



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

## **Hansard Verbatim Report**

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

Mr. Fred Bradshaw, Chair  
Carrot River Valley

Mr. Warren McCall, Deputy Chair  
Regina Elphinstone-Centre

Mr. Steven Bonk  
Moosomin

Mr. David Forbes  
Saskatoon Centre

Ms. Nancy Heppner  
Martensville-Warman

Ms. Lisa Lambert  
Saskatoon Churchill-Wildwood

Mr. Hugh Nerlien  
Kelvington-Wadena

[The committee met at 14:59.]

**The Chair:** — Welcome, members, to committee. I am Fred Bradshaw, the Chair. With us today we have Ms. Heppner and Mr. Nerlien, and also substituting for Warren McCall we have Trent Wotherspoon.

This is the first time the committee has met since the Assembly adjourned on March 17th, 2020 due to COVID-19. Before we begin, I would like to make a statement about how the committee will operate when we meet in this room. As you can see, things look a little different here.

[15:00]

First, due to the size of the committee rooms, our committee is meeting with quorum today to ensure that the guidelines for physical distancing are adhered to. Quorum for the Standing Committee on Crown and Central Agencies is four. Because some committee members are unable to attend the committee meeting due to COVID-19, committee members now have the option to vote by proxy if they cannot physically attend a meeting due to COVID-19. A proxy form must be filled in and delivered or emailed to the Speaker's office 30 minutes prior to the Assembly's daily proceedings.

Secondly, you'll see that the minister and his or her deputy minister are on opposite ends of the witness table and most of the seats in the gallery have been removed to ensure that we are practicing physical distancing. We have asked extra witnesses and officials to wait in the hallway until they are required to answer questions. There's a microphone and podium at the back of the room for officials to use.

Third, often the minister needs to confer with his or her officials. To ensure that the minister and officials have adequate space to confer, room 4, the media room, is available for private conversations.

Lastly, I want to advise the committee that we will need to take periodic recesses to allow the Legislative Assembly Service personnel time to change over and sanitize their workstations. So please bear with us and the employees of the Legislative Assembly Service.

If you have questions about the logistics or have documents to table, the committee requests that you contact the Clerk at [committees@legassembly.sk.ca](mailto:committees@legassembly.sk.ca). Their information is provided on the tables at the back.

We have two documents to table: CCA 86-28, Crown Investments Corporation of Saskatchewan: Report of public losses, January 1, 2020 to March 31, 2020; and CCA 87-28, Central Services: Responses to questions raised at the April 2, 2019 meeting.

I would also like to advise that pursuant to rule 148(1) the following estimates and supplementary estimates were committed to the Standing Committee on Crown and Central Agencies on June 15th, 2020: vote 195, Advances to Revolving Funds; vote 13, Central Services; vote 175, Debt Redemption; vote 18, Finance; vote 12, Finance — Debt Servicing; vote 177,

Interest on Gross Debt — Crown Enterprise Share; vote 151, Municipal Financing Corporation; vote 33, Public Service Commission; vote 139, Saskatchewan Gaming Corporation; vote 154, Saskatchewan Opportunities Corporation; vote 152, Saskatchewan Power Corporation; vote 153, Saskatchewan Telecommunications Holding Corporation; vote 140, Saskatchewan Water Corporation; vote 150, SaskEnergy Incorporated; vote 176, Sinking Funds Payments — Government Share; supplementary estimates, vote 13, Central Services.

This afternoon the committee will be considering the estimates for the Ministry of Finance. Today we are considering vote 195, Advances to Revolving Funds; vote 175, Debt Redemption; vote 18, Finance; vote 12, Finance — Debt Servicing; vote 177, Interest on Gross Debt — Crown Enterprise Share; vote 151, Municipal Financing Corporation of Saskatchewan; vote 176, Sinking Fund Payments — Government Share.

### General Revenue Fund Finance Vote 18

#### Subvote (FI01)

**The Chair:** — We will now begin with vote 18, Finance, central management and services, subvote (FI01). Minister Harpauer, would you please introduce your officials and make your opening comments. And for the officials, could you please, when you're speaking, state your name for *Hansard*.

**Hon. Ms. Harpauer:** — Thank you, Mr. Chair and committee members. I have a number of officials from the ministry with me today. And I'd like to introduce the deputy minister of Finance, Rupen Pandya, seated to my left. I'll ask the other officials to introduce themselves throughout our discussions.

The Ministry of Finance estimates, vote 18, appear on pages 61 to 66 of the Estimates book. The Ministry of Finance's expense budget for 2020-21 is 471.6 million, an increase of 114.3 million or 32 per cent from 2019-20.

Our ministry's budget includes 120.6 million to support Saskatchewan people through programs that respond to the impact of the COVID-19 pandemic as follows: 50 million for the Saskatchewan small-business emergency program; 2 million for the Saskatchewan self-isolation support program; 56 million for the Saskatchewan temporary wage supplement program, which is cost-shared with the federal government — Saskatchewan's share of the program is expected to be 2.8 million; and 12.6 million for the commercial rent assistance program, also cost-shared with the federal government. These programs provide vital supports to Saskatchewan workers or businesses adversely affected by the COVID-19 pandemic.

Mr. Chair, other notable changes in the Finance ministry's expense budget compared to last year include an 8.4 million decrease in pension and benefit expense mainly due to a transfer of executive government employees to the Saskatchewan Public Safety Agency; a 681,000 net increase in expense for general operating costs and collective bargaining agreements; and a 600,000 increase in expense for revenue system support and maintenance. The ministry's '20-21 expense budget also

includes 3 million in government-owned capital, an increase of 750,000 for upgrades to government's main financial IT [information technology] systems.

Annual operational highlights for the Ministry of Finance include approval of financial statements for 131 government agencies which are to be tabled within 120 days of the fiscal year-end of each agency. The tabling deadline is now met by 98 per cent of those agencies, reflecting steady progress achieved over the past 13 years compared to a low of 76 per cent in 2006-2007.

Each year the Finance ministry produces about 275,000 payments to suppliers, grant recipients, employees, and for government programs, and supports about 10,000 financial system users. The Ministry of Finance also provides services to more than 100,000 business clients annually through tax revenue refund and incentive programs. Each year the ministry effectively forecasts and manages the government's cash and debt requirements; produces budget reviews, estimates, and quarterly fiscal reports; and publishes ministry, agency, and treasury board Crown plans and annual reports all within the respective deadlines.

Throughout the year the ministry also provides advice from the subcommittee on public sector bargaining for 37 collective bargaining agreements as well as the agreement with the Saskatchewan Medical Association. In addition, advice is provided to government on compensation matters for out-of-scope employment. Throughout the year the ministry also collects taxation revenues for government and ensures compliance with tax programs using risk-based audit and enforcement activities.

In addition, PEBA, the Public Employees Benefits Agency within the Ministry of Finance, administers a dozen pension plans for more than 95,000 members and more than 900 employers as well as 23 benefit plans for more than 89,000 member accounts.

This fiscal year operational highlights for the Ministry of Finance also include playing a central role in delivering temporary financial relief programs to workers and businesses as part of the Government of Saskatchewan's response to the COVID-19 emergency. Each of these programs was up and running and helping Saskatchewan people within days of being approved by the Government of Saskatchewan.

