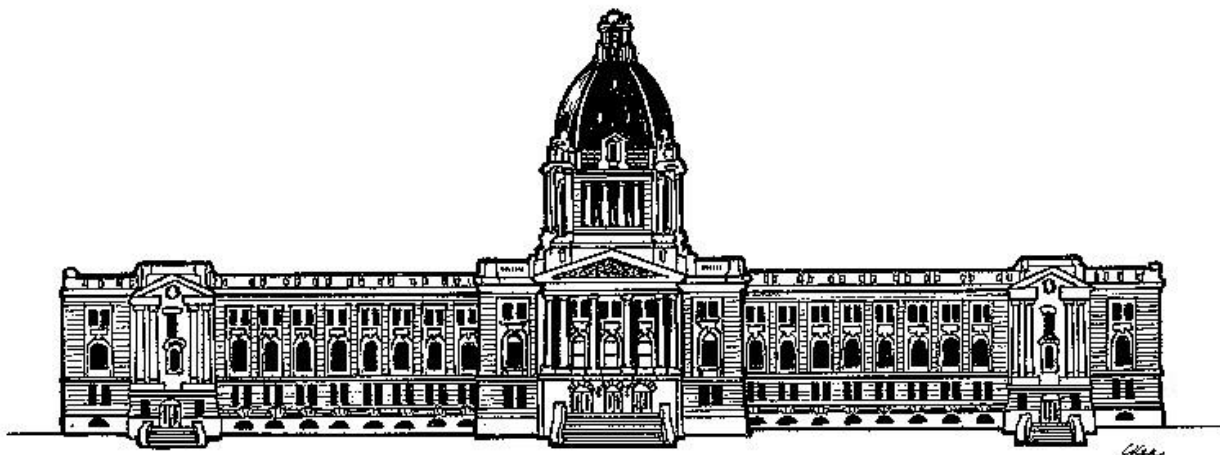




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 15:04.]

The Chair: — Good afternoon. Welcome members to our committee. I'm Herb Cox, the committee Chair. With us today, we have Warren McCall substituting for Cathy Sproule. We have MLA [Member of the Legislative Assembly] Steven Bonk, MLA Glen Hart will be joining us momentarily, MLA Nancy Heppner, and MLA Everett Hindley, and MLA Lisa Lambert.

This afternoon the committee will be considering the lending and investing activities of the Saskatchewan Gaming Corporation, the 2017-18 annual report of the Sask Liquor and Gaming, and the lending and investing activities for Saskatchewan telecommunications holding company.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Gaming Corporation
Vote 139**

Subvote (GC01)

The Chair: — We now begin our consideration of vote 139, Saskatchewan Gaming Corporation, loans, subvote (GC01). Minister Tell, please introduce your officials and make any opening comments you wish to make please.

Hon. Ms. Tell: — Thank you, Mr. Chair. To my left, I have Blaine Pilatzke. He's the vice-president of corporate services. Of course on my right is president and CEO [chief executive officer] Susan Flett.

As always, I appreciate the opportunity to appear before this committee and all members, and I look forward to a productive discussion. Before we get started, I'd like to introduce my officials. Directly behind us are John Amundson, Shanna Schulhauser, and of course my chief of staff, Brayden Fox.

Mr. Chair, the last time Sask Gaming appeared before your committee it was to consider its 2017-18 annual report. Today I'd like to shed light on some of the corporation's more recent successes, while underscoring select highlights from '17-18 and the most recent reporting year.

Since we met, the corporation has stayed the course on offering an always entertaining experience to its guests. A number of exciting changes have been made to the gaming floors, and these include new product offerings such as uniquely themed slot machines to meet guest demand, a new menu at the Last Spike Restaurant, and chase-the-flush tables at both Casinos Regina and Moose Jaw.

Mr. Chair, this is in addition to a beautiful new service bar at Casino Regina which opened just three weeks ago. The Midway, as it's called, is located across from the poker room and offers another service outlet for both guests and employees. For the first time ever, Casinos Regina and Moose Jaw opened their doors with scaled-back hours on December 24th and 25th. This change was made to better serve guests over the holiday season and was one of the many recommendations that came out of the corporation's guest advisory committees.

SaskGaming is also proud to deliver significant financial return to the people of the province. With a profit-sharing agreement that directs 50 per cent of income to the General Revenue Fund, the corporation consistently endows tens of millions of dollars to Saskatchewan programs and services, namely those that benefit our First Nations and Métis communities.

In 2017-18 that investment was 23.2 million. This is in addition to SaskGaming's community-giving program which provides sponsorship, in-kind donations, and support to countless projects and events in and around Regina and Moose Jaw.

I'd be remiss if I didn't mention SaskGaming's Charity Championship, the corporation's flagship charity event that took place this past September and raised nearly \$77,000 for Saskatchewan charities and non-profits. Since its inaugural event in 2016, Charity Championship has raised a whopping \$219,000. This would not have been possible without the vision of SaskGaming employees as well as the many teams who help make this event each and every year.

Mr. Chair, in the interest of release of our government's latest budget, I'd like to turn the committee's attention to expense management for just a moment. Over the past three years, SaskGaming has diligently managed its costs. As such the corporation played a critical role in helping the government return the budget to balance, something we proudly announced mere weeks ago. In fact the corporation identified expense savings of \$4 million in 2017-18, significantly impacting the government's bottom line.

SaskGaming employees are some of the most diverse in the Government of Saskatchewan. With over 42 per cent Indigenous employees, 17 per cent visible minorities, and 4 per cent people with disabilities, SaskGaming's diversity is certainly its strength. And the corporation continues to look for ways to improve that diversity especially around Indigenous employment.

Last year, SaskGaming hired a new Indigenous recruitment and retention consultant to support the corporation's commitment to improving the Indigenous employee rate. This includes a refresh of SaskGaming's Indigenous recruitment and retention strategy which will be actioned in 2019-20.

One of the final items I'd like to raise is SaskGaming's commitment to corporate social responsibility through its robust responsible gaming program. Last fall the corporation was notified by the Responsible Gambling Council of Canada that they had maintained the responsible gaming check accreditation status. The Responsible Gambling Council of Canada is an independent, non-profit organization dedicated to problem gambling prevention.

Mr. Chair, our only casino gaming facilities with exceptional responsible gaming programming obtained the responsible gaming check accreditation. I'm pleased Casinos Regina and Moose Jaw fit that description and that the Responsible Gaming Council of Canada agrees.

This concludes my opening remarks. I'll now turn it over to the member from Regina Elphinstone and invite questions. Thank you.

The Chair: — Thank you, Minister. I'd just remind officials to please state your name the first time you speak into the mike, if you would please. Now do any of the members have any questions? I recognize Mr. McCall.

Mr. McCall: — Thanks very much, Mr. Chair. Good to be recognized, and we're just getting started here of course. But, Madam Minister, officials, welcome to the consideration of (GC01) and what will, I imagine, serve as a preview for a discussion later to be had on the annual report when those get going. But good to join you this afternoon for this discussion.

First question. So (GC01), vote 139, \$5 million, could the minister describe — or officials — precisely what's happening with that amount, why that amount was seized upon, and how that will be deployed.

Ms. Flett: — Susan Flett. So we have put a placeholder in for borrowing of up to \$5 million. We may or may not need that. But our base capital needs annually are typically about \$7 million. In this upcoming year, '19-20, we have plans for renovations. So it's a multi-year project, and our facilities have not been renovated in a number of years. Guests are certainly starting to notice and have commented. So it's all the guest-facing areas of both Regina and Moose Jaw properties.

