybe skyping, for instance, with another school or another location. And so it is a changing environment for schools. We've worked with the Department of Education and with school boards to sort out exactly what that future might look like and to continue to transition the network.

We did a fair bit of work in 2012-2013 and bandwidth was increased. In the past year, it appears a lot of schools have caught up to the increases that were put in place at that point in time and are looking for us to continue to grow and to increase the network.

We signed a new arrangement with the Ministry of Education this year — I believe in February if I remember correctly, in February — that puts us squarely in the role as responsible for administering that program. We used to administer it through the Department of Education or the Ministry of Education.

You know, we're pleased with where it's gone so far. We've put a fair bit of bandwidth increase in. We've also increased the gateway to the Internet for the entire education system by about a gig, a gigabyte per second, and so they've gotten a considerable speed upgrade as well.

We think that we'll need to continue to work with them very closely until they start to get beyond, I guess, the acceleration of bandwidth needs and they get to more of a plateau. Part of this is to work with them as well on their own local area networks that's within each district, because how you configure that and how you operate it is one of the predeterminants of what you're going to need in terms of access to the overall Internet outside the school district itself.

There are other ways to try to manage bandwidth, including caching of content. Yes, I'm going to forget the phrase here, but similar to using zip, zip coding, okay, where you can actually condense the amount of data. There are lots of ways to get at some of this, and we're trying to again work with each of the school districts to make sure that it's being managed as efficiently and effectively as possible.

But you know, we believe this will be an ongoing process. If bandwidth demand for individuals in the province grows at 50 per cent a year, and it does the same for schools, you can imagine that you've got to keep up at it. You've got to keep looking at it on a weekly and monthly basis.

Mr. McCall: — Again though, and recognizing the limited time we've got together, what is your sense of the satisfaction with the partners out there in the education sector? Are there things to work on?

Mr. Styles: — Oh, absolutely.

Mr. McCall: — In terms of . . . And again, SaskTel does a very good job of knowing where the customer is at and understanding the level of satisfaction or lack thereof.

Mr. Styles: — I think the transition from the ministry to SaskTel has meant we've got a bit of learning to do. We need to work with them more aggressively as well on their local area networks to make sure that the ties between the two, that one side is not pointing at the other side that there's issues. You know, so I think there's still work to do. I think we've still got some improvements to make to the system, and I think over time we'll find some new measures and new techniques to make sure that they're satisfied. Our ultimate goal in all of this is to make sure there's no congestion in the network, that schools have what they need to be successful with the children they're trying to teach.

Mr. McCall: — Well thank you very much for that, Mr. Styles, officials, Mr. Minister. That would conclude my questions for this evening for SaskTel.

The Chair: — Well thank you, Mr. McCall. Are there any more questions? Seeing no further questions, we will conclude our consideration of Saskatchewan Telecommunications Holding Corporation.

Vote 153, Saskatchewan Telecommunications Holding Corporation is statutory. Subvote (ST01) in the amount of $75,000,000, there is no vote as this is statutory.

Mr. Minister, do you have any closing comments you would like . . .

Hon. Mr. Reiter: — Yes, Mr. Chair. Thank you. I'd like to thank Mr. McCall for his very respectful questions. I'd like to thank the committee members and yourself, Mr. Chair, for the time here tonight, and I'd like to thank all the officials for being here this evening as well. Thank you, Mr. Chair.

[20:00]

The Chair: — Mr. McCall.

Mr. McCall: — Thanks to the minister, officials, and the good work being done at SaskTel.

The Chair: — Well thank you, and thanks to the minister and Mr. McCall and all the committee members, and thanks to the officials for being here. We're going to take a short recess now to change officials.

[The committee recessed for a period of time.]

General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150

Subvote (SE01)

The Chair: — Well welcome back, committee members. We will now start a consideration of lending and investing activities for vote 150, SaskEnergy Incorporated, loans, subvote (SE01).

Minister Reiter, please introduce your officials and could you make any opening comments.

Hon. Mr. Reiter: — Thank you, Mr. Chair. With us this evening is Mr. Doug Kelln, president and chief executive officer of SaskEnergy; Ms. Christine Short, vice-president of finance and chief financial officer; and my chief of staff, Angela Currie.

SaskEnergy and TransGas has continued to deliver solid results despite challenging economic conditions experienced in Saskatchewan and Western Canada in 2015, and SaskEnergy is projected to achieve consistent profitability over the five-year forecast period. SaskEnergy has changed its fiscal reporting period from December 31st to March 31st to coincide with the province of Saskatchewan.

SaskEnergy's 2015 recorded income before unrealized market value adjustments was $88 million for the 12-month period ending December 31st, 2015, compared to $47 million in 2014. Details on the 15-month period ending March 31st, 2016, will be released at the annual report tabling announcement. The continued focus and sound management of operating costs resulted in over $8 million in operating savings from restraint measures, in addition to nearly $6 million of efficiency savings through 2015. Efficiency savings of $38 million have been realized since 2009.

SaskEnergy continues to support the province's vision by providing high levels of customer service at a competitive rate while realizing operational cost efficiencies. Their strategy remains focused on safe and reliable service, efficient operations, and facilitating provincial growth through the timely delivery of necessary infrastructure. SaskEnergy is well positioned to achieve its business goals, thanks to ongoing efforts and strong results in its fundamental focus areas.

Thank you, Mr. Chair, and with that we'd be happy to answer questions.

The Chair: — Well thank you, Minister. Are there any questions? Ms. Beck.

Ms. Beck: — A few, thank you. Thank you first of all for being here. I do have a few questions, and I'm just going to note first of all that forgive me if I go over any ground that may have already been covered.

I'm working from the annual report of course of 2014 that was tabled in February of 2015, and I do have the fourth quarter financials in front of me. But I guess my first question is, and Minister Reiter, you alluded to this in the preamble, was the tabling of the annual report. I'm just wondering when we might see the annual report.