By June 12th the Saskatchewan small business emergency payment program had paid more than 27 million in total, based on more than 8,400 applications from businesses based in the province, providing financial assistance to small business that had been ordered to temporarily close or significantly curtail operations during the public emergency period due to a public health order to help control transmission of COVID-19. The Saskatchewan small business emergency payment program was developed in partnership with the Ministry of Trade and Export Development. Trade and Export Development brought forward the policy and criteria to provide this needed support to businesses.

The Ministry of Finance is able to process applications and payments quickly. The Saskatchewan temporary wage supplement program has paid more than 1.5 million in total to

nearly 3,900 workers. We are helping Saskatchewan's most vulnerable citizens through the COVID-19 pandemic. And the Saskatchewan self-isolation support program has paid about 1.4 million in total to nearly 1,600 Saskatchewan workers who were forced to self-isolate in order to curb the spread of COVID-19 and who were not covered by federal employment insurance programs or other supports.

Mr. Chair, those are some of the highlights of the tremendous work that the people at the Saskatchewan Ministry of Finance undertake throughout the year. Through the ministry's various branches and divisions and through PEBA, these women and men work hard to serve their many clients in and outside of government. And with that, I would be happy to take questions.

**The Chair:** — Well thank you, Minister. And are there any questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you very much, Minister, and Chair, and all the officials that have joined us here today and all those involved in the important work of finance in Saskatchewan.

I'll cut straight to it. Looking at the budget book, page 6, and the Saskatchewan economic outlook, I'm wondering why the government chose to use out-of-date estimates for the Saskatchewan economic outlook.

**Hon. Ms. Harpauer:** — Can you explain what you mean by out-of-date estimates?

**Mr. Wotherspoon:** — Sure. So specifically the 2019 . . . It identifies in this chart here which are the actuals. But with respect to the year 2019, three of the numbers that are used are not actuals. In the case of the real GDP [gross domestic product], and I guess also the nominal GDP, they're out of date as of June 1st.

**Mr. Pandya:** — Thanks for the question. So wherever possible, we do use actual data. In the case of real GDP and nominal GDP for the purposes of budget forecasting, we use a GDP at market prices. And I think you're referring to the June 1st Stats Canada release of GDP at basic prices. And so that's the difference that you're seeing, member. So I think these are accurate. GDP won't be released at market prices until . . . I believe the end of June is the earliest that data comes out.

**Mr. Wotherspoon:** — Okay, so maybe just to help me here then, because real GDP is identified at 0.4, and that I think had been sort of the operating assumption or forecast, and now Stats Canada reported on June 1st that GDP was a 0.8 per cent contraction, so it hadn't grown. The economy didn't grow last year. It had contracted, and I know it identified that that was the worst contraction in Canada. So why wasn't that number used into the budget as an actual?

**Mr. Pandya:** — So the Government of Saskatchewan has always used real GDP at market prices for the purposes of forecasting, as do all the private sector forecasters. So there is no change. What you're seeing again is a piece of data from Stats Canada released June 1st about GDP at market prices. Those two things are related. They're not unrelated, but we wouldn't update real GDP at market prices based on real GDP at basic prices. We've never done that in the past and we won't do that going forward. So the data is accurate as per date.

**Mr. Wotherspoon:** — No, I appreciate the context because I saw in the . . . The June 1st was 0.8, now I guess a 0.8 contraction. I wasn't aware of the different definition of, you know, of a real GDP. They've stated it straightforward as real GDP. Where you're at now is the 0.4. Do you still feel that the economy grew by 0.4 last year based on the information you have before you?

**Mr. Pandya:** — So again, I won't speculate on what Stats Canada's data will say when GDP figures are actually released at market prices. What I can tell you is that based on GDP at basic prices that was released in the June 1st data, there was two anomalies with respect to Stats Canada's data.

[15:15]

The first had to do with the estimation of the size of the increasing crop production. Stats Canada actually was forecasting a reduction in crop production whereas ourselves, our colleagues in the Ministry of Agriculture were forecasting an increase in crop production. And similarly with respect to mining, Stats Canada had forecast a more significant decline in the mining sector, specifically potash, than our colleagues in Energy and Resources would forecast.

So there's two anomalies in the data. Typically when the data comes out, whether it's population data or GDP data, there's a correction to that data that occurs. So I won't speculate on what that data will actually show, but I would tell you that we use actuals when the actual data comes out.

**Mr. Wotherspoon:** — Thank you for that. Again just to make sure I'm clear, the real GDP, it's . . . The reason that the Stats Canada number isn't utilized that was released on June 1st is because it's not the market price real GDP?

**Mr. Pandya:** — That's correct.

**Mr. Wotherspoon:** — Okay. Were you able to see the RBC [Royal Bank of Canada] Canadian fiscal analysis of Saskatchewan, I suspect, today?

**Mr. Pandya:** — From today?

**Mr. Wotherspoon:** — Yes. I guess I would just look at that and see . . . So they have their budget assumptions. They've taken the 0.8 per cent contraction for Saskatchewan as of today. Now is that market real GDP?

**Mr. Pandya:** — That would be the June 1st Stats Canada basic prices GDP that they would have used if it says 0.8.

**Mr. Wotherspoon:** — Yes, well they titled it in their case as the RBC forecast. I'm wondering, is that one the market price real GDP? Would you know?

**Mr. Pandya:** — If it says 0.8, I'm going to assume, member, that it is the basic price data from June 1st, not market price.

**Mr. Wotherspoon:** — And based on the information you're seeing then, like the information from RBC and the contraction of 0.8 per cent, you're not in a position to pull together the market . . . I guess the actual? You're saying Stats Canada will be releasing the market price real GDP. When does that come out?

**Mr. Pandya:** — I think that's . . . and one of my officials can correct me. I believe that usually comes the end of June, that that data comes out the end of June.

**Mr. Wotherspoon:** — Thanks for that information. I wasn't aware of the different definitions around real GDP and was concerned by a 1.2 per cent gap in numbers that were actuals for the year.

**Mr. Pandya:** — If I may, just a correction. It's actually November 5th that Stats Canada releases the data. I just got a confirmation.

**Mr. Wotherspoon:** — Okay. And at this point you're comfortable with the 0.4 that's in the budget book?

**Mr. Pandya:** — Yes, and maybe I'll let the minister respond, member. So we use the actual data that we have at the time to produce the budget, and we've not varied in that approach for many, many, many years.

And so I think maybe your question might be: did Saskatchewan experience a contraction in '19-20 as opposed to what we're using in the budget document? And to answer that question, I would say that we'd wait to see the actual results of the November GDP market price data. But it's likely that we saw a contraction.

And that's not surprising again given the impacts of COVID through the last quarter in particular but also again because of furloughing employees with respect to some of the potash mining in Saskatchewan and why you would see a difference. But that would be speculative, and again we wouldn't tell you that until we saw the data in November.