So it's not a typical year, and with the renovation plans, starting with the east end of our facility, we felt that this would be prudent to put that in the books.

Mr. McCall: — So 7 million on average in expenditure on capital. That's correct?

Ms. Flett: — In a normal year that would be about average.

Mr. McCall: — And that would entail what, precisely?

Ms. Flett: — That is predominantly the replacement of our products, so leasing table games or replenishing some of the slot machines.

Mr. McCall: — So physical infrastructure such as the windows or the customer service areas, that generally isn't in for a big refresh on an annual basis. It is this time. Am I understanding that correctly?

Ms. Flett: — Well on an as-needed basis. If there's windows that do need to be replaced, if it's going to be a safety or a compliance matter, we always have some funds that are allotted annually to be able to address those needs.

This renovation is something that, you know, last happened probably 10, 15 years ago, and so that really predominantly makes up the majority of the borrowing requirements. As well, it's been a number of years since we've had upgrades to some of our slot machines, and that capital commitment is intended to go toward that as well.

Mr. McCall: — Thank you for that. And again if you could, just describe for the committee what, of the annual expenditure of about \$7 million, what goes to licensing fees, what goes to actual physical equipment in terms of slot machines or what have you? If you could describe that please.

Ms. Flett: — I'm just going to turn it over to our official, my official John Amundson, senior vice-president of finance and admin, to go into some of those details.

Mr. McCall: — Certainly.

Mr. Amundson: — John Amundson. So for the \$7 million is what we consider to be our base capital. That includes about \$3.5 million for slot replacements and then about \$3.5 million for other things that are required in the casino such as HVACs [heating ventilation and air conditioning], you know, any sort of repairs that are required, all of our computer needs, refreshing our computer stations.

[15:15]

So that's what we would generally spend in a year, just what we call keeping the lights on. So anything above that, when we're talking about a refresh, that would be capital that we're going to be spending over the next three or four years that wouldn't re-occur every year. So once we get through our plan, we'd go back down to about a \$7 million base capital.

Mr. McCall: — So for that three- to four-year plan — and I'm presuming this is part of a longer capital plan on a short-, medium-, long-term basis — are you anticipating an additional 5 million of borrowing for each and every one of those four years, or what's the projection there?

Mr. Amundson: — For the most part a lot of it will be funded by internally generated funds. But you know, as we go along we have a placeholder just in case we need to borrow, in case we fall short in one or more years with our capital replacement. For example, our plan is to spend about 11.8 million in this fiscal year, so about \$5 million more than what our normal capital needs would be.

Mr. McCall: — So in terms of years previous, when was the last time that you needed to borrow?

Mr. Amundson: — The last time we borrowed would have been the last time we did a major renovation of the properties. So it would have been around 2004.

Mr. McCall: — Thank you for that. I guess, moving back into more HR [human resources]-related questions in terms of the ability of the corporation to needing to go out to borrow to provide for the capital refresh. In terms of the capacity of the corporation overall — and the minister had referenced this off the top in terms of expenditure management and the contribution that the Saskatchewan Gaming Corporation makes to the fiscal well-being of the province overall — in terms of the corporation itself, what is the state of affairs for the collective bargaining terrain?

Mr. Pilatzke: — Blaine Pilatzke. So in terms of bargaining, we have all of our collective bargaining agreements are currently open, and we're engaged in the collective bargaining process. You know, you may be familiar with this, but we essentially have three unions and four bargaining units with RWDSU, Retail, Wholesale and Department Store Union, representing our food and beverage employees at Casino Regina and an all-employee bargaining unit at Casino Moose Jaw.

Public Service Alliance of Canada represents primarily our gaming, our gambling employees and maintenance staff at Casino Regina. And then we have a very small bargaining unit with international association of theatrical employees that represents our show lounge technicians, sound and light technicians.

So we have been involved with that process. We are making progress on non-monetary matters, and we've now recently turned our attention to monetary matters in an effort to try to conclude collective agreements.

Mr. McCall: — So how long have the agreements been open, just for the record? And do you anticipate conclusion of any of those agreements in the immediate term?

Mr. Pilatzke: — Our agreement with the Public Service Alliance of Canada has been expired since December 31st of 2016. Our collective bargaining agreement with the Retail, Wholesale and Department Store Union at Casino Regina was expired on February 6th of 2018. Our agreement with IATSE [International Alliance of Theatrical Stage Employees] expired July 6th, 2017. And our agreement with Casino Moose Jaw RWDSU expired on September 30th, 2018.

We are making progress. I think we're the most . . . we're first along with our IATSE group, in terms of that we have exchanged proposals in terms of monetary matters, and we always remain optimistic that we'll be able to conclude a fair and reasonable agreement in the near future.

Mr. McCall: — I'll not get into, sort of, my broader thoughts on optimism and public service. But in terms of the tables themselves, when's the last time they met? Are negotiations currently under way? Or have proposals been exchanged and folks have gone off to do some thinking? What's the state of the tables?

Mr. Pilatzke: — Well we continue to meet. I mean, I think, well packages have been exchanged and we continue to work.

In terms of the RW [Retail, Wholesale] Casino Regina agreement, our next bargaining session is scheduled for Friday of this week, May 3rd. PSAC [Public Service Alliance of Canada], we're currently at the bargaining table with PSAC for a most recent round, yesterday, today, and tomorrow. With IATSE, we met with them on April 11th and the parties have gone away to consider the most recent proposal that has been tabled. And we're meeting with RWDSU Casino Moose Jaw on May 22nd is our next scheduled date.

Mr. McCall: — Thank you for that. In past there's been some confusion as to whether or not a 3.5 per cent reduction that has been stated in other quarters, whether or not that was on the table or off the table, and different statements by different ministers. Can the minister or officials clarify the state of the 3.5 per cent reduction as relates to the tables and the negotiations that the official has described?

Hon. Ms. Tell: — I'm going to refer back to what I said on September 10th of 2018. It still applies today, and that is we're obviously encouraging, and as Mr. Pilatzke has said, that the bargaining is ongoing with both of these, or all four of the unions

involved. It is going along as it should, and we consistently and constantly encourage all parties to be at the bargaining table to exchange proposals, do what contract negotiations, what they're supposed to be doing. And from what Mr. Pilatzke has said, is that that's exactly what's happening, and it will continue as it needs to.

Mr. McCall: — So to try again. The 3.5 per cent reduction. I've seen different of your colleagues say that it's absolutely off the table. I'm asking the minister for confirmation of what different of her colleagues have said as regards to the 3.5 per cent being put on the table as a reduction and then taken off the table. Can the minister confirm or deny the state of the 3.5 per cent reduction?

Hon. Ms. Tell: — The issue of 3.5 can change depending on any particular bargaining table. And we're just going to let the process play out as it needs to. It's obviously gone a lot further . . . The initial exchange of proposals has been done and bargaining has continued. We're just going to let them do that.

Mr. McCall: — So when I hear from your colleagues — I don't know, the Minister of Labour, the Minister of Finance — that the 3.5 per cent wage cut that had previously been stated as a goal for this government at the different collective bargaining agreement tables that are outstanding, I'm just asking for confirmation whether or not the minister stands by the remarks of the Minister of Labour of this government, the Minister of Finance of this government, as to whether or not the 3.5 per cent wage cut is still on or not. That's not a hard thing.