Hon. Mr. Reiter: — I don't think the exact date's probably set yet, but it would be sometime in mid-July.

Ms. Beck: — So obviously there have been some delays with the timing of the budget and such. Have there been any other issues with getting the annual report together this year?

Hon. Mr. Reiter: — You mentioned the budget. It wouldn't have anything to do with that. It would be because moving to the . . . Well essentially this year would be a 15-month period, moving the fiscal year-end from December 31st to March 31st. That would be primarily the reason.

Ms. Beck: — We can expect it mid-July? Okay. Thank you.

I want to delve into questions here a little bit. First of all, can you just highlight how much was spent on external contracts and consultants?

Mr. Kelln: — I don't have the exact number in front of me in terms of the dollars. I can tell you different functions of the company are a combination of internal resources and external consulting. It varies depending on the leadership aspect that we need from inside the company and the offerings that are out there.

An example would be construction. We have about two-thirds of the activity going on right now is provided by external contract resources, and a third is done with internal, but we ensure that a SaskEnergy supervisor is on site for every one of those crews. We see a higher percentage in our IT area as well where we have external expertise giving us a hand, but you then see in our finance engineering areas much more of an internal focus balance.

Ms. Beck: — You mentioned some of that use of consultants is dependent on leadership aspect within the company. Can you expand upon that a little bit?

Mr. Kelln: — We are very much in a business which we're relying on the best practices on getting things done, and you know the number one activity that we're focused on is public safety. So there are times where pipeline companies have developed different techniques across the country, and that consulting expertise can bring that to Saskatchewan for us to utilize in putting pipelines in the ground, for example.

We take that and complement it with the fact that we've got expertise of many, many years of putting infrastructure in this province, and there's some things that we do that are really considered leading practice for the rest of the country. So it's a bit of a give and take, you know, very important in the fact that you want to provide public safety at the highest level possible.

Ms. Beck: — So you're bringing in that expert, that outside expertise. Is there an attempt to develop that capacity within the corporation, or is that something that, again, if you were to have those same needs that you would go outside to a consultant?

Mr. Kelln: — We really do look at it both ways. You know, we have relationships with Saskatchewan consulting firms that have provided expertise from around North America. At the same time, we do a lot of research ourselves. We belong to the Canadian Gas Association which is distribution pipeline companies from across the country. And we're very fortunate that in the natural gas industry there is a sharing of best practices that we utilize as well, and that's done with our internal folks very much contributing as well as looking at ways to get better.

And you know, I take an example of some of the work we've done around leak detection around the province is viewed by others as very much leading. I think of the safety patrols that we do which are . . . Proactively we have different individuals that are dropping by neighbourhoods where digging is occurring and reminding the excavators to get those free line locates before they excavate. That's been adopted in a number of jurisdictions and originated here at SaskEnergy.

Ms. Beck: — And I guess it would vary across the use of those consultants, but is this always the issue, that the work being done by consultants is work that perhaps is new or is cutting-edge? Or are there instances where that work would have typically been done in-house in another time?

Mr. Kelln: — You know, it's a long-standing practice. Really the structure we have in place has been in since the 1980s, so it's been something that's been around for a long time. I think it works very well. The challenge we have is, we have a real seasonality to things we do.

We of course want to get lots done in the summer period, and there's less pipelining that occurs in winter. So we need to manage the fact that some resources you only need for a short period of time, and to be cost effective, you really look at someone who is going to do that same thing over and over for different companies in potentially different parts of Western Canada, for example. We use their service for a short period of time, but we keep our internal resources focused on the overall year-to-year programming.

Ms. Beck: — And I think you did mention this in a prior answer, that two-thirds of the construction work was done by outside consultants, but you always have an internal supervisor supervising that work. Could you speak to that?

Mr. Kelln: — The way we're set up is, we look at an internal construction complement that during the non-peak periods will form crews and directly do work and, for example, provide emergency response through the winter.

When we get to a higher activity level in the summer that we just can't . . . It's a very, very short period of time that we need lots of extra help. We will take those people and split them up to be crew supervisors and have them in charge of external crews. That ensures that we have the contact with the customer, that they know who they're dealing with, and there's a bunch of regimen around the inspection and qualification of the work that we do. So it seems to work very well. It's something again that we've done for many, many years and found to be quite effective.

Ms. Beck: — So those supervisors are monitoring the work and then reporting back, or just reporting back if there are issues?

Mr. Kelln: — Sure. Their job is to monitor the work on a daily basis. If there's an issue that needs to be dealt with, it is.

Ms. Beck: — Thank you. In speaking of some of the issues that you've brought up around leak detection and such, I note that in prior years there were some issues with leaks in lines that were installed in Saskatoon. Were there any similar issues this year with leakage of installed lines?

Mr. Kelln: — You know, from time to time we will have issues both in different parts of the province that we have to manage, and we do. We have warranties within our external resource contracts. Internally if there is an issue — and we have a checking mechanism to ensure there isn't — we manage those things. A very, very small part of our business, when you think of the about 15,000 jobs we'll do during a year — some very small jobs, some bigger. We are very happy with the quality of the work that ends up in our system.

Ms. Beck: — So overall high quality. If there are leaks — and we're talking about newly installed clients — what would be the redress with the consultants? How would that work?

Mr. Kelln: — If it's done internally, it will require us going back in and establishing how much work needs to be redone to be on the safe side of things. If it's done externally, if a contract is set up to do the labour for that work, they need to provide that warranty of redoing that labour.

Ms. Beck: — And looking now at the overall FTEs [full-time equivalent] for SaskEnergy, I'm just wondering what the change was year over year last year in terms of those FTE numbers?

Mr. Kelln: — We've been steady at about 1,085. We're just short of 1,100 employees in the company.