**Mr. Wotherspoon:** — Right. In the 0.4 then that would . . . and the base of that economy that you can pull off the Saskatchewan dashboard that's on the website there, that's the base that you would have utilized then for your planning assumptions into 2020-21. Is that correct?

**Mr. Pandya:** — We would have used our historical table of financial indicators. So I'll just tell you exactly what that is because I'm not sure exactly what the dashboard has. I think that the dashboard might actually publish data at basic prices. But I'm not sure of that. So let me just take look and I'll tell you the actual number if you give me a moment.

**Mr. Wotherspoon:** — I actually think it's showing off the dashboard a 0.6 decline of real GDP off of the dashboard right now. And it has the economy in 2018 at eighty-two billion, one hundred and sixty-six dollars and twenty cents. Those were the dollars that the Chair maybe put into the . . . No, I'm just joking, Chair. But the 2019 was eighty-one million, five hundred and forty. So the dashboard is showing the contraction of 0.6 per cent.

**Mr. Pandya:** — So I think the dashboard has both pieces of data. And just a correction on the RBC information that I've received from my officials is that the 0.8 estimate is RBC's estimate not Stats Canada's estimate.

And as I understand it the dashboard just shows the GDP at basic prices right now because it's the most recent data. But as the

November data comes in they'll update that.

So I'm sorry, member, if you had a specific question relative to that, I'm not sure if I heard it.

**Mr. Wotherspoon:** — So I guess . . . Well the data off the dashboard is showing, you know, a serious contraction last year of 0.6 per cent. Does that jive with the budget number? I mean, the budget itself is showing real GDP at 0.4. Are there adjustments required to reflect the contraction that's displayed in the data off the Saskatchewan government dashboard?

**Mr. Pandya:** — So maybe I could try to answer this question this way is that, you know, typically when we forecast GDP for the current fiscal we'll also provide an out-year forecast for GDP. And our GDP estimates again are built from data that we have available. And they're driven from the ground up, as opposed to private sector forecasters typically from the ground down. We use a compilation of private sector forecasters as a comparative, and we've shared that information as part of budget briefings.

What you would note, if you take a look at the detailed private sector forecast data that we provide versus the government's own projections of GDP is that there is a variance. And in fact, I believe if you take a look at . . . And I don't have that data right in front of me, member, but if you take a look at the private sector forecast data for Saskatchewan versus what we publish in the budget, there is a variance. I think the private sector has, you know, forecast a smaller contraction over the two fiscal years, I believe, than we have. And I think we're forecasting a 1.7 per cent contraction over the two fiscal years.

So you know, all of that is a long way to say that when you're catching up from the previous year, 2019 into 2020 and going into 2021, that the process of estimation of GDP catches you up on that. And so that's why for, well like I said, many, many years, beyond decades if you will, that we don't restate GDP. We just share what the real numbers are, and then are forecasting forward.

**Mr. Wotherspoon:** — So the fact that the Saskatchewan dashboard shows, I guess, the size of the GDP and it shows the reduction of — what is it? — \$600 million or so and a 0.6 contraction. Or sorry, larger than that. A little more than \$800 million as a contraction.

Can you just help us reconcile a bit when the budget book is basing the 2019 . . . or states a growing economy? And then how that impacts the assumptions into 2020-21?

**Mr. Pandya:** — Okay, I can try. So again, whenever the provincial government, whether it's this government or the previous government, would produce a budget, we're using GDP at market prices as the baseline data. And so we use that data and we publish it when we have that data and we update based on it.

When we're building our GDP forecast for the budget we're doing a ground-up analysis based on all of the inputs we have. We don't know what GDP will be correctly from 2020, so we get data and we build a picture of what our forecast for 2020 will look like from the ground up.

So it is true that Stats Canada has put out data at basic prices that

say that there's been a 0.8 — I think it's 0.8 or maybe 0.6; you'll have to correct me — per cent contraction. And I'm not disputing that data. I'm simply explaining to you that for the purposes of budget we use GDP at market value and there's no inconsistency in that. That's what most, I think, if not all jurisdictions in Canada do as a budget practice.

**Mr. Wotherspoon:** — Well thanks for the perspective on this. Certainly you know, a per cent of course is significant when you're talking about a billion dollars or \$800 million of economic activity and then potentially, you know, being factored into those assumptions moving forward.

I guess to the minister: is the minister aware that Saskatchewan's real GDP growth rate from 2013 to 2018 was the second worst in Canada?

**Hon. Ms. Harpauer:** — I don't have that data in front of me right now. Thank you.

**Mr. Wotherspoon:** — Then I guess as well, at least if you're looking at the information that's being shared by Stats Canada, which would . . . You've explained why it hasn't been built in, because it's not the market price real GDP. But is the minister aware that that information, the 0.8 contraction, in fact is the worst in Canada for the last fiscal year?

**Hon. Ms. Harpauer:** — I don't have the same documents in front of me that you do, sir. I do have the response to the budget from CIBC [Canadian Imperial Bank of Commerce]. I have the response to the budget from BMO [Bank of Montreal]. I have the response to the budget from the National Bank of Canada. All of which acknowledge that this is a stable budget built on projections similar to what they are projecting. And in fact the growth factor for the following year, they are projecting a higher growth factor than we are.

**Mr. Wotherspoon:** — Well that's not the case with . . . I mean, this is the thing with the private-sector forecasts. There's going to be a range there. But I mean, RBC released today . . . what you just shared is not consistent with the most recent release here today, which shows the 0.8 contraction, worst in Canada, and I guess very similar targets then or projections for next year. But the reference was to the Stats Canada report that was out and has us at worst in Canada.

I guess just moving along, if you do look at the last six years, 2014 through 2019, or even that five-year period from 2013 to 2018, which certainly leaves COVID out of it, basically the economy didn't grow over that five-year period, you know. And within those last six, you have three contractions.

I guess just looking a bit to the minister, there's been an approach that's been employed, you know, that's included really hiking taxes on people. And we look at that PST [provincial sales tax] of course on construction labour. We've also seen the cuts to certain areas that have had an impact on the economy. And I guess, I'm just looking for the minister's . . . The performance is before us. It's not debatable. It's really poor. I'm just looking to the minister to see if there's some recognition at this point, to see that the policies and approach that's been employed just really haven't been kind to the economy.

**Hon. Ms. Harpauer:** — I think you're embellishing on your interpretation. But regardless, you've gone back numerous years, and we have a budget before us that is for 2020-21. So with that I'm just going to read into the record what BMO had to say about the budget, and I quote:

The revenue outlook is also based on reasonable economic growth assumptions. Real GDP is projected to fall 6.3 per cent in 2020 before rebounding 4.6 next year. Our call [meaning BMO] is similar, at minus 6.2 per cent this year, but a bit stronger at 5.3 per cent in 2021. Regardless, the key message here is the economy has fallen into a deep hole caused by COVID-19 and the decline in oil prices but should be well into recovery mode next year.

From CIBC, and I quote:

Due to the steady-hand approach to prudent fiscal management, a characteristic of the long-standing Saskatchewan Party governing since 2007, Saskatchewan entered the pandemic-induced crisis on track to delivering a modest surplus in 2019-20 with low debt levels. Unfortunately the crisis along with concurrent oil-price shock means that Saskatchewan's fiscal plan will take a big step backwards with a projected deficit-to-GDP of 3.5 per cent in 2020-21. This projection was in line with our expectations.