Hon. Ms. Tell: — The 3.5 per cent issue at any particular bargaining table, if it was applied, would have applied as an opening position. And obviously as I said, the four unions and the negotiations that have taken place have obviously moved past an opening position. So negotiations are ongoing and obviously whatever's occurring, the proposals are going back and forth as it needs to.

Mr. McCall: — I guess you're still leaving me wanting more, Madam Minister, in terms of some reassurance in terms of your answer, but time as ever is fleeting, so we'll move on to our next question, Mr. Chair.

The Chair: — Thank you, Mr. McCall.

Mr. McCall: — In terms of the management component of Saskatchewan Gaming Corporation for 2016-17, 2017-18, can the minister or officials describe to the committee what the overall percentage increase was for the management component of the corporation for those two years, and for each year?

Mr. Pilatzke: — So for '16-17, there was a zero per cent economic increase applied to non-unionized staff. For '17-18, it was same, zero per cent. There was a 3 per cent restricted merit pool applied for those employees who were not at range maximum, so in terms of moving through the salary ranges.

Mr. McCall: — Could the minister or officials describe to the committee what the overall payroll expenditure for the management component was for those two annual periods as well?

Mr. Pilatzke: — Sorry, we don't have that number, but we certainly can provide that.

[15:30]

Mr. McCall: — Well your undertakings are certainly good here, Mr. Pilatzke. So we'll look forward to that information forthcoming.

In terms of the 50 per cent Indigenous employment component of the gaming framework agreement, and the minister again had referenced it in her opening remarks, with the plan that is being devised by the consultant, will there be a hard target and hard action steps put forward to finally achieve a 50 per cent Indigenous employment component for the Saskatchewan Gaming Corporation?

Ms. Flett: — Thank you for that question. You are correct in that we have recently hired a recruitment and retention Indigenous consultant to execute a two-year strategy for us. And so when I say two years, it means that we've sort of given ourselves two years to move the marker. But in terms of this upcoming year, '19-20, we have set a hard target of 45 per cent, which is significantly higher than where we're currently sitting.

This is something that we're really excited about. This is something that our board of directors have recently approved, which you may or may not know is comprised of seven board members, three of whom are appointed by the FSIN [Federation of Sovereign Indigenous Nations]. So the FSIN board members in particular were quite excited and supportive of this long-term goal of 50 per cent, and that there is recognition that it would take a number of years for us to action some of these items. We want to be able to first of all move the numbers, and from then we'll move on to a sustainability model so that we'll be able to attain that in the out years.

Mr. McCall: — So again just for clarification, the goal is 45 per cent at the end of the two years? Or at the end of one year, and then take stock as to where you're at with regards to the 50 per cent?

Ms. Flett: — It is 45 per cent target for this upcoming year, at the end of '19-20 fiscal year.

Mr. McCall: — Well we'll certainly await further reports on that work. With that, Mr. Chair, I'd thank yourself and thank the minister and officials for joining us for the discussion of these public expenditures. Cheers.

The Chair: — Seeing no further questions, we will adjourn our consideration of the lending and investing activities of Saskatchewan Gaming Corporation. Madam Minister, do you have any closing comments you'd care to make?

Hon. Ms. Tell: — No, I just want to say thank you. That's it. Thanks for coming.

The Chair: — And thanks to you and thanks to your officials for coming. We'll take about a three-minute recess in order to change ministries and officials, please.

[The committee recessed for a period of time.]

Saskatchewan Liquor and Gaming Authority

The Chair: — Welcome back committee members. I would just like to note that Ms. Nicole Sarauer is now substituting for Cathy Sproule.

We will now begin our consideration of the 2017-18 annual report for the Saskatchewan Liquor and Gaming Authority. Minister Makowsky, please introduce your officials and make any opening comments you wish to make, please.

Hon. Mr. Makowsky: — Yes, thank you very much, Mr. Chair. We'll get right into my opening comments. Before I do, I'll introduce officials. To my left, Clare Isman, president and CEO; Jim Engel, to my right, is vice-president of corporate services and gaming operations. Over my left shoulder, Fiona Cribb, vice-president of regulatory services; Greg Gettle, over my right shoulder, vice-president, liquor wholesale and distribution; Greg Mildenberger, CEO, SLGA [Saskatchewan Liquor and Gaming Authority] retail; and Val Banilevic, over my right shoulder, director of the financial services branch.

So just a quick update on SLGA operations. As many know, we've gone under quite a few changes on the liquor side of operations in the recent years. In October 2016, SLGA introduced a single permit for all liquor retailers in the province, meaning all businesses operate under the same set of rules. As part of that change, all retailers were given the option to make purchases at a wholesale price through the distribution centre. Today approximately 430 of the province's 700 retail liquor stores are ordering directly from the DC [distribution centre] and I expect that number will continue to grow. This has meant a steady increase in the number of orders processed at the DC, which is the distribution centre. The DC handled 50,395 orders, an increase of 17 per cent from the previous year. In real numbers, that was more than two and a half million cases of product shipped from a DC to retailers across the province.

SLGA has also seen an increase in the number of special orders as many retailers bring more choice in their products for their customers. SLGA has experienced a 47 per cent increase in the number of special orders processed last year.

Overall, wholesale customers have been adapting well to the new system. A November 2018 survey of this consumer group asked for feedback about customer service, ordering processes, product availability, and delivery. The survey found that 88 per cent of respondents were satisfied with SLGA's overall level of service, an increase from 84 per cent satisfaction rate received in the February 2018 survey. The customer relations area continues to work hard to meet or exceed the expectations of the province's liquor retailers.

On the retail side of operations, SLGA continues to operate 36 retail stores across the province and adjusts to a more competitive marketplace. While overall sales have declined, SLGA retail has been able to increase its overall profitability due to management of product margins, improved product selection, and enhanced operating hours in certain locations and seasons.

Shifting to gaming, we continue to see a mature gaming marketplace with declining revenues. A decline in disposable income due to economic factors in recent years has impacted

gaming revenues on both the VLT [video lottery terminal] side of operations, as well as in casinos. SLGA's VLT net income is expected to decrease 1.6 per cent or 2.5 million during the upcoming year due to declining play, offset by expense reductions.

SIGA [Saskatchewan Indian Gaming Authority Inc.] is also expecting a slight decline in revenues, largely due to first-year operational costs at the new Gold Horse Casino that opened in Lloydminster last December.

The final area I'll touch on today is cannabis regulation. Establishing a new regulatory framework for cannabis has been a significant undertaking for SLGA. The federal government established some aggressive timelines in terms of moving forward with this plan to legalize cannabis in Canada, and I appreciate the work done by SLGA and other parts of our government to be ready.

Government's focus in creating a cannabis framework for Saskatchewan was ensuring that there was access for consumers balanced with public safety and community concerns. Saskatchewan's cannabis framework established a privately owned cannabis distribution system with private retailers and private wholesalers. SLGA provides oversight and regulation of this private distribution network.

Overall, I think Saskatchewan's model is working well, and I note that next to Alberta, Saskatchewan has the most retail stores in operation to date. As of April 26th there are 28 cannabis retail store permits issued and four wholesale permits. SLGA has also registered 39 federally licensed producers to supply the Saskatchewan market.