Ms. Beck: — And I know that a lot of larger and smaller, I suppose, corporations and agencies are experiencing a high level of retirement as we go through the baby boom. I'm just wondering your expectations in the upcoming year for retirements and what the plan is for succession planning and maintaining that knowledge before those folks retire?

[20:15]

Mr. Kelln: — Well you know, it's something we focused on actually since 2009. We were becoming an older company every year, and I represent that remark. And that said, you know, what's the opportunity of how to bring youth and Saskatchewan youth. We focused on Saskatchewan technical institutes, Saskatchewan universities; how can we bring them into our company.

And I can tell you that since 2010 we've become a younger company, so we've had a lot of graduates come in. We've had to give them the structure so they have the training and the understanding of what's required of them, but you know, today we're very happy that we're approaching about 300 employees that are under the age of 35. So that's a pretty significant number.

That's helpful in the fact that we have normal turnover. And we have about 35 retirements a year which we need to manage, and respect that there's lots of experience that goes out the door when that happens. At the same time, if you have the right training structure and experience and knowledge exchange in place, you know, it could work very well. And we've been very fortunate that those, the young part of our company have chosen to predominately stay with us, which is very helpful.

Ms. Beck: — Thank you. One of the first times, in fact I think the first time that we met, was at an announcement for a joint rate change with SaskPower earlier this year. I understand that, although that was my first briefing, that is not typically common practice to do that joint rate change. I'm just wondering about the decision to make that announcement on the same day and what went into that decision.

Mr. Kelln: — You know, in terms of our application that came forward, we've been pretty consistent around that time of year for several years. It fits well because we're trying to really plan for the next winter season, and that predominantly is the pricing of natural gas being critical to organizing ourselves, and at the same time assessing our delivery. So pretty consistent we've been around that time. We really ended with SaskPower having an application in a very similar timeline, and felt that it'd be helpful in you're really laying out to the customer both the effects of what their energy bills would look like.

Ms. Beck: — I'm going to go back to September of last year, and at that time the rate review panel was concerned over possible future increases. In particular, SaskEnergy forecasted it would need to increase delivery service rates by approximately 8 per cent this year and by 4 per cent every year from 2017 to 2020. And then this spring, obviously, we saw a bit of an increase on the infrastructure side, but a rate decrease. I'm just wondering about that change. What changed in that time period from September until this spring?

Mr. Kelln: — Well we ended up very consistent with that. If you look at the delivery component of the rate change, it was a recommended 8.6 per cent, so that would equate or parallel with what the panel was looking at. Fortunately, natural gas pricing or the commodity side of the business saw the market pricing of natural gas go down. So we end up with a combined effect of customers having an overall bill decrease, which is certainly always helpful.

Going into the future, we do have the element, which is part of our capital program, of continuing to invest in our infrastructure and, you know, public-safety driven because of the natural gas infrastructure that we have. I think the good news there is that in terms of our total infrastructure, it's a manageable number, but it's something that needs to be invested in every year. So going into 2016, we had approximately $95 million of operating capital that we need to invest in renewing our infrastructure. When you compare that to a $1.7 billion asset base, it's manageable, but it does add a continued pressure into the future.

Ms. Beck: — So obviously in your business you have to do some projection of conditions, maybe even a little bit of weather forecasting if you're able to do that. Are you thinking that there will be increased need — and I think you just spoke to this a little bit — but increased need for increases into the future, given those projections both on the commodity price side and the demands, but also the infrastructure investment?

Mr. Kelln: — Maybe speaking to the commodity first, we do see prices very flat out into the future right now. And natural gas is abundant in North America, which is a very positive thing for consumers when it's 40 below, that the commodity itself is an attractive price. It's built off the fact that there's many parts of Western Canada and into the United States where they've been able to unlock some new natural gas exploration plays, usually associated with oil but even on their own. So I think that's very positive if you think . . . Our commodity rate application puts the commodity rate at the lowest it's been in 16 years. So that's always positive for your consumer of natural gas.

On the delivery side, certainly we're going to see that continued investment needing to be put in place, very much a proactive approach. If we can do things before there is an issue, that's a very cost-effective way to do it. And I think of one approach that I referenced earlier related to our leak detection, where we can in advance see that we have maybe a particular system that needs a bit of an extra attention. And we deal with it prior to it becoming a problem, and that's a cost-effective way to deal with it.

So you know, we compare what we're doing with the different gas companies across the country, and it compares very well, that there was some good decisions made by our forefathers relative to the systems they put in. But I think the proactive approach is certainly providing as low investment as we can, but still being focused on public safety.

Ms. Beck: — You mentioned a comparison with other gas companies across the country. So where would SaskEnergy fit in in terms of the investment in infrastructure and in PMR [preventative maintenance and renewal] to get ahead of more costly repairs down the line?

Mr. Kelln: — You know, in terms of the investment, we look like we're in sort of right around the middle, right around average, yet the results are very much leading.

So in terms of the issues related to our system, you know, one metric that is used is minute leaks. These are leaks that are very, very small that in and of themselves cause no issues, but they're a telling sign that maybe there's something in the future that you need to deal with. And we ended up last year really leading the country from that point of view. Now again, it was the material that was picked years ago by the people before me that picked the kind of polyethylene systems or plastic systems we have in rural Saskatchewan, and the good work that was done in

Regina and Saskatoon around steel mains that were protected from corroding, which is very helpful.

Ms. Beck: — Okay. I believe the last time we spoke in the briefing, you had mentioned due to an unusually warm winter, that you had an abundance of stock on hand. I'm just wondering the amount of that stock that you have purchased on hand, and what rate that was purchased at. Was that at a higher rate than today's rate or below today's rate?

Mr. Kelln: — It was approximately four petajoules, and I'll give you sort of a relative of a petajoule. A typical year, an average year for SaskEnergy customers, they would utilize about 55 petajoules. So you know, it's a small portion of our overall year, but it's gas that had remained in storage because that's where we can put it away and, depending on the severity of the winter, we pull it out. So it was a bit higher cost than some of the costs we were buying during the summer, but when you compare to what our recommended rate is going to be, very, very close to that.