[15:30]

Notwithstanding this sudden turn of circumstances, we view today's announcement, meaning this budget, as having only modestly negative credit implications. On a relative basis, the province entered the crisis with one of the lowest net debt-to-GDP ratios in Canada and in a strong position relative to its global peers.

National Bank of Canada states, and I quote, "The province sees its relatively low debt ratio as providing a degree of flexibility to respond to the pandemic." We tend to agree.

Also noted as a quote from the National Bank of Canada is, "It's noteworthy that the unemployment rate is the second lowest in the country."

Another quote from that report is, "Given the high degree of uncertainty still embedded in economic projections, the budget's 2020-21 real GDP planning assumptions are reasonably close to the consensus: 6.6 this year followed by [and this is their projection] 5.2 for 2021."

**Mr. Wotherspoon:** — The economic outlook for 2020 forecast by RBC has a decline of 6.2 per cent. It's very similar to the number that you've put into the budget document. I guess I'd be looking to the minister to maybe describe what the five biggest economic projects are that she sees for 2020-21, so the current year where we're looking to have some recovery here, not counting any of the Crown projects.

**Hon. Ms. Harpauer:** — Are you asking for infrastructure projects?

**Mr. Wotherspoon:** — So private sector projects within the

province that go beyond sort of the government spend and the Crown spend.

**Hon. Ms. Harpauer:** — That would be more appropriate to be asked of the Trade and Export minister because he would have that data, not me.

**Mr. Wotherspoon:** — I think I'm with him in a couple days, so I'll come his way.

I guess just on this whole point, I know the government is touting some of its capital investment. And we think that it's an important time to invest in infrastructure, put people to work — you know, work with Saskatchewan companies. This is important to the economy; it's important to building the future of Saskatchewan.

I guess, you know, there's been this debate. We've long pushed that we have concerns, and I think Saskatchewan people, workers, businesses have concerns with the number of companies that are shut out from that process. You know, is the minister coming to a new approach on this front that will recognize the value, economic value that can be maximized when working with Saskatchewan workers and businesses? Or you know, are you comfortable to see often sort of 50 per cent of the revenues, if not more, go to out-of-province companies and workers?

**Hon. Ms. Harpauer:** — I dispute your data, but that is a question directed to SaskBuilds, who has procurement Saskatchewan. So you know, we have a budget before us, and it would be nice if you stayed within the parameters of that budget.

**Mr. Wotherspoon:** — So . . .

**A Member:** — It's Finance, just for clarity.

**Mr. Wotherspoon:** — So I'm getting heckled at the table, which I find strange. I appreciate the minister taking the time through the questions. As you know, we've got an unprecedented economic situation that we face as a province, and for us to not be worried — and get heckled by the member opposite — by a billion-dollar contraction last year, the fact that we've been fully flat for six years running, or that when we're going to borrow the hard-earned dollars of Saskatchewan people to invest in infrastructure that, you know, that we focus on areas about maximizing the economic return, but also the fiscal return.

Because when we're working with out-of-province companies and out-of-province workers, those revenues aren't coming back to Saskatchewan's treasuries in the same way. Would you speak a little bit to that point itself? Would you recognize, at the very least, that if that work is outsourced to out-of-province companies . . .

**The Chair:** — Mr. Wotherspoon, could you please stick to what we're working on? And that is the votes that we have in front of us. We're kind of getting off track here a little bit, so if you wouldn't mind just sticking to what we're talking about, what pertains to what is being put forward in front of this committee today. Thank you.

**Mr. Wotherspoon:** — I won't argue with the Chair. My aim is

to really focus on the revenue lines to government and to maximize those and as well, the economic return to the people of the province. And the economic discussion is usually had at this table with the . . .

**Hon. Ms. Harpauer:** — I will just ask you this question. Are you aware — I'm not sure you are — that some, a lot of companies are headquartered elsewhere, but they also have a presence, both office and workers, here? I'm not sure you're aware of that. It happened, quite frankly, when we had a former government that chased head offices out of the province.

**Mr. Wotherspoon:** — We'll move along here. I'd like to gain a better understanding of what happened at the fiscal, I guess the year-end of 2019. One quick question off the top: was the third quarter actually prepared? I know it has never been presented. Has it been prepared? And then if so, could you table it if you have it here today?

**Hon. Ms. Harpauer:** — The third quarter was in the budget that we had prepared that you had a technical briefing on and then wouldn't allow for it to be tabled in March. So those documents haven't changed. But you had a technical briefing on it as well as . . . I don't know whether you still have material or not.

You do remember being at that technical briefing, I believe?

**Mr. Wotherspoon:** — That's where you chose not to proceed with the budget, correct? And then we were briefed on, I think, the estimates at that point? Or what were we . . .

**Hon. Ms. Harpauer:** — True. You had a technical briefing on . . .

**Mr. Wotherspoon:** — Was the third quarter presented at that technical? I know the technical briefings are supposed to be embargoed and confidential. But I guess I would look for clarity since there's a desire to talk about what occurred in the technical briefing.

**Hon. Ms. Harpauer:** — So the technical briefing is with the officials, and my deputy minister is just checking to ensure that it was included.

**Mr. Wotherspoon:** — The point remains just that it would be appreciated just for it to be tabled and made public.

**Mr. Pandya:** — Member, we'll just table Q3 [third quarter] with you. I think I communicated it as part of the technical briefing what our forecast for Q3 was, but I'll just table that document with you.

**Hon. Ms. Harpauer:** — So we'll table it with the Chair of the committee.

**Mr. Wotherspoon:** — Thank you. Thank you very much. Now I'm looking at that fiscal year-end. I mean, it was a really challenged fourth quarter obviously for equity markets, you know, at that point. And that has an impact on Saskatchewan funds such as the Auto Fund and WCB [Workers' Compensation Board].

I'm just wondering . . . I think it was communicated that the

government business entity net income was down \$431 million. But as I look at it, it's . . . When I'm looking at the information, it's actually only down from budget for that period \$225 million. Am I interpreting that correctly?

**Mr. Pandya:** — Thanks for that, and thank you for the indulgence. So I'd actually just want to go back on Q3 and the forecast. So the Q3 forecast is included in the '20-21 budget, just on page 14 on the bottom there. But we'll get you a detailed summary. I think that that might be what you're asking for. So it was included in there.

And so the drop in revenue . . . And I think I explained this as part of technical briefings. As we prepare for a budget, we report changes in expense from budget because it's voted, and we report changes in revenue from the latest quarter because revenue of course changes throughout a fiscal year. And the most accurate referent is the last quarter. So the decline in GBE [government business enterprise] net income that I reported in technical briefings including the budget book, the \$431 million decline in the investment losses occurred from Q3 into Q4.

**Mr. Wotherspoon:** — Okay, yes. So my numbers . . . I have the right interpretation of this. And I'm troubled a little bit by that characterization because it's only down 225 million from budget itself. Is that correct?