The federal government's legalization of cannabis has come with some challenges. Like other provinces, there have been cannabis supply shortages in Saskatchewan. The volume of product available through Canada's licensed producers hasn't been keeping up with demand, in large part. During the initial weeks following legalization, some Saskatchewan stores had to reduce their hours as they were unable to supply customers with consistent product. The supply shortages also impacted prices in Saskatchewan and across Canada. These issues seem to be subsiding as more licensed producers come online and the overall supply has increased. So, Mr. Chair, that is a quick snapshot of SLGA's operations and I will turn it over to the committee for any questions.

The Chair: — Thank you, Minister. And I just remind your officials to please state their name the first time they speak, please. And I would ask, any questions from the committee? Ms. Sarauer.

Ms. Sarauer: — Thank you, Minister, for your opening remarks, and I'd like to thank the officials for being here this afternoon. Minister, could you begin by providing us an update on what the future is for the remaining 36 SLGA liquor stores?

[15:45]

Hon. Mr. Makowsky: — As many in the committee might know, we've committed to keeping the remaining SLGA stores open until at least March 31st, 2020. And that was an agreement

with the union bargaining sector, and that's what we've committed to until 2020.

Ms. Sarauer: — What's the plan for after March 31st, 2020?

Hon. Mr. Makowsky: — We will look at options as we go forward. We won't certainly make a commitment today on as we move forward, but we will continue to monitor the situation with the remaining 36 stores.

Ms. Sarauer: — Will the public be consulted on that process?

Hon. Mr. Makowsky: — Well I think it's too early to tell. We're quite a ways away from any possible decision points.

I will note the last major changes that took place, we did receive a mandate from the people of the province of Saskatchewan. We ran on the increased private delivery of beverage alcohol in the province. And so we've done that in the past. We will certainly, as we do with all public policy decisions, listen and make decisions based on what we hear and what we see in the retail landscape.

Ms. Sarauer: — Thank you. Similar to what we saw in 2016 with the election, can you commit at this time that you will not close any of the further stores without again receiving a mandate from the people of the province as you had just indicated you did in 2016?

Hon. Mr. Makowsky: — Well as I said, we'll continue to monitor the situation going forward in terms of those stores and certainly what we hear going forward. Not prepared to make a commitment today on anything going forward — we're keeping them open — or making other changes. That process will unfold as we go on. I would say I think you're alluding to the next election. That is quite a bit a ways away from today. And so I think that would be premature at this time.

Ms. Sarauer: — What is SLGA doing to help these liquor stores adjust to a more competitive marketplace?

Hon. Mr. Makowsky: — So we're certainly on the SLGA retail side in a far more competitive place. But what we have seen in the stores that SLGA runs, more fridges from the stores that have closed, we've moved them into the remaining stores and stocked those with mainstream beer. That's one of the best product lines, I understand, that goes through those stores. Changed some hours. We've been open more on stat holidays, for example, and so differing hours to be more in tune with consumer demand and taste. We've had introduction of ancillary products, certainly had promotional products available to compete on price as well within the stores.

So that's some of the things we've done. Again with a more competitive marketplace, consumers are able to make choices and therefore increasing competition usually is good news for consumers.

Ms. Sarauer: — You had mentioned, Minister, in your opening comments, that the SLGA stores have — and you described it a little bit more — adjusted their model a bit to be more profitable than we had seen previously. Can you elaborate on that a little bit more in terms of how the stores are doing with respect to

profitability?

Hon. Mr. Makowsky: — So on the expense side, committee members, we certainly watch closely staffing costs, labour costs. Again we talked about the hours before. Some smaller variable costs that we can try and find some savings there.

One of the things that helps profitability is bridge buying. You can buy X amount, quite a large amount of product at a discount, and you can improve your bottom line that way. So bridge buys and again that's on the retail side. And then on the expense side, some of those costs we try and be very careful of.

Ms. Sarauer: — What is the future of the SLGA distribution centre?

Hon. Mr. Makowsky: — The distribution centre, as mentioned in my opening comments, has served the people of the province well. Those retailers out there that are required to buy through the DC on spirits and wine, that has served those retailers well and will continue into the future.

It's an efficient model, and those folks do good work on regular, high-volume products as well as we have a line where we bring in specialty products from other centres. We are generally a smaller centre in terms of what we bring in, and we rely on other distributors to bring in certain specialty-order product into the province. So that will continue.

Ms. Sarauer: — Will that continue on beyond March 31st, 2020?

Hon. Mr. Makowsky: — Again you're asking hypothetical, into-the-future questions. At this point, the distribution centre is serving our RSPs [retail store permittees] well and that will continue. There's no plans to change that.

Ms. Sarauer: — Well as minister I know you plan into the future and within the next fiscal year would include March 31st, 2020 I believe. So that would be why we're asking these questions about future planning within the Crown. But I'm happy to hear that the minister's intention is that it will remain in public hands beyond March 31st, 2020. So thank you for that answer.

I want to ask a few questions about the permitting process for liquor stores. You mentioned that there has . . . and there has been some fairly significant changes that have occurred within SLGA as to how the permitting process works. Is the . . . hmm, I'm trying to figure out where to start here. Is the current program for providing liquor retail permits, is that . . . The new changes, is that complete now? Or is there still more changes that are occurring?

Hon. Mr. Makowsky: — Thank you for the question. So as many will know, there was a moratorium placed on the movement of permits within Saskatchewan as a result of the expanded retail system. There was quite a bit of movement or sorry, quite a bit of change, and so that moratorium was placed to ensure some stability within the marketplace. That moratorium was lifted in October 2018 and so now any willing buyer, any willing seller can pass on that permit to another retailer as long as the new permittee goes through a good character process and their facility is inspected. There are no new permits at this point.

It's the same amount of permits within each municipality within the province and so a mechanism . . . We committed to a mechanism to allow additional permits in the future but we haven't announced anything on that yet.

[16:00]

Ms. Sarauer: — Thank you. And that's the piece I'm specifically asking about, is the process for new retail permits. When will that new process be announced?

Hon. Mr. Makowsky: — We are finalizing that and that will be announced fairly soon.

Ms. Sarauer: — Like are we talking fall 2019, summer 2019? There's many stakeholders who've contacted me that are anxious to know how that's going to work, so I'm hoping that you can provide at least a little bit of a ballpark estimate when they can expect that process will be concluded and the announcement will be made.

Hon. Mr. Makowsky: — Well in Saskatchewan it's difficult to say when spring exactly ends and summer . . . [inaudible] . . . But I think we got some snow out there today, right? So I . . . [inaudible interjection] . . . Yes, snow when summer starts, yes. It will be soon, not even government soon, but it will be within, I would say, it would be months, not any longer than that.

Ms. Sarauer: — Do you expect to have it concluded within the year of 2019?

Hon. Mr. Makowsky: — Yes.

Ms. Sarauer: — Okay, by 2019.

Hon. Mr. Makowsky: — The announcement.

Ms. Sarauer: — Yes, of course. Thanks. Can you provide any details at this time as to what the process is going to look like?

Hon. Mr. Makowsky: — I think I'd like to wait till the announcement at that time and the details will be announced. I wouldn't want to, you know, do that before we have a chance to finalize everything.

Ms. Sarauer: — So can you explain — because you've made it very clear that there are no new retail permits available right now — what's occurring in some of the larger municipalities? For example, I recently saw a permit application process ad in the paper for Costco in Regina. Does that mean that that permit was purchased, it was an already existing permit that had been purchased? I just need clarification for those out there who are seeing these things and thinking that they're new permits and are frustrated because their communities haven't received any new permits.