So you know, I think we do focus in our strategy on making sure that we're prepared for an average winter, and if it's warmer than average, that that inventory will move to the following year. If we have a very severe winter, we have the capability of getting, acquiring additional supply so we can meet the customers' needs.

Ms. Beck: — And a typical year being about that 55 petajoules?

Mr. Kelln: — Yes.

Ms. Beck: — Okay. I'm going to ask some questions now just around the current debt. What is the current debt, and what does that give you for a current debt ratio?

Ms. Short: — The total debt currently is about 1.3 billion, and our current debt/equity ratio at the end of December was 60 per cent.

Ms. Beck: — Thank you. And how does that compare to last year?

Ms. Short: — It's actually down. It was 63 last year, so it is down from last year.

Ms. Beck: — Okay. We've talked a little bit about the need for investment in infrastructure and how that's prudent to stay ahead of costs. I'm just wondering what the current infrastructure plans are. Which plans are being worked on, and do you feel that that plan is sufficient to keep you ahead of the aging out of infrastructure and some of the issues that you identified with that happening?

Mr. Kelln: — When you look at 2016 and head out over the next five years, our capital expenditure program varies from a high of $250 million to the lower years of 200. So fairly stable. The integrity programming or renewal part of it remains, in our view, pretty flat. We've had about 10 years of doing this proactive approach of establishing the requirements, so we have a fairly sophisticated risk assessment model that we're utilizing that's helpful there. So it's only a component of that.

The remaining has two components to it. One is certainly customer growth, and the industrials in the province and their growing need for natural gases has certainly been a key driver in it. If you look at where we are today versus 2009, our average day we're moving 40 per cent more natural gas than we did in 2009; so pretty significant. It's related to the industrial activity, and of course we have to extend infrastructure to them.

The final component is system improvement, we call it. And maybe a simple example for that is that we are seeing infrastructure being encroached by development of cities, for example. So we need to relocate some of our infrastructure back further out from Saskatoon, Regina, Moose Jaw, and we're doing some of that as well.

So you know, a number of components to it, but you know, fairly stable we look like over the next five years.

Ms. Beck: — So if we were to break it down by percentage in terms of the overall infrastructure investment, what percentage would be on new lines, relocation of lines, and then updating or upgrading of existing infrastructure?

Mr. Kelln: — In terms of the upgrading, that equates to $65-70 million of capital out of the 200 to 250. You then have the customer work being a pretty dominant part of things. And then finally the system improvement part would be a smaller portion. So just to give you an idea, now the customer growth part is dependent on those projects and there's always many that are asking for service. It's the ones that go ahead that we have to build for.

Ms. Beck: — So far this spring has been pretty good to us in this province and we didn't have a lot of runoff. And hopefully, fingers crossed, things look good; we won't have record flooding. But I know that is something that did cause some significant issues. I think particularly of the Regina Beach area. I'm just wondering what the contingency plan is should we have another weather event like that, with record flooding that disrupts lines.

Mr. Kelln: — It's something we're paying good attention to. Actually we are tracking the heavy rainfalls that occur around the province. We are using satellite technology that's very helpful, taking pictures of Saskatchewan at a very economic rate, that can tell us if that heavier locations of rainfall are causing any movement issues. And usually in valley areas is where you're dealing with it. So certainly a lot of additional proactive things that we're doing in comparison to what we saw a few years ago, and proving to be very helpful.

Ms. Beck: — So were a similar event to occur, and you have an increased ability obviously through some of that technology to predict that, were something along that line of magnitude to happen, what would be the contingency? Is there room within the budget, within the plans to be able to absorb that kind of a cost?

Mr. Kelln: — We do have within our capital program a contingency. It's been long standing for the last 25 years. Inevitably there's always some different issue that arises. You know, I think of the riverbank movement in Nutana a few years ago in Saskatoon which happened, unfortunately . . . Yes, it's still happening. You know, something that really had been stable for many, many years that came about, so you know, there are different issues.

[20:30]

I think the part that works is, the better you are at early detection, the more you can do. So we made the ability at the Regina Beach system so that it can move and we can also measure if there's movement. So we're both taking a picture to see if there is movement, then we can check our system and make it movable. So you know, I think those things are, you know, cumulatively, we just have to look at the different circumstances and manage each of them. Collectively we do have a component of our budget that just manages the issues that arise.

Ms. Beck: — Okay. I'm just keeping an eye on the time. What time do I have until . . . [inaudible interjection] . . . 8:03, okay.

You mentioned earlier in the opening remarks, some efficiency measures, and I note that there are $4 million of efficiency savings forecast for 2016. Where do you expect to find those efficiencies, that $4 million?

Mr. Kelln: — Well we end up being just not one thing. It's really a lot of effort. I give you really sort of three focus areas. One is around process improvement, which is always how can you do something better, and you know, I think we've been very fortunate that the remote meter reading that we're doing, which has now reached 310,000 customers, we're being rewarded that they're not calling us as much. And that's allowed us some efficiencies that we can redeploy to other areas. A simple example there.

Looking at technology . . . And the example I would give you would be our moving to mobile compression. So tonight we're running about 50,000 horsepower of moving gas across the province, and that's done with engines. More and more of those engines are on wheels so we can move them around in the spring and the fall and in mid-winter and use one unit in three places. And that's very helpful. So you see that doing it.

The third is around collaboration, looking at working with others to get things done. And you know, I give one simple example, being we joined efforts with SaskPower and SaskTel to have a common line-locating function provided so there's only one truck heading to a location. We've eliminated the potential of, well I thought they were already here. So you get it all done at once and that provided savings as well. So you know, looking at, at times we look at the collaboration within our company of how can we sort of combine the things that we're doing into one. So those would be the three areas.