**Mr. Pandya:** — That's correct. Yes. I can get that number confirmed, but I won't dispute that.

**Mr. Wotherspoon:** — No, it's just . . . And of course equity markets, they were at a terrible place there at that point in time, so I understand that. I don't dispute that the funds had been accumulating through what had been quite a long equity run.

But it just seems . . . I wasn't aware, I guess — and to the minister, I guess — I wasn't aware that throughout the year you were sort of counting on booking, I guess, those unactualized market returns to purport balance as you were moving through the year. Because in the end, spending is up and the actual reduction on the equity is not insignificant, but they were 225 million below budget. Is that correct?

**Hon. Ms. Harpauer:** — You didn't know that that's all included in summary financial statements which your party asked us to do? You weren't aware that that is all included in the bottom line?

[15:45]

**Mr. Wotherspoon:** — Yes, so I'm fully aware of that. It's just that I find the characterization of the 431 million problematic. And I think it's also a tad reckless to be counting on equity runs in the inter-year and booking that value to make up for, in this case, you know, your government overspent throughout the year. And that's probably on very good initiatives, but it's just not fair to characterize that \$319 million deficit that resulted in the third quarter as a direct result alone of the \$225 million that the funds were down. Because of course expenses were up \$215 million over budget last year.

And so it just seems that it was communicated that it was just rather simple, that it was equity markets being down, which of course they were. Everyone with a pension or, you know, an



RRSP [registered retirement savings plan] understands that. But the rest just wasn't described real well.

To the, I guess, to the point . . . and I guess just on that, I'm just looking to see if your government could release the GBE net income projection detail from the third quarter so we can have a bit more transparency on that as well.

**Hon. Ms. Harpauer:** — On the fourth quarter?

**Mr. Wotherspoon:** — On the third quarter.

**Hon. Ms. Harpauer:** — Okay. You were told details would be tabled, but from what I'm hearing, is you would like to see a bit of a deviation from what is public-sector accounting rules and what the Provincial Auditor's requesting. And perhaps you would rather go back to a GRF [General Revenue Fund] budget? Is that what I'm hearing from all that you had to say?

Because there is rules, accounting rules that we have to follow. I understand you may not like them. There's many times I don't like them, but they are what we have to follow. And perhaps you were suggesting that that not be the case so that you understand it better? Because I think summary financial statements can be confusing, but it was your party that wanted to do away with the GRF budgeting, even though both were done. So I'm just wondering if you can clarify if you wanted changes away from what's requested.

**Mr. Wotherspoon:** — To be fair, Minister, I think you're missing the thrust of the question. And certainly am not . . . In fact I question maybe . . . I won't say. No, of course the summaries are important. People deserve all of the information. The point is that you can't pick and choose how you're communicating something, and when you're looking at a budget throughout the year, one certainly needs to be very careful with, you know, how they're communicating and what they're suggesting caused things like the deficit last year.

It certainly wasn't, you know, the 400 and . . . That might be the number that the equity markets were hurt at that period of time, but that wasn't the amount that they were down over budget. The government spent more money than they had budgeted. Equity markets were in a tough spot. Well there's no debate about that, and I appreciate the information that's going to be sent along.

With respect to debt, and we have had a couple questions on this front. Of course debt's hard to . . . It's a terrible challenge governments are facing right now and has launched, you know, governments across Canada of course into borrowing. And the Bank of Canada is playing a role in that because securing debt hasn't been an easy exercise for some provinces. I would just like to get a sense of what that's looked like for Saskatchewan in the last number of months, and which debt markets you've been accessing.

**Hon. Ms. Harpauer:** — Specifically I'll get my officials to answer. But no, you're absolutely correct. Accessing markets in the short term has been relatively easy at very, very low interest rates. But accessing long term — and when I say long term I mean 10-, 20-, or 30-year terms — has not been easy. It's been very, very limited.

And the reason for that is that there is so many nationals in the market right now that there isn't a lot of interest in subnationals. And we're not an exception there. That is something being faced by all provinces. We can get better rates than other provinces when we are able to access, simply because of our credit rating and our debt-to-GDP ratio being as strong as it is. But I will get my officials to answer further.

**Mr. Pandya:** — Thank you, Minister. And maybe I could just clarify information that you had provided earlier, member. You had noted that expense was up, and I just want to draw to your attention both at Q1 and at mid-year that we communicated that the principal driver of expense was non-cash, a pension adjustment. So that's the principal driver of the expense increase in '19-20, just to make sure that that's reflected on the record.

And then the question is, was there difficulty in accessing debt markets during the onset of the COVID-19 pandemic, and what was our success in doing so, and when did markets open. And I can tell you that in fact, you know, there was a paralysis in debt markets, in the money markets, and that we were unable to borrow for a period of time. The Bank of Canada intervened. Provincial jurisdictions across the country, depending on their amount of liquidity, were variously impacted.

You'll note that we had a very significant liquidity position at the end of '19-20, and so we were able to continue to finance our operations with our own cash.

Ultimately what happened is, you know, the shock of what was a synchronized shutdown of the global economy kind of weighed in and debt markets started to function more or less. It took a period of weeks for them to come back online in terms of the term markets for the five-year and longer term markets. The short-term lending was in place. And now we're seeing what I would call near-normal functioning.

In terms of any detail, I can ask maybe Rod Balkwill to come step forward, and he's our executive director of treasury management branch. And he could walk you through maybe in some detail if you're interested around, you know, what our experience was in those early days of pandemic.

**Hon. Ms. Harpauer:** — I just want to highlight, if I may, something that the deputy minister just said though. Because the markets were extremely difficult when pandemic was declared, it was extremely important that we had through our fiscal management in previous years, we were in a position of sitting on a very solid cash position. And that is where that became more important than ever.

So you have someone coming in?

**Mr. Pandya:** — Yes, just come up to the mike if you don't mind, Rod.

**Mr. Wotherspoon:** — Can I just add a little since we could bring some additional expertise . . . A lot of horsepower in this room here. So an additional question might be, is that with the low rates? Now of course I'm hearing the challenge to access markets for longer terms to book those lower rates, and I'm wondering if we're finding access to lower rates over the longer term? And if so, are we utilizing that opportunity to, of course, book in for

longer terms but also, when it makes sense, roll over debt that's within the Crowns but also public debt?

**Mr. Balkwill:** — I'm Rod Balkwill, executive director at treasury management branch, Ministry of Finance. Member, I'll give you some context about the period towards the end of March, beginning of April when the markets did shut down, financing markets for most entities around the world. And with the impacts on revenues to companies and to businesses, lenders were unwilling to lend because of the risk of non-repayment. In addition the industry is run, of course, by investment dealers and they were not finding buyers for the bonds, the investments that provinces like Saskatchewan were issuing.

So at the time markets did shut down, as the deputy minister noted, for a number of days both in the short-term debt markets and the longer term debt markets. Eventually they started to open up somewhat with a few pension funds and insurance companies willing to lend at higher interest rates to compensate them for what they perceived as some potential risk, but really it was an inability of investors to have the funds to purchase these debt instruments.