Hon. Mr. Makowsky: — Yes, that's exactly right. There's no permit . . . The number of permits from government has not changed. You're seeing in right throughout the province, willing seller, willing buyer situations, where somebody is no longer interested in being in the liquor retailing business. They have sold that off to somebody who is interested and, as I mentioned before, the new buyer still has to go through a good character

reference and inspection of their premises. But that is what's taking place as you see new retailers open.

Ms. Sarauer: — Thank you. And again just to clarify, that is the exact same process throughout the province.

Hon. Mr. Makowsky: — Correct, yes, each municipality. Now you can't take a permit and move it from North Battleford to Saskatoon, for example. It's within each municipality, that number hasn't changed.

Ms. Sarauer: — Thank you. Who have you been consulting with respect to the work you've been doing updating the new retail permit process?

Hon. Mr. Makowsky: — So there was an extensive amount of consultation in 2015 prior to the changes in the liquor retailing landscape in Saskatchewan in 2015. And so a lot of that feedback will inform the decisions we will make in terms of additional stores being available, permits being available, if that's in fact the way we go.

Ms. Sarauer: — Thank you. Let's move on to cannabis. Who currently owns a cannabis wholesale permit?

Hon. Mr. Makowsky: — There's currently four permanent wholesalers in Saskatchewan. And you wanted their names, Ms. Sarauer? Is that right?

Ms. Sarauer: — Yes.

Hon. Mr. Makowsky: — They are Running Leaf Corporation, TGR Wholesale Inc., Open Fields Distribution, National Cannabis Distribution.

Ms. Sarauer: — Thank you. How many of those are owned by Saskatchewan residents?

Hon. Mr. Makowsky: — Well so again we have four wholesalers, active cannabis wholesalers. We don't have their corporate structure with exactly . . . They, of course, have to be registered to do business in Saskatchewan, obviously located in Saskatchewan. So you get to the argument, what's a Saskatchewan business, I suppose. But again, I think we don't have that corporate registry for each of those companies, so I think we can try and get that to the committee.

Ms. Sarauer: — It's a pretty basic corporate search, so yes, I'd appreciate that if that's okay.

Taxation revenues. Do you have an update on what sort of revenue has been received so far for the cannabis taxation?

Hon. Mr. Makowsky: — These numbers are from Finance. I'll mention that. Maybe the Finance minister would be more appropriate to ask, but from what we got from the Ministry of Finance, excise and PST [provincial sales tax], 5.39 million.

Ms. Sarauer: — As of what date?

Hon. Mr. Makowsky: — That's budgeted for '19-20.

Ms. Sarauer: — Oh, that's estimated?

Hon. Mr. Makowsky: — Yes.

Ms. Sarauer: — Okay. Do you have any actuals yet?

Hon. Mr. Makowsky: — Finance might have the actuals at this point, but for the forecast for '18-19 on the excise tax, 920,000; PST to be 530,000.

Ms. Sarauer: — Where is that revenue going right now? Does that go to the GRF [General Revenue Fund] or is that allocated for specific measures?

Hon. Mr. Makowsky: — That would go into the GRF.

Ms. Sarauer: — Is any of that being transferred to municipalities?

Hon. Mr. Makowsky: — Not at this time. Again the Finance minister would have more up-to-date information on this, but from my awareness at this point that's not the case.

Ms. Sarauer: — What is SLGA and the province doing to assist municipalities with the additional costs that they have experienced as a result of the legalization of cannabis?

Hon. Mr. Makowsky: — So, Ms. Sarauer, SLGA is the regulator of cannabis and so we really have no mechanism nor do we deal directly with the municipalities. Certainly in the early phases we consulted with municipalities and if they had any questions, if they wanted to opt in or opt out. A few municipalities did opt out. But again that would be other areas of government that would deal with municipalities.

Ms. Sarauer: — You had mentioned awhile back that there would be a second-stage process for new cannabis retail permits. What is the status of that?

[16:15]

Hon. Mr. Makowsky: — From the beginning of this process, we had stated we'd err on the side of caution and have a limited amount of retail store permits available. Municipalities were able to opt in and opt out. Some did opt out. And we also said that within 12 to 18 month post-legalization — October of 2018 — we would analyze the current marketplace and see how things are going, and at that point we'll make a decision as to if we allow any further permits to be available.

Ms. Sarauer: — So just to elaborate on what you've just said, it sounds like there will not be any new permits available in 2019. Is that correct?

Hon. Mr. Makowsky: — Yes. Those would be aggressive timelines. We've said 12 months post-legalization, so that puts us in October of this year. And I think it would be fair to say at this point, we wouldn't be issuing any new ones under the current framework.

Ms. Sarauer: — How many cannabis retail permits have been transferred or sold, I suppose, is probably the better word?

Hon. Mr. Makowsky: — To date there have been 28 permits issued in the province of Saskatchewan. We don't have the exact

number that have changed hands. We think it's certainly single digits. We could get that exact number to the committee.

Ms. Sarauer: — SLGA is monitoring that though, right? It's just not available here in committee right now?

Hon. Mr. Makowsky: — Yes, just like on the liquor side, a new permittee would have to go through the good-character exercise as well as the site appropriateness. And so, yes, they just can't do it on their own. SLGA would be involved with that.

Ms. Sarauer: — So okay, I'd appreciate it if you could table that number, and it should be able to be done relatively shortly. Is SLGA also tracking how much those permits are being sold for? And if so, could you provide us those numbers?

Hon. Mr. Makowsky: — On the liquor side and the cannabis side, it's a willing-buyer, willing-seller scenario, so we don't track that. We have no indication.

Ms. Sarauer: — You provided the committee some numbers, estimated and otherwise, on taxation revenue. Could you also provide the committee some numbers in terms of cannabis sales as a whole, how that is going?

Hon. Mr. Makowsky: — In terms of dollar amount of . . .

Ms. Sarauer: — Yes. Yes, I don't need to know it by gram or joint.

Hon. Mr. Makowsky: — So in retail sales, October, November, December, January, February, the dollar amount of seeds sold, 3,786; dried cannabis, 10,060,540; oil, 985,125.

Ms. Sarauer: — Thank you. Switching topics, Minister, you were recently in the news a few weeks ago talking about tailgating. Yes, don't worry, nothing too nefarious. I'm curious to know what sort of work SLGA is doing in terms of consulting on that issue, if anything is happening at all.

Hon. Mr. Makowsky: — So on the tailgating, this came up in the news. As you mentioned, Ontario is considering some changes to their permitting process for tailgating. Now I guess Canadian tailgating — if you'll allow me to use that term — has been around for a long time, where there are special occasion permits. The example most people would understand in Saskatchewan is at the Rider games. There is an area cordoned off where you can buy alcohol and snacks and what have you, pre-game, and that's what's known as tailgating.

We still don't have all the details on what Ontario is proposing. They do mention US [United States]-style tailgating, and the big difference being there is folks down south, in certain states where it's allowed, can bring their own beer, bring their own alcohol and, you know, sort of have their own party in the parking lot prior to the game. And it's certainly a big tradition down there. That might be something Ontario wants to compete with.

At this point we've had, in recent memory, no expression of interest from anyone in Saskatchewan interested in doing US-style where you'd have open-carry situation on the premises. And so not having that interest in the community or any proposals brought forward, you know, that's kind of where it is

status quo. There'd have to be certainly reg changes required to allow open carry in public in Saskatchewan.