We've since 2010 provided a summary of those initiatives to the rate review panel because we think it's very important that it's not one big thing. It's a bunch of different initiatives that produce our savings, which is helpful to the customers.

Ms. Beck: — I did just have the dig folks in my backyard marking up for a deck so I'm familiar with the . . .

The Chair: — Got any more questions?

Ms. Beck: — I think I misunderstood you. I thought I was . . . 8:33?

The Chair: — It's 8:33.

Ms. Beck: — I think that's what I was prepared for, that time period. So I do thank you for your answers and for being here this evening.

The Chair: — Well thank you. And seeing no further questions, we'll conclude our consideration of SaskEnergy Inc., Vote 150, SaskEnergy Inc., statutory, subvote (SE01) in the amount of $192,600,000. There is no vote as it is statutory.

Mr. Minister, do you have any closing comments?

Hon. Mr. Reiter: — Thanks, Mr. Chair. Yes, I'd like to thank you and committee members and officials being here tonight, as well as Ms. Beck for her questions this evening. And I'd like to thank Doug and Christine for being here as well from SaskEnergy. Thank you, Mr. Chair.

The Chair: — Ms. Beck.

Ms. Beck: — I guess I would just like to wrap up by again saying thank you for your time and attention and your thoroughness in answering my questions this evening.

The Chair: — Well I want to thank you, Minister, and Ms. Beck and all the committee for being here this evening. And we will have a short recess to change officials.

[The committee recessed for a period of time.]

General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140

Subvote (SW01)

The Chair: — Well welcome back, committee, and we have Cathy Sproule substituting in for Carla Beck. We will now start a consideration of lending and investing activities for vote 140, Saskatchewan Water Corporation, loans, subvote (SW01).

Minister Cox, would you please introduce your officials and make any opening comments you want.

Hon. Mr. Cox: — Thank you, Mr. Chair, and good evening to the members of the committee. And I would like to introduce my officials that are with me here tonight. I have Doug Matthies, the president of the SaskWater Corp.; Eric Light, the vice-president of operations and engineering; Jacquie Gibney at the back here, the vice-president of business development and corporate services; Danny Bollinger, director of financial services; and Tyler Lynch, my chief of staff.

So, Mr. Chairman, I do have a few very brief remarks, if I may. I know our time is limited so I'll just make an opening statement, and then I'd be happy to take any questions that the committee members may have.

Certainly SaskWater is committed to providing a safe and reliable and sustainable water and waste water services to its customers here in the province. SaskWater services 63 communities, 9 rural municipalities, and 85 rural pipeline groups, with a combined estimated population of 74,000 people.

SaskWater's largest customer, of course, by segment, by volume of water, is the industrial sector, and in particular the potash industry. Despite challenges in the price of potash on world markets, Saskatchewan potash producers responded to market conditions and purchased more water from SaskWater in 2015 than in any previous year. Water sales to the potash industry were also bolstered in 2015 as K+S Potash began cavern development for their new solution mine. The strength of the potash sector, combined with controlling expenditures, has resulted in SaskWater posting strong financial results again this year, and we're anxiously looking forward to new opportunities in 2017.

And just before I conclude, Mr. Chair, I would like to thank my officials very much for being here tonight and for the work that they've done in preparing for this meeting tonight. And I certainly thank them. So that does conclude my opening remarks, Mr. Chair, and both my officials and I will be happy to try to answer any questions tonight.

The Chair: — Well thank you, Minister. Do we have any questions? Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and thank you, Mr. Minister, and to the officials for coming out tonight. Just a few questions for the brief time that we have together. And first of all, I'm just looking at budget 2016-17 estimates, and page 69. We'll start there. We see that budgeted public debt for SaskWater Corporation this year is 52.3 million. I note that you've listed that all as GBE [government business enterprise] specific debt. My only question is, have you ever had budget general debt, or have you always maintained your debt within the government business enterprise specific debt?

Hon. Mr. Cox: — It has always been within the government's enterprise debt.

Ms. Sproule: — Thank you. The next page, I think it's 70, yes, it's your revenue that you're forecasting for the year coming up. And I'm just wondering, you've budgeted 6.1 for your revenue. It's slightly down from your forecast, which I think . . . Is that Q3 [third quarter] or Q4? And this is for now year-end, March 31st, so you're now in that cycle. I'm just sort of curious why there's a slight decline in anticipated revenues this upcoming year.

Hon. Mr. Cox: — The revenue from last year was based on 15 months. This year is going to be a 12-month budget.

Ms. Sproule: — So that's why the budget for last year, 4.7, that was for 12 months? Your forecast is for the 15-month period. All right. And then 6.1. So there still is a significant jump then in revenues over a 12-month period. Can you account for that?

Hon. Mr. Cox: — Further to what I said in my opening statements, it's basically continued strong growth in the potash industry, the sector, and more specifically the fact that K+S started taking their water allocation for their cavern floods.

Ms. Sproule: — So how much is your arrangement with K+1 on an annual basis? Like how much revenue did you take in from K+1? What's budgeted for anyway?

Hon. Mr. Cox: — In K+S?

Ms. Sproule: — K+S.

Hon. Mr. Cox: — Ms. Sproule, without getting into specific details of course because of competition issues, etc., K+S will certainly become our largest by-volume customer . . . [inaudible interjection] . . . second largest, pardon me. Previously it was Mosaic at Belle Plaine, but once they start taking their flow allotment it's going to be a larger portion.

Ms. Sproule: — Okay. Could you just outline then who your major potash customers would be then.

Hon. Mr. Cox: — Okay, starting from the top, we've got Mosaic Belle Plaine; the K+S Potash Canada; PotashCorp of Saskatchewan, Cory Division; PotashCorp of Saskatchewan, Allan Division; and PotashCorp of Saskatchewan, Lanigan Division; then the Agrium mine and the Mosaic Colonsay mine.