So as a result, Saskatchewan was not able to borrow. At the same time we were not required to borrow as a result of our large liquidity position that we had started to hold two years ago and had built to a sizeable level by March of roughly \$1.5 billion. We did, however, partake in three debt issues through March and the second, first two weeks of April in short-term areas, floating rate notes, and the 3-year issue at slightly higher interest rates than what we might have received . . . Actually lower interest rates, wider spreads I should say, because interest rates had fallen quite a bit.

And as you know, the Bank of Canada entered into the market to support the short-term debt markets and the long-term debt markets, and that ended up stabilizing the market. And we have since returned to relatively normal borrowing markets.

**Mr. Wotherspoon:** — I appreciate hearing that very much. And with respect to long-term lending rates, where we're able to secure a low rate that puts us in a position to improve the provincial position, is there refinancing going on right now with Crown debt and public debt to take advantage of longer term low interest rates?

**Mr. Balkwill:** — Yes, well there's refinancing that goes on throughout the year because of maturing debt. And there's about 1.5 billion of that maturing this year. It doesn't mature and it doesn't have to be refinanced technically until it matures in July and December, but we have borrowed in advance of that in anticipation — 1.9 billion so far this year — in the first two months in anticipation of those refinancings and in anticipation of the extra finance or the already existing financing we were going to do for capital plan plus a financing of a cash deficit as a result of the pandemic.

So the rates before . . . Say before pandemic, long-term rates would have been around 3 per cent, 2.75 to 3 per cent. And we are borrowing at 2 to 2.25 per cent at this point.

**Mr. Wotherspoon:** — Thanks for that information, too. I was wondering as for that two to three range and was wondering

where it was at on the longer term rate now. I guess to that point, Saskatchewan seniors, for example, are dealing with terrible returns on their investment, you know. I suppose is there some consideration of reinstituting the Saskatchewan savings bond program, for example, that would allow . . . Like right now, you know, we're paying 2 to 3 per cent to banks, you know, lots of times in New York or Toronto. That might be appreciated as an instrument and an investment for Saskatchewan seniors.

**Hon. Ms. Harpauer:** — Obviously it isn't in this budget, so we'll take that under consideration for discussions going forward.

**Mr. Wotherspoon:** — Thanks very much. Maybe moving along a little bit more to the discussion around a cyclical or a pandemic deficit and, you know, what's cyclical, what's structural. I guess, just certainly we have an unprecedented event by way of COVID-19 that's devastating to the economy and certainly to finances as well. But we have other factors in place as well. So I'm just wanting to get a full understanding of why the minister feels that the current deficit is a cyclical deficit and not a structural deficit.

**Hon. Ms. Harpauer:** — Almost half the deficit is going to basically fall off, if you may, because they're COVID expenses. So when this pandemic is over, we will not have the health care expenses that it has created. We will not have the expense of a self-isolation program or a small business grant program or the commercial rent supplement program. There's been extra measures in other ministries as well that has been expensed because . . . literally to give supports to people and businesses through this. So just about half of the deficit is not a repeated expense.

[16:00]

It's not like the money that you put into surgeries this year, you need to put into surgeries again next year and the following year and the following year if you want to continue to do surgeries or any other program or supports that we have within government. The small-to-medium business grant is not something that we have to have the revenues for another year, because the grant will not exist. So that means that about half of the deficit is a pandemic expense.

The other half is, of course, the deterioration in revenues, some of which is market related in the oil industry, and we're all well aware of that. But another example, and I'll just have to find the number, but there was a decrease in fuel tax. Now we all know when the pandemic was declared — you were in Regina, as was I; I felt like I was in a small town — there were so few cars on the streets for a number of weeks, and so the volume of fuel being sold was greatly reduced.

I would say that traffic's almost back to normal now. And definitely in rural Saskatchewan with agriculture full in production of seeding and now moving through the other business that they have to do on the farm gate, that that traffic is back to normal. So on another year when you don't declare a pandemic and basically shutter the economy, that fuel tax would be more predictable, more normal.

The retail stores, so then you're looking at your PST. In that

situation, we don't know. We're hoping for full return, but that's where this becomes more uncertain and unpredictable as we go forward, is many of our taxes. We are uncertain of whether or not there'll be full recovery. But there will be some recovery, and we do believe in recovery and we believe in growth going forward.

So the revenues, outside of a completely pricing war that's happening with oil, the recovery is bringing our economy back. And some of it, there will be some delays. So for corporate income tax and business tax, for example, you're well aware that they can have a different year-end. Like, they all have different year-ends. So we're going to see the effects of that for not just this budget but next budget and the following budget. So it will take those . . . that cyclical to go through.

In the meantime with the recovery, there will be the stimulus of what we've announced in infrastructure. There will be a number of activities just within our province, our people, our businesses, our corporations. There's initiatives to attract investment because not only do we need to recover, we need to grow. And we believe in that growth.

**Mr. Wotherspoon:** — Thanks for the perspectives there, and agreed, these are really hard . . . There's a real hit in this current fiscal year. It is one that continues into the out years by way of things like income tax and corporate taxes and not knowing, I guess, where this whole thing goes yet as well.

I do appreciate that you identified that, you know, it's not all COVID related as far as the budget calamity right now as well. I mean, we've got energy prices that are down in a very significant way and hundreds of millions of dollars of decline in the resource revenues that aren't fully attributable to COVID-19. So thanks for that.

So stemming from that conversation what's your plan, timewise, to get back to balance? And can you rule out at this time dramatic cuts in the years moving forward to get there?

**Hon. Ms. Harpauer:** — I can rule out dramatic cuts because as I've said publicly that dramatic cuts are counterintuitive. So we will have a plan going forward. It's pretty hard to have a plan when you haven't even made it through this pandemic yet, and we are still reopening. So our plan starts with reopening.

We're very fortunate in a number of ways. We entered this in a very strong fiscal position. We had a balanced budget and we had a very large cash position. And I know that the opposition party disagrees with that, but the Provincial Auditor does not disagree with it and the credit rating agencies don't disagree with it and the major investment bankers don't disagree with it. So they're kind of who I will rely on.

We also lost fewer jobs than the other provinces and we shut down less of our economy than many of the other provinces. We have very low debt-to-GDP when compared to other provinces and a very high credit rating when compared to other provinces. So we were fortunate in our position when we entered into the pandemic.

The recovery is, of course, the open-up plan which is unfolding. Some want it to be a little slower. I believe your leader asked for us to slow that down and is on record of doing so. Others would

like it to be faster. And you know, there's that on both sides. We have announced a \$2 billion stimulus package for infrastructure to encourage jobs, as well as it will be well-received infrastructure.

We have a growth plan, and the goals and the areas of growth identified in the growth plan have not gone away. We still have what the world needs and that's food, fertilizer, and fuel. That has not changed. So we will be looking and moving forward in the years to come of initiatives within that growth plan. So it is recovery, stimulus, and growth.

In our budget we have the personal income tax indexation which will help with affordability. Right here in Saskatchewan we have among the lowest personal income tax in the country, and this will address bracket creep going forward. We have a PST new home construction rebate. We have PST exemption on the mining drilling. We are extending the manufacturing and processing exporter tax. We have the Saskatchewan chemical fertilizer incentive and the oil infrastructure investment program, all of which will help to attract investment and help with the growth in our province.