Ms. Sarauer: — Thank you. You mentioned in your opening comments, Minister, a bit about VLT revenues in the province. I'm sure you've been watching the Saskatchewan hospitality association and some of the concerns they've had in terms of their members' lower retail sales over the past years. One of the suggestions they've made in ensuring that, in particular, smaller town bars can remain viable and open is to change the distribution structure for the VLT revenues. Is there any work happening right now within SLGA with respect to that suggestion by the association?

Hon. Mr. Makowsky: — So the question was about VLT play, and we've seen those stay relatively flat, the number of play. We have introduced progressives in the province. That may in the future help those revenues a little bit, but again we've seen fairly flat revenues, and I'm sure the sites out there have as well. Again the revenue from those, there's a split between the hotel or bar or whatever, that restaurant that houses those machines. And any change in the commission going towards those businesses would have a corresponding impact on the General Revenue Fund.

[16:30]

And you know, and then we get into where are we going to find that money for the important services that we fund in Saskatchewan — hospitals, roads, schools, teachers, etc., all of the above. And so there's at this point no change in the commission. It has been consistent for many, many years. And maybe we'll see because of the initiatives, advertising, the progressive will see a little more play on those machines, which may help those operators.

Ms. Sarauer: — So just to clarify and just to simplify your answer, there is no plans on changing the commission structure at this time.

Hon. Mr. Makowsky: — Not during this budget cycle.

Ms. Sarauer: — We heard that SLGA wholesale isn't allowing public liquor stores to order some of the expanded selection that's being brought in for private or specialty liquor stores. Can you provide some more information about this restriction that's being made? And if that's not the case, could you clarify?

Hon. Mr. Makowsky: — On SLGA stores, not . . . Could you repeat the question?

Ms. Sarauer: — SLGA liquor stores, public liquor stores, aren't able to order the expanded selection that's being brought in for private or specialty liquor stores. This is what we've heard, so if that's not the case, please clarify that for us. But if it is, can you explain why?

Hon. Mr. Makowsky: — So there's a small amount of specialty products in both the public and the private retail stores that are negotiated between a supplier and the retail store that they would just stock those products in those stores. So this happens on the SLGA side as well as the private side.

I think a decent example that was brought up would be Co-op

beer. They would like probably only to have Co-op beer sell in the Co-op stores. And so on the . . . This is the case. It's based on what suppliers want and their agreements with those stores, either on the public side or the private side. I think hopefully that answers your question.

Ms. Sarauer: — Thank you. I have been told I only am allowed one more question. So keeping that in mind, I'm wondering if you can provide an update on the regulations regarding cannabis sales on First Nation reserves. I understand there's an ongoing court case, but to the best of what you can provide in terms of information to the committee, it would be appreciated.

Hon. Mr. Makowsky: — In terms of First Nations involvement in the cannabis space, initially there were three First Nations that were chosen based on population in the first round of retail store permits: Onion Lake, Peter Ballantyne, and Lac La Ronge. Those were the three. At this point they have chosen not to come forward and open a store on their land at this point under the current framework. And again that was the initial allocation based on population and having the most number of people served in the province of Saskatchewan.

I note there are at least, that we know of, two First Nations communities' business development arms — I'm not using the right terms here, I know — that are involved in the retail space. I believe they have four of those retail locations in the province, two First Nations conglomerates . . . I don't know what the right . . . businesses that are involved in the cannabis space on that side.

And of course, anyone is able to open or be involved on the producer side and on the wholesale side at this point. And of course, anyone can buy an existing business if they come to an agreement with the existing permit holders.

In terms of the situation on Muscowpetung, officials have been meeting with their group and that has continued on for sometime now and we will continue that endeavour to meet and see if there is some sort of end to that situation where there is cannabis activity, unpermitted cannabis activity taking place. So we have agreed between both parties not to talk about this in the media or publicly; we'd rather keep this at the officials' level at this point. And if there's any announcement at some point obviously we'd do that publicly. But that's the situation right now with that.

The Chair: — Thank you, Mr. Minister. Seeing no further questions I will ask a member that we adjourn consideration of the 2017-18 annual report for the Saskatchewan Liquor and Gaming Authority. Would someone move that please? Mr. Bonk has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried. Minister, do you have any closing comments that you care to make?

Hon. Mr. Makowsky: — Thank you very much for officials being here and for the committee for their questions. I appreciate the good dialogue.

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

Ms. Sarauer: — Sure. I'd like to thank also the officials for being here this afternoon and the minister for answering my questions, as well as the committee, and yourself, Mr. Chair, for the good work that you do, and those that support us at the staff level as well.

The Chair: — Okay. Thank you. We will take an extremely short recess since the Chair is just too soft in letting everybody run over. Three minutes.

[The committee recessed for a period of time.]

The Chair: — Welcome back committee members. I will note that Warren McCall is now substituting back in.

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

Subvote (ST01)

The Chair: — We will now begin our consideration of vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). Minister Morgan, if you would please introduce your officials and make any opening comments you may have.

[16:45]

Hon. Mr. Morgan: — Thank you, Mr. Chair, and committee members. I'm pleased to be here today on behalf of SaskTel and the Government of Saskatchewan to discuss the estimates for SaskTel. Prior to beginning my opening remarks, I would just like to introduce the officials from SaskTel that have joined us today.

With me today are Doug Burnett, president and CEO; Charlene Gavel, chief financial officer; Darcee MacFarlane, vice-president, corporate and government relations; John Meldrum, vice-president and corporate counsel and regulatory affairs; Scott Smith, senior director of finance. From my office here, I've got Darryl Filazek who is the MA [ministerial assistant] that largely looks after SaskTel, and my chief of staff, Clint Fox.

I'm going to keep my remarks quite brief. Mr. Chair, in the 2018-19 fiscal year, SaskTel invested approximately \$301 million in capital improvements across the province. Notably they completed a number of projects that enhance and expand the wireless network in Saskatchewan, a network that serves 99 per cent of the population of the province. Through a multi-phased rural connectivity initiative, which now nears the halfway mark, residents in many smaller communities are now better able to connect with the world and run their businesses.

Phase 1 was completed in early 2018 where SaskTel invested \$4.2 million to expand its high-speed Fusion internet network by adding 35 more Fusion towers, bringing the total number of towers in the province to 103. In phase 2, which is currently under way, previously underserved rural communities are already benefiting from enhanced local cellular coverage with the launch of small cell site solutions. Fifty of the small cell site towers are now online and active within the network, and

SaskTel expects to complete the deployment of all remaining sites by the end of 2020. The completion of the first 50 small cell sites were completed on time and on budget. In total, small cells will help to improve cellular coverage in approximately 100 communities.

In terms of other initiatives, SaskTel has invested \$4.6 million to significantly improve the LTE [long-term evolution] data capacity of 37 towers serving rural Saskatchewan. Through this investment, SaskTel increased tower capacity at some locations by up to 100 per cent.

SaskTel also continues to boost internet speeds in rural communities served by their DSL [digital subscriber line] or direct subscriber line networks, thanks to advancements in the technology. In under a year, SaskTel was able to roll out their internet extended 25 service to over 100 rural communities. The service, which also offers download speeds of up to 25 megabits per second, greatly enhances the internet service available to thousands of Saskatchewan families and businesses.

Also on the internet side of things, SaskTel announced the addition of five new communities to their fibre optic network, and beginning in 2019 fibre service will be expanding to Humboldt, Melfort, Melville, Nipawin, and Tisdale.