Ms. Sproule: — And in terms of K+S's use of water, is it because it's a solution mine that it's going to be number two?

Hon. Mr. Cox: — Yes.

Ms. Sproule: — Yes, okay, thank you. I'm just going move along then, conscious of the time. Page 137, there's a page called "Schedule of Non-Budgetary Voted and Statutory Appropriation." We're looking at a statutory appropriation for this year of $10 million. Last year I believe it was around $15 million. Can you share with the committee why that has dropped by 30 per cent?

[20:45]

Hon. Mr. Cox: — Mr. Chair, I'm just going to grab my earpiece if I may, please. Thank you for that.

The reason for the 15, that was basically a catch-up year from some capital projects, and then this year at the $10 million, that's the capital projects that we have in the hopper for this year.

Ms. Sproule: — Could you describe those capital projects that are in the hopper for this year?

Hon. Mr. Cox: — Okay, I have the list of them here. The first one is a major project which I can't really reveal who it is at this point in time; 2.4 million for that. And then we have about $100,000 in smaller projects that are going to be undertaken. And then we have major items of one and a half million for the Wakaw-Humboldt regional storage expansion, 800,000 for Saskatoon area pump upgrades, 500,000 to complete the current phase of expansion at the White City water supply system, and then again $100,000 for some various smaller other projects. And then another $7.9 million consisting of the Bradwell diversion and the canal liner replacement for 2.5, the Elbow

Lake intake and raw pipeline replacement at 1.8. And they are an existing customer with . . . We're doing upgrades. The Wakaw backup power system for 1.1 million, some meter replacements for 400,000, the Buffalo Pound swab launch line for 200,000. And capital and equipment, and that includes investigating seepage, receiving stations for septic haulers at two lagoons at 400,000, and some other non-specified emergency repairs for a million and a half. And that totals to 7.9 million.

Ms. Sproule: — That exceeds the 10 million. Are you cash financing the remainder?

Hon. Mr. Cox: — Yes.

Ms. Sproule: — Thank you very much. In terms of on page 142, there's a schedule there, schedule of lending and investing activities. And it says Crown corporations loan repayments, Sask Water Corp.; 4.2 million is estimated in this year's budget. Last year there was a . . . I assume there's a bump in the forecast because of the 15-month readjustment, but it looks like you've repaid loans of $11 million last year, and it's gone down quite significantly this year. Can you share with the committee why your loan repayment dropped from the last budget?

Hon. Mr. Cox: — Okay, the 2015-16 estimate of 11.8, that has been paid back largely from our sinking funds and from cash on hand to pay that back. The 4.2 is what we're going to pay back our line of credit, pay back to the government over the next year.

Ms. Sproule: — I guess I'm curious because I would expect a much more even rate of payback. So is there any reason why it was so much more last year and less this year?

Hon. Mr. Cox: — If you look at our 2014 annual report, you'll see that that was the year that that debt came due, so different amounts of debt come due different years, as you know, so that's why that was paid off at that point in time.

Ms. Sproule: — All right, thank you very much. I'm just going to turn now to the 2015 water quality report. I think this was released since we last met in January, the water quality report. Just a couple questions on that, and naturally I'm interested in the areas that do not meet the Water Security Agency permit to operate requirements. There's a few areas that have been identified, particular in Jackfish Lake WTP — which is a water treatment plant, I guess, WTP — and La Ronge. This is page 11 of the report. I'll give you a couple minutes. Do you have it, Mr. Matthies? I can always just pose the question and you can reply later too.

I guess basically the question is, have these areas been addressed, and are they remediated? In particular I think it's the bacteriological test submissions that weren't sufficient and the chlorine tests. So what can you share with the committee? Oh and some turbidity tests as well in La Ronge.

Mr. Matthies: — Doug Matthies, president of SaskWater. So typically the items that are flagged in the water quality report — and I think you mentioned chlorine was one example — where we may get a test result that comes back that's not compliant, we would immediately retest to make sure that there hasn't been a sampling error. Sometimes that can happen. And in all of the cases where we had concerns identified like that when we were doing the resampling, the issue basically was resolved, with the exception of the trihalomethane levels in some of the systems where we had an exceedance, but those are in circumstances where we're actually securing the water from the Buffalo Pound water treatment plant. And so we're working with them so that basically we need them to take actions to reduce the trihalomethanes or the THMs because we're not actually the producer of that water.

Ms. Sproule: — I think this is Buffalo Pound east, Buffalo Pound north, Buffalo Pound west, okay. There was some other issues with village of Air Ronge, Regina north industrial subdivision. So you're saying Caron, I think Mortlach regional pipeline, those have all been remediated?

Mr. Matthies: — Anything to do with the THMs where we're sourcing the water from the Buffalo Pound Water Treatment Plant, those ones would carry over because it's going to require capital spending and process changes at the treatment plant. The other ones, where we run in the systems ourselves, we're in good shape.

Ms. Sproule: — Thank you very much. On page 20 of that report, it says there's an ongoing PDWA issued by the Water Security Agency in 2008 on SaskWater Saskatoon non-potable water supply system east and west. I believe that has been addressed, but could you just give the committee . . . There's some discussion about an "alternative potable water source for the west systems . . . users has yet to be developed," and they have until December to find alternate sources. Are you involved in the location of that alternate source, or is that something the residential folks have to look after?

Mr. Matthies: — Mr. Chair, just to respond to that, the non-potable line that runs west of Saskatoon is not drinking water; it's basically river water. And years gone by, there were a number of individual home owners that tapped into that line and the concern being of course that basically it's processed water that we're sending to the potash mines. And so that's why it's a standing precautionary drinking water order on it because it's not treated. We are trying to divest ourself, if I can say that, of those individual customers because it is not drinking water quality.