Will there be more that needs to be done? Perhaps. But that's the initiatives that we have within this budget. And as I said, we have a growth plan which is a 10-year plan — it's not a 10-month plan — of our goals going forward.

**Mr. Wotherspoon:** — Will the minister at this point commit to no significant sales of public assets such as Crown corporations, treasury board Crowns, shares in companies such as ISC [Information Services Corporation of Saskatchewan], and other entities into the future?

**Hon. Ms. Harpauer:** — There is no initiative in this budget of any of that. And this minister has a caucus, a cabinet, and a Premier. I would love to have that kind of power but I don't.

**Mr. Wotherspoon:** — So you can't commit to not ensuring sell-offs of the public assets I just listed there into the future?

**Hon. Ms. Harpauer:** — I believe they're protected under legislation, sir. Except for the . . . I'm not sure about the ISC shares. I would have to go back to the legislation. But for the . . . You listed which Crowns?

**Mr. Wotherspoon:** — Crown corporations, treasury board Crowns, ISC . . .

**Hon. Ms. Harpauer:** — Which treasury board?

**Mr. Wotherspoon:** — Well we can go . . .

**Hon. Ms. Harpauer:** — We're not going to sell off SaskBuilds. It's a hypothetical conversation that quite frankly I don't have the power to say I . . . But you know, I can tell you, you can run a campaign on it because you've done so in the past. It's worked really well for you.

**Mr. Wotherspoon:** — I'm asking straightforward questions, Minister. You don't . . . Anyways, you can respond how you care to. It'll be noted that you couldn't make the commitment and maybe some folks care about that, you know. I don't know.

Maybe I'm old school. Maybe folks just think these things should be sold off but I don't. In fact I think they're part of our fiscal foundation right now . . .

**Hon. Ms. Harpauer:** — Sir, sir . . .

**Mr. Wotherspoon:** — I would like to move along to the . . .

**Hon. Ms. Harpauer:** — Sir, I would like to address that please. You just wanted to ask the questions. It's not going to make any difference to what you say going forward. Your leader, yourself, everyone in your party has said that we're going to just sell Crown corporations. How I answer that question isn't going to make any difference to you using that as your campaign and your mantra going forward. Let's be honest here.

**Mr. Wotherspoon:** — Moving along, the minister referenced the indexation of the personal income tax system but it was your government that moved away from that. That was a good decision that had been taken on a while back and then you moved away in 2018. I guess, what was the rationale for moving away from the indexation and what are the characteristics of the worker or the family that's impacted most by that decision?

**Hon. Ms. Harpauer:** — We paused because of the very dramatic downfall in oil. And so we paused it for a few years and said we would return when we were fiscally able to. The impact, quite frankly because of the short period of time that it was paused, is that we were among the lowest, if not the lowest, personal income tax in the country and we remain so even though it was paused.

**Mr. Wotherspoon:** — Do you have the numbers available or could you supply the numbers as to what the de-indexation cost families in 2018, 2019, and 2020, what those increased costs would be?

**Hon. Ms. Harpauer:** — You would have to do all the income brackets.

**Mr. Wotherspoon:** — Would you be able to commit to getting that information back to us?

**Hon. Ms. Harpauer:** — Not immediately. It would be a while.

**Mr. Wotherspoon:** — Yes, not immediately. I understand that. I have one other question, or a couple, on the indexation. Did this adjustment, is this cumulative, the change? Does it go back and recognize those lost years, or is this just an adjustment for the current year?

**Hon. Ms. Harpauer:** — It would be an adjustment for the current year. Like you would start where you are and index going forward. You wouldn't have a lump sum.

**Mr. Wotherspoon:** — And is that a commitment as best as you can to not de-index into the future?

**Hon. Ms. Harpauer:** — We could play this game all night long. We make decisions budget by budget based on what we hear from stakeholders, what our fiscal position is at the time. Decisions of one decade may not be great for the next decade. So I am not going to answer question after question of whether I will

commit going forward every single year to yes or no, to future decisions. We are talking about this budget and our fiscal position today.

**Mr. Wotherspoon:** — Fair enough, I won't press the point further. Folks that lost those dollars those last number of years that paid the price — you know, usually the lowest wage earners — they care about these things.

But I want to shift and I want to give you, commend you on an area that I think is long overdue, and that's the impact, I guess, around the sales tax amendment to go at out-of-province e-commerce platforms. It's been a real . . . Of course we see the shift in global commerce and we know how the Saskatchewan treasury has been shut out on that front. But we also know the impacts and the lack of a level playing field, if you think of Saskatchewan retailers. So thank you for stepping up. This is something that I think is long overdue.

Does the minister have an estimate as far as the number of retail sector jobs that have been lost in Saskatchewan over the last decade on this front? Because I know this is, I suspect this is in part motivating these changes because it's important for us to make sure that we're looking to our local businesses in this province and making sure they're on an equal footing. And it's been a heck of a fight for them against this shift, and the unfair tax situation, tax treatment that they receive.

**Hon. Ms. Harpauer:** — Before I answer . . .

**The Chair:** — Just if I could just cut in for a second there. Mr. Wotherspoon, that really has absolutely nothing to do with this budget whatsoever.

[16:15]

**Hon. Ms. Harpauer:** — Correct, it's an unrealistic . . . We don't gather data on something like that. But what we do have data on, quite frankly, because the member asked if we were going to somehow rebate the lost income because of having a couple-of-year pause on the indexation.

I'm just wondering what his party's plan is to backfill the loss of income due to the income tax rates that his party had for a number of years. Because with the decrease in personal income tax that our party brought in, quite frankly, for a single person at \$40,000 total income, under their government they paid \$3,688 in provincial income tax. Under our government it's now \$2,976. That is \$712 less that they pay today than they did when the NDP [New Democratic Party] were government.

Let's pick a family of four at 50,000 total income. Under the NDP, they had to pay personal income tax. And this is including, I want to add that this is including PST and the changes we made to PST. They paid \$3,082 in tax. Today, it's 731. So that is \$2,351. I wonder if he wants to pay that or apologize to the citizens of the province.

**The Chair:** — I would like everybody to please get back on the budget that we have in front of us. If you would please, you know, we don't have that much time left and I'd like to see pertinent questions towards what we have in front of us here. Thank you.

**Mr. Wotherspoon:** — My response is that in 1986, Finance minister Lane . . . No, I'm just joking of course. Let's stay focused on stuff that matters. But we won't drill into that whole Devine era right now.

But I was commending you, Minister. I've long called for us to level the playing field and to get some of those dollars that were getting shafted. Taxpayers are being shafted in this province. Our small businesses are taking a real hit as the shift has occurred, but also where they've had this unfair treatment. So I'm hopeful that these measures can be as effective as they can be. My question is, what sort of revenues are you planning or forecasting to be able to attain through these changes?

**Mr. Hebert:** — Brent Hebert, assistant deputy minister, revenue division. Thanks for the question. It's hard to forecast these revenues because many of the businesses that sell online also sell in Saskatchewan as well, and so when businesses are reporting PST collections to us they report it as a whole. And so you know, when you look at businesses, large box stores that operate in Regina, they give us one PST number, although they might have a strong online presence as well. And so forecasting that out with any sort of reasonability is tough.