Finally another important driver at SaskTel is to improve access to their top-of-the-line entertainment services. Last summer they introduced their innovative maxTV stream service, which enables users to rewind and watch live television as well as take entertainment on the go. Today over 120 communities in the province can now enjoy access to this affordable television service and more expansions are planned for this year.

SaskTel's strategic priorities remain aligned with the best interests of the people of Saskatchewan. They are able to lead the market in broadband services, deliver outstanding customer service, empower a high-performance workforce, and to revitalize the business through continued work toward digital transformation. Work in all of these areas will help to continue to maximize the long-term financial stability of the corporation. With further investments put forward in this year's budget, SaskTel will continue to meet and exceed the communication needs of Saskatchewan people.

Mr. Chair, that concludes my opening remarks and I look forward to questions from the committee members.

The Chair: — Thank you, Minister Morgan. And I would just like to remind the officials to please state your name when you first answer a question, if you would please. Are there any questions from the committee? I recognize Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. Mr. Minister, officials, welcome to the consideration of (ST01) statutory vote for \$100 million as part of this year's budget. In terms of the, I guess, just to start at the very beginning, we'd extend our congratulations to Mr. Burnett for appointment as CEO and president effective January 29th, I believe it was.

Mr. Burnett: — Correct. Thank you very much.

Mr. McCall: — Okay, my literacy is still up to scratch. That's

good. Reading comprehension, check. Anyway, congratulations for that. Just for the record and not to, you know, welcome you, congratulate you, and then torture you or anything like that.

Hon. Mr. Morgan: — He's another recovering lawyer. Feel free.

Mr. McCall: — All right, all right. And yet no beard. No beard. What was the process that led up to your appointment, and if you could state for the record how long you served as acting president and CEO of the corporation?

Mr. Burnett: — Sure. I began serving in the acting capacity on June 27th. And the process that led up to my appointment was really a series of conversations with the board and ultimately the minister, with a view to determining whether or not I was interested in the position and/or had the ability to fulfill the position. And ultimately the position was offered to me in January.

Mr. McCall: — Thank you for that. I guess again, it's good to see the leadership from the corporation and again, through the leadership we extend our thanks to SaskTel for all the tremendous work they do on behalf of the people of Saskatchewan, a very valuable entity for the people of Saskatchewan in many different ways.

And I guess in recognition of that and the critical nature of human resources and the work that is there before SaskTel to do for the people of Saskatchewan, could the minister or officials provide us with an update as to where bargaining is at with the thousands of SaskTel employees?

Hon. Mr. Morgan: — We're not going to do negotiations on the floor of the legislature or in a committee room. I can tell you that we have contracts that have expired, as we do in a number of places across the province, and are working our way through them at the present time. And we'll expect to complete that work at the bargaining table.

Mr. McCall: — Well I'd never presume to, you know, try and tempt the minister into bargaining on the floor of a committee hearing certainly. But can the minister provide us an update in terms of is the state of bargaining proceeding at pace or have there been mediators engaged? Can the minister give us a state of affairs as regards to the state of bargaining?

Hon. Mr. Morgan: — The process is under way. They're looking for some outside assistance. And I don't think I want to comment on it any further than the fact that they've sought the assistance of a conciliator.

Mr. McCall: — Is there any timeline in terms of when the conciliator will be agreed upon, and then timeline thereafter? Any information the minister can provide.

Hon. Mr. Morgan: — There isn't any that I have. There isn't dates set and a conciliator has not yet been appointed. But you know, those things, they're done by an outside ministry. The process is under way, and we'll want the process to work out as well as it can.

Mr. McCall: — I thought you were going to refer me to the

Labour minister for a second, Mr. Minister. But perhaps you could put in a word with the Labour minister on that front.

Hon. Mr. Morgan: — I'll make sure that the Labour minister is fully informed.

Mr. McCall: — Glad to hear it. Just if the minister could for the record state the number of collective agreements involved and how long they have been open.

Hon. Mr. Morgan: — There's three that are expired: one for SaskTel workers, another one for SecurTek, and the third one for Directwest, which is . . . [inaudible] . . . the telephone book, security.

Mr. McCall: — Could the minister just provide the dates at which they expired?

Hon. Mr. Morgan: — The SaskTel agreement expired March 16th of 2019. And SecurTek was March 19th of 2019, as was Directwest.

Mr. McCall: — Thank you for that. The minister is looking even more thoughtful than usual. If he's got something he'd like to add, that's . . .

Hon. Mr. Morgan: — I don't. We're anxious with all of the expired contracts. We have to try and get the parties to the table and get them aggressively working to try and find a solution. I think in fairness to the workers and the people of the province, the sooner we get a settled contract, the better.

Mr. McCall: — Thank you for that, Mr. Minister. And just, I was reminded of this earlier while sitting with one of your colleagues here in the committee. Could the minister just state for the record, what's the status of earlier demands for a 3.5 per cent wage cut that was being stated in a number of quarters? And I know that the minister has addressed this as well. But can the minister talk about the relation of that policy initiative to these collective bargaining agreements?

Hon. Mr. Morgan: — The minus 3.5 was advanced on a number of tables where the contracts had expired. It's been withdrawn everywhere that it is, so to the extent that you're aware of people — either employees or people that are union members or union negotiators — you can give them our assurance that it's completely gone. It's not on the table, not there for discussion. It's gone.

Mr. McCall: — Thanks again for that, Mr. Minister. Moving right along, could the minister provide us with a sort of state-of-play report as regards the relationship between SaskTel and Huawei, you know, current contractual engagement with Huawei and SaskTel? What's the situation with the work that was outstanding with the federal government? And any information you can provide us on that front would be much appreciated.

Hon. Mr. Morgan: — We gave direction to SaskTel some months ago not to purchase nor order any more Huawei equipment. They had some Huawei equipment that was in stock that's been installed and some that had been ordered. At the present time they've depleted everything that's been ordered or that was in stock, so there's no more Huawei equipment that can

be installed without purchasing further equipment. It would be open to the corporation to purchase from whatever supplier they chose to.

They've had a long-term relationship with Huawei and the product has worked out remarkably well. We have agreements made with Bell and Telus for the acquisition of all kinds of different technology, Huawei being one of them. We're like other provinces or other . . . Bell and Telus in particular that look to the federal government and look to see what's happening internationally.

So we're waiting to see what happens with the federal government, whether we receive a direction that Bell, Telus, and SaskTel cannot or can go ahead and purchase or acquire further Huawei equipment. It's compatible with what's already in the system, but right now we're not purchasing or acquiring anymore until we've got a direction from Bell, Telus, and the federal government. I don't know if that gives you enough of a detailed answer or not.

Mr. McCall: — It certainly does. And just to follow up, I know that the feds are doing work on this front as we speak. Does the minister have an expectation as to when the decision or the further guidance will come forth from the federal government?

Hon. Mr. Morgan: — I wish I did. I've had some conversations with Minister Goodale and with a number of the fed entities. Initially our hope or expectation was that there would be something definitive coming out March, April of this year. My better guess right now is we won't see anything before the next federal election.

[17:00]

The unfortunate part is, you know, from a population perspective we're a small portion of Canada, and Canada is, as you're aware, roughly 10 per cent of the population base of the US. So our province as well as some other provinces again are caught in the issue of international trade disputes between the United States and China. So for us it's not a matter of making a good business decision or a good technical decision. It's a matter of seeing how things play out between the two largest economies in the world, and we're sort of helpless but to wait and see how that plays itself out.