But we've been working with the regulator to try to find a solution that would work for them. There is a rural pipeline user group that is attempting to secure funding so that they can actually put in a potable pipeline that we're prepared to extend to them, but there's a funding question. So we're working with them, and they're trying to get the money together to put the line together. It hasn't happened yet.

Ms. Sproule: — Can you share with the committee how this situation came to be in the first place?

Mr. Matthies: — I will offer the comment that this pipeline has been in place for many decades. And most cases where we get service connections for individual users like this, it was a condition of the landowner to get an easement from him to run the pipeline through his property. So he says, well if you're going by, I want to tap into the water. So a number of them would have come about as part of, you know, getting his agreement to run the pipeline. And I'm going to look to my colleagues if there's any significant change from that, but that's where a lot of them would've come from.

Ms. Sproule: — Thank you very much. I'm going to turn now to a quick question on your fourth quarter report that came out in December. Well it was . . . It came out after that I think. But just a couple of questions about your debt, current debt load. I see your debt ratio's like 40 per cent or 45 per cent, so it's quite healthy. I'm just wondering if you could share with the committee a little bit of information about your long-term debt. I believe it's $36 million on page 6 of the report, and sort of what the plan is for debt management as you go forward.

[21:00]

Hon. Mr. Cox: — Thank you for that. Our long-term debt target, our ratio, debt to equity, is 60 per cent. We're presently running at 44.8 per cent, as you can see, and that's on our long-term debt. We anticipate that, with new customers, that debt may go up to service new customers, new lines if we need to do more capital infrastructure. But at this point in time we anticipate that it's going to stay well under our 60 per cent target.

Ms. Sproule: — Thank you very much for that. Just one quick question on your legislation, *The Saskatchewan Water Corporation Act.* Part IV is your financial matters. I was just in committee with SaskPower, and we were talking about . . . They have actually a debt ceiling of 8 billion that's being increased to 10 billion. You guys don't have a debt ceiling.

Hon. Mr. Cox: — We actually do have a debt ceiling set by order in council in 2014 at 130 million, broken down as 30 million in short-term debt and 100 million in long-term debt.

Ms. Sproule: — Was that change in 2014, did that increase your limits or was it the first time that you had those limits established?

Hon. Mr. Cox: — That was the first time that we had that put on. When we were converted to a commercial Crown in '02, we did not have a ceiling. This was the first debt ceiling that was put on this corporation.

Ms. Sproule: — And you may not have an answer for this but do you know why SaskPower's is located in their legislation and yours is done by way of order in council?

Hon. Mr. Cox: — I think if I answered that I would just be speculating, Ms. Sproule.

Ms. Sproule: — Just curiosity. I'm going to go back to our conversation in January when we last met, and one of the things you talked about was, I had asked about a cumulative effects study and you'd done one for Vale which I believe you said is now sort of . . . Yancoal is replacing Vale in terms of the cumulative effects. Is there any way that we can get a copy of that cumulative study? Is that available?

Hon. Mr. Cox: — When that document was released it was a public document, and we can get you a copy if you want it.

Ms. Sproule: — Or even a link if it's available on the Internet. Just a link on the Internet would be fine. I don't need a hard copy but just a reference to where it can be located.

Hon. Mr. Cox: — We can get that to you. We'll get that to you.

Ms. Sproule: — Okay. Thank you. We had also talked about some other projects that were coming online and they're waiting for grant announcements where your water rate would not support the full capital investment. Is there any update on any of those programs or is that the one you referred to earlier that you still can't quite announce?

Hon. Mr. Cox: — Some of those that we were anticipating did not get their grants, so the status is still on hold on them. And the other one that I alluded to earlier, there will be an announcement in the next few days.

Ms. Sproule: — I think I was discussing in January with Mr. Light about the emissions, greenhouse gas emissions. And one of the things you were looking at was putting pump stations on a curve. You were going to do some analysis to figure out what the curve looks like, and you had done that in five different facilities. You were looking at other facilities to see, to implement the curve way of operating, reduce power costs. Can you provide the committee with an update on how the progress has been in the last six months?

Mr. Light: — Eric Light, SaskWater, vice-president, operations and engineering. We have put a number of facilities on the curve already, so we've implemented those projects. We've got another three that we have done the investigation and so have the information available but we haven't yet implemented at the facility. And then we have identified probably another four that we still would do an investigation on to see if it's worthwhile putting on a curve system like the other ones.

Ms. Sproule: — What percentage of your pump stations does that represent?

Mr. Light: — Let's see. As far as the ones that are on already, or if we implemented all the ones?

Ms. Sproule: — In total, yes.

Mr. Light: — That would probably be about a third, I would estimate.

Ms. Sproule: — Do you anticipate that the other two-thirds will eventually get there, or is this the total that you're able to put them on this curve?

Mr. Light: — Yes, so what we have done, the ones we've identified first and have implemented first are the larger facilities where there's more opportunity for cost savings. The other ones are smaller and there'd be less opportunity.

Ms. Sproule: — So a diminishing return in a way, the point of diminishing return. One last question, Mr. Chair. We also talked about onerous contracts, and I know these are ones you provide more as a public service, I would say, than a profit margin kind of operation. And I was just wondering, you had talked about a couple of small ones. Are they still operating at a loss? Is that something that you will continue to maintain? Are there any other onerous contracts that have come on board since we spoke in January?

Hon. Mr. Cox: — Okay, thank you. Two of those contracts are still onerous at this point in time. One we're negotiating very closely with a new rate on some capital investments that we think we can change that contract, and the fourth one is just very preliminary, starting a negotiation stage. Two in total, pardon me.

Ms. Sproule: — Two in total, one you're working on capital improvements and the other one you're still negotiating?

Hon. Mr. Cox: — It's just beginning, yes. Pardon me.

Ms. Sproule: — Okay. I believe that is the end of my time. Is that correct, Mr. Chair?