We're worried about it. We're watching about it. We've got a good relationship with Huawei. The product works for us very well. But if we're unable to use it, then we are starting to work on backup scenarios or consideration as to how we might deal with or find other solutions.

Mr. McCall: — As the trade disputes and trade conflict unfolds, what consideration is being given to Huawei? As I think someone we're all familiar with, certainly in this Assembly, Brad Wall used to talk about "walk softly and carry a big list" of trade measures that might be employed. What relation does SaskTel's dealings with Huawei bear to that list?

Hon. Mr. Morgan: — I think that's a question better put to the Premier or Trade and Export minister. From SaskTel's perspective they've had, from a business point of view, a good relationship with Huawei and the product has worked well. But

right now the dispute between Canada and China and the United States and China appears to be worsening, not getting better. We now have two Canadians that are on death row in China and our agricultural products that are being shipped to China are being turned back.

And as you're aware, you know, our province sells several billion dollars per year of canola to China and, you know, the relationship that we have with Huawei has to be looked at in the total overall part of the relationship that we've got all the way across with China. And I don't want to speak out of turn or speak further, but we have to look at it in the context of where we are with everything else.

Mr. McCall: — In terms of stewardship of the corporation and certainly the role that Huawei was identified as possibly playing in the rollout of the 5G network, what contingency planning is going on right now and what is the state or, you know, what can the minister tell us about possible insurance policies as regards a possible decision for an outright embargo against Huawei?

Hon. Mr. Morgan: — The direction was given some months ago to SaskTel to look at different scenarios that might take place. Some of the scenarios might be . . . The worst-case scenario would be rip and replace where all of the existing Huawei equipment would be removed. As you're likely aware, the investment into Huawei equipment would be in excess of \$200 million. The cost to replace, they haven't done a costing on that. They wouldn't . . . You know, towers may not have to be replaced but certainly the radio equipment at the base of the tower, the antennas at the top of the tower would have to be replaced in a situation of rip and replace, as well as some switching equipment.

Going forward to 5G, the equipment that's there now is compatible with 5G and may not be, so it may technologically be required to do a rip and replace. So that's a scenario that they're not wanting to have happen, but they're going through various scenarios as to how that might play itself out.

Mr. McCall: — In terms of what is essentially trade damage, in terms of if the decisions come down on Huawei and the rules of the game change mid-course, who pays the price for that \$200 million of rip and replace that the minister references? Is there any sort of trade damage that is contemplated with the federal government? Or is it purely a matter of Saskatchewan people, be it either through their SaskTel bill or through the provincial government coffers, that are on the hook for that expenditure?

Hon. Mr. Morgan: — We haven't got to a point where we're looking at what a cost might be or what a recovery solution might be. Our goal is to try and find a path forward that works the best for this. SaskTel's role in this has been to make sound technical decisions and sound business decisions, but SaskTel's role is not to deal with international politics or international trade. That's something that has never been part of their role. They look to the provincial government and the federal government to work through those kind of issues, and we'll do that. But how that might play itself out at the end, I can't speak to that.

Mr. McCall: — I thank the minister for that. I guess I'm looking for further assurance, and not of course just for myself but for the people of the province, that again the tremendous value that the

people of Saskatchewan place on SaskTel, the work that it performs for the people of the province, that it not be significantly damaged by this trade dispute and by the concerns going forward.

So if there's anything more that the minister . . . And again I appreciate that the minister is not a soothsayer. He's not a fortune teller. But in terms of making prudent decisions about what the go-forward plan is that don't have us completely hostage to this circumstance, we're looking for more assurance on that front, Mr. Minister.

Hon. Mr. Morgan: — I can tell you this, that SaskTel is working through different scenarios and different possibilities and different processes that might take place depending on what comes out of the federal government. The commitment that we've made and continue to make is that the service will continue to be provided to the citizens across the existing network and the expansion will continue. And we'll work through the various expansions that are under way now and we want to continue to do that.

Those towers that are being put up, there may be different brands of equipment at some point on them. But the goals that SaskTel has set will have to continue to be met. The commitment to service has to continue to be met, and I have every confidence in the officials at SaskTel to meet those obligations.

Mr. McCall: — In terms of the federal decision being communicated to the province, what sort of public notification will be made at that time?

Hon. Mr. Morgan: — I don't imagine that the federal government would come to us in confidence and say to this. I would imagine that whatever announcement is being made would be an announcement from the federal government, and it would be made . . . You know, they may give us a heads-up when it's coming, but my guess it's going to be a fed announcement that'll be made to everyone.

Mr. McCall: — Thanks for that. I'm being reined in by a Chair who's tough but fair, Mr. Minister, so I have to get to my closing questions. And I guess what I would pass along are a couple of questions from my colleague from Cumberland as regards to the Sucker River and Hall Lake towers wherein the band councillor from the area says community members met with SaskTel reps. We're hoping to get a timeline on the improvements and a meeting with the minister on the issue. It has yet to happen. Any plans to upgrade the service in those areas?

And then part B of my last question, Hanson Lake Road, no service. Community members signalling that because of how remote it is, the absence of service, they are apprehensive about travelling on that particular stretch of road. And I know the minister is familiar with it. And certainly some had formerly used the Saskatchewan Transportation Company instead as it was safer, but that's not the case. What sort of safety provisions can be made in case of a breakdown along the Hanson Lake Road? What does the minister have to respond to my colleague from Cumberland?

Hon. Mr. Morgan: — You've asked the question about Sucker Lake and I can tell you that there's been some discussions with

the community and those discussions are under way. And I don't have anything that I can announce or share, but we know about it. And it's one we're trying to see what we can find some solutions that would be workable.

You also asked about Hanson Lake Road and I'm familiar with others . . . [inaudible] . . . in different communities along there. It is not under any of our current expansion maps at this point in time. It might be at some point in the future, but there's no, in the foreseeable or current tranche, there is not a plan to work through them.

The logical solution would be to try and deal with something all the way along the entire length of the Hanson Lake Road because there's communities all there, but they're small and they're seasonal. So it's one that we would like to have, but it is not under a current expansion plan right now.

Mr. McCall: — Well with that, Mr. Chair, Mr. Minister, officials, again congratulations on the new appointments and good to see some folks back at committee. But again, Mr. Minister, through yourself and officials, thank you very much to the men and women of SaskTel for all the great work that they do for the people of Saskatchewan. And with that, Mr. Chair, I'll cease and desist.

The Chair: — Seeing no further questions, we will adjourn consideration of the lending and investing activities of Saskatchewan Telecommunications Corporation. Mr. Minister, do you have any closing comments you care to make?

Hon. Mr. Morgan: — Thank you, Mr. Chair. I'd like to thank the committee members on both sides and yourself, as well as the staff that are here from Legislative Assembly Service and from Hansard, as well as broadcast services and the people that work in this building to make it function as well as it does.

But I'd like to specifically take this opportunity to thank the staff that we have at SaskTel. So these are some of the best and brightest people in the province. It's a Crown corporation that has private sector competition in everything that it does and it does a wonderful job of serving the citizens. So on behalf of all the legislators and MLAs, we want to thank them for the work that they do, not just today but throughout the year.

The Chair: — Thank you, Minister Morgan. And I would just like to echo those words and thanks to Stacey and the staff, and thank you to the committee and Hansard and recording.

Seeing that we have no further business this afternoon, I will ask a member to move a motion of adjournment. Ms. Heppner has moved. Motion to adjourn, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's carried.

[The committee adjourned at 17:13.]