The Chair: — That is correct.

Ms. Sproule: — All right then. I will just take a quick moment to thank the minister and the officials for coming tonight, and hopefully we'll meet again in six months and we can carry on. Thank you.

The Chair: — Mr. Minister, do you have any closing comments?

Hon. Mr. Cox: — Yes, thank you, Mr. Chair, and thanks to you and your committee for being here and thanks to Ms. Sproule for the questions. And we certainly value this opportunity to share some of the things that SaskWater Corporation is undertaking and continuing to do a great job. And once again I would also like to thank my officials one more time for coming out tonight and being here, and for all the work they've done prior to this committee meeting. Thank you, Mr. Chair.

The Chair: — Well thank you, Minister, and your officials, and Ms. Sproule for all the questions. And seeing no further questions, we'll conclude our consideration of Saskatchewan Water Corporation.

Vote 140, Saskatchewan Water Corporation, statutory. Loans, subvote (SW01) in the amount of $10 million. There is no vote as this is statutory.

Okay. Well thank you very much.

General Revenue Fund
Central Services
Vote 13

The Chair: — And committee, we will now move into considering vote 13.

Okay, we will now consider vote 13, Central Services. Central management and services, subvote (CS01) in the amount of 49,000. There is no vote as this is statutory.

Property management, subvote (CS02) in the amount of $5,010,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Transportation and other services, subvote (CS05) in the amount of 4,156,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Project management, subvote (CS03) in the amount of zero dollars. This is for informational purposes only. There is no vote needed.

Information technology, subvote (CS11) in the amount of $15,446,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Major capital asset acquisitions, subvote (CS07) in the amount of $255,993,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Non-appropriated expense adjustment in the amount of $790,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No amount is to be voted.

Central Services, vote 13, 280,605,000. I will now ask a member to move the following resolution:

> Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2017, the following sums for Central Services in the amount of $280,605,000.

I need . . . Mr. Phillips moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

General Revenue Fund
Finance
Vote 18

The Chair: — Vote 18, Finance, central management and services, subvote (FI01) in the amount of $6,495,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Treasury and debt management, subvote (FI04) in the amount of $2,145,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial Comptroller, subvote (FI03) in the amount of $11,207,000, is that agreed?

Some Hon. Members: — Agreed.

[21:15]

The Chair: — Carried. Budget analysis, subvote (FI06) in the amount of 5,498,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Revenue, subvote (FI05) in the amount of 24,861,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Personnel policy secretariat, subvote (FI10) in the amount of 510,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Miscellaneous payments, subvote (FI08) in the amount of 55,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Pension and benefits, subvote (FI09) in the amount of 157,129,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount of 608,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No amount is to be voted.

Finance vote, $207,900,000. I will now ask a member to move the following resolution:

> Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2017, the following sums for Finance in the amount of $207,900,000.

Mr. Brkich: — I so move.

The Chair: — Mr. Brkich. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

General Revenue Fund
Finance — Debt Servicing
Vote 12

The Chair: — Debt servicing, subvote (FD01) in the amount of 269,850,000.

There is no vote as this is statutory.

Crown Corporation debt servicing, subvote (FD02) in the amount of 20,150,000.

There is no vote as this is statutory.

Finance debt servicing, vote 12, $290,000,000. There is no vote as this is statutory.

General Revenue Fund
Public Service Commission
Vote 33

The Chair: — Vote 33, Public Service Commission, central management and services, subvote (PS01) in the amount of 5,793,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee service centre, subvote (PS06) in the amount of 10,863,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Employee relations, policy and planning, subvote (PS04) in the amount of 5,689,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Human resource client service and support, subvote (PS03) in the amount of 14,213,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount of $500,000. Non-appropriated expense adjustments are non-cash adjustments presented for informational purposes only. No amount is to be voted.

Public Service Commission, vote 33, 36,558,000. I will now ask a member to move the following resolution:

> Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2017, the following sums for Finance in the amount of $36,558,000.

Mr. Kaeding. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

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

The Chair: — Vote 151, Municipal Financing Corporation of Saskatchewan. It's statutory. Loans, subvote (MF01) in the amount of zero dollars. There is no vote as this is statutory.

General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152

The Chair: — Vote 152, Saskatchewan Power Corporation. It's statutory. Loans, subvote (PW01) in the amount of $448,500,000. There is no vote as this is statutory.

General Revenue Fund
Change in Advances to Revolving Funds
Vote 195

The Chair: — Vote 195, change in advances to revolving funds. It's also statutory. Change in advances to revolving funds, vote 195 in the amount of zero dollars. This is for informational purposes. There is no vote as this is statutory.

General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Debt Redemption
Vote 175

The Chair: — Vote 175, debt redemption, statutory. Debt redemption, vote 175 in the amount of 508,479,000. There is no vote because this is statutory.

General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Interest on Gross Debt — Crown Enterprise Share
Vote 177

The Chair: — Vote 177, interest on gross debt — Crown enterprise share, statutory. Interest on gross debt — Crown enterprise share, vote 177 in the amount of zero dollars. This is for informational purposes. There is no vote as this is statutory.

General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Sinking Fund Payments — Government Share
Vote 176

The Chair: — Vote 176, sinking fund payment — government share, statutory. Sinking fund payment — government share, vote 176 in the amount of 51,592,000. There is no vote as this is statutory.

It will just take a second while we hand out the motion. Okay. We need to move the motion to present the report to Assembly. So the standing committee members, you have before you a draft of the second report of the Standing Committee on Crown and Central Agencies. We require a member to move the following motion:

> That the second report of the Standing Committee on Crown and Central Agencies to be adopted and presented to the Assembly.

Ms. Young: — I so move:

> That the second report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

The Chair: — Ms. Young, thank you. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This concludes our business tonight. I will ask a member to move a motion of adjournment. Mr. Dennis has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 21:25.]