Certainly what our focus is, is where we know online businesses are selling into the province, we are actively contacting them and asking them to get registered and collect our tax. And the provisions that we're bringing forward will help us do that. Forecasting it out though is problematic just on the way PST is reported to us. It's not broken out between what's sold in a bricks-and-mortar store and what's sold online.

**Mr. Wotherspoon:** — And are these measures going to be able to collect tax from the Amazons of the world, from Facebook?

**Mr. Hebert:** — Yes. So Amazon as an example, we have them registered and they are collecting tax. One of the reasons why we introduced the bills, because in some of those online marketplaces they had third party vendors that sell through those online stores, and you'll see in the bill that we put forward we're starting to define a marketplace vendor and third parties to make sure that we're getting tax from those third party vendors as well, which is a gap. It's a gap that many other provinces are trying to close as well, and we think we've closed it.

**Mr. Wotherspoon:** — Well this is good news. I'm thankful for the effort and I wish you well with closing that gap. And I was trying to give the minister some good credit before she took a good run at me, but thanks for stepping up on this front. Now I guess the question as well is that it's hard to go it alone on matters like this as one province. You know, sort of a pan-Canadian approach is probably going to be the most effective. How much are we working with our other provinces and with the federal government? I know various provinces and the federal government, this has also been stated as an important initiative?

**Mr. Hebert:** — So certainly we work every year with provinces across Canada on initiatives like this. We worked very closely with some of the other provinces that initially had changes like this in their legislation. And we learned from some of the things that they put in place — Quebec, BC [British Columbia], some of the other provinces. So on a regular basis we are sharing information and working together in terms of sort of that online

presence and taxing those online sales into our different provinces. So certainly we have strong collaboration across Canada, and we share that information to ensure that we're all making advancements in terms of taxing those goods coming not only into our provinces but Canada as a whole.

**Mr. Wotherspoon:** — Thank you very much for the update and for all the work on this front. Just shifting along a little bit to the federal fiscal stabilization program, I'm interested in where your government has entered in on this front over the last year. I would invite you to table or get back to this committee any correspondence or any application to the federal fiscal stabilization program. And I'm interested to know, have you initiated that full application this year and are you expecting dollars this year?

**Hon. Ms. Harpauer:** — Okay, I'm going to give you basically a high level, and my deputy minister can fill in a few more details. There has been some correspondence. So it was a coordinated effort across Canada because of the downturn in the oil revenues and in revenue. But it's two years past.

**Mr. Wotherspoon:** — Right.

**Hon. Ms. Harpauer:** — So we can't apply for this year this year.

**Mr. Wotherspoon:** — Right.

**Hon. Ms. Harpauer:** — So there was a conversation that I held. I called for a finance minister conference call, got unanimous support for our position of some changes. So I'll get the correspondence that we wrote to Minister Morneau asking for those changes. We had a FPT, a federal-provincial-territorial meeting. It was on the agenda. And I will get you that timeline as well. In which case, he said he would look at it.

Ourselves and Alberta and Newfoundland and Labrador had applications. We did receive some funds but very limited. Part of it is the cap that it has per capita, but we also asked for a different calculation for recognition of downfall of none resource revenues. And in Alberta's case, they wanted to see a change in the benchmark line for resource revenues.

Minister Morneau told us at that meeting that they would look at it for this budget and get back to us, or even prior to the budget. And then a pandemic was announced and it kind of was shelved. Now we've received a payment. That would have been for — and I'm looking to my officials — 2018? . . . [inaudible interjection] . . . '16.

**Mr. Wotherspoon:** — That's the 20.3 million?

**Hon. Ms. Harpauer:** — Correct. And then an additional 18.6 that you will see in Q4 [fourth quarter]. It's good news for this one. So we have weekly FPT calls right now through the pandemic. We've just now gone to biweekly, but this has never been a topic. It is, but literally the agenda has always been the programs that the federal government's unrolled for a COVID response.

**Mr. Wotherspoon:** — Thanks for the commitment as well to table the correspondence. I'm aware of the negotiations that are going on and it's certainly important. And my understanding and

interpretation of the program and the current per capita and the treatment of resource revenues would be that this year will make us eligible for, I think, to submit the claim, to then receive those dollars next year.

And just my rough math, and maybe I'll just check it with officials, is that based even on that scenario one that was presented just a few weeks back, the scenario one would make Saskatchewan eligible for potentially \$385 million in the current formula. Of course, aiming to have that formula improved is important and, I think, that would be about 340 due to the forecasted decline in resource revenues. And then the 45 million would be due to the forecasted decline in other own-source revenues.

But my understanding is that we'd submit a claim this year and receive those dollars next year. Is that a fair understanding?

**Hon. Ms. Harpauer:** — No, we can't claim on projections. You have to wait until all the actuals.

**Mr. Wotherspoon:** — Right. So yes, of course we can't exercise that claim assuming that scenario one was actualized. I guess my point would be that we are counting on, you know, unless there's some sort of dramatic change which we're not expecting, I think that we would be counting on submitting an application at the end of this fiscal, which would then provide dollars into the next. Is that the correct interpretation?

**Hon. Ms. Harpauer:** — Yes.

**Mr. Pandya:** — Maybe I'll just add some comments to your question. In general, you know, the minister has handled all of the detail with respect to fiscal stabilization. But I'll ask Arun Srinivas who's the assistant deputy minister of tax and intergovernmental affairs, and kind of probably the leading expert in the country on fiscal stabilization to step forward. What I would note for the interest of . . .

**A Member:** — That's a good intro.

**Mr. Pandya:** — No, it's actually a fact as well. What I would note for the interest of the committee and the members is that Saskatchewan actually led a multilateral initiative to present to the federal government the modernization of fiscal stabilization. It was really principally due to the good work of the minister through Arun and his officials that we were successful in having every province in the country sign off an approach that the federal minister was going to think through.

So I'll just ask Arun to walk through maybe some of the details of the program, and then he can respond specifically to the questions around timing that you have with respect to when we would apply again.

**Mr. Srinivas:** — All right. Okay, so you know some of the basics of the program. In order to qualify for the program, a province must experience either a 50 per cent decline in its resource revenues year over year or a 5 per cent decline in its non-resource revenues. And either measure is offset by any increase in the other, okay. So it's a difficult thing to qualify for the program.

In the life of the program since the early 1980s up until this past

year, Saskatchewan was the only province never to have qualified for the stabilization program. We did qualify in 2016-17. We experienced a drop of 6 per cent in our non-resource revenues, and so we applied for the stabilization payment in September 2019.

The federal government responded to our claim in November of 2019 with their assessment of our claim. And on the basis of that assessment, they made a payment to us of the \$20.3 million you referenced.

But in making that assessment, the federal minister also noted that there were two data issues which could be subject to interpretation and allowed for the appointment of a pair of independent experts to review the data methodologies used by the Saskatchewan Ministry of Finance and Finance Canada and to provide an opinion on the merits of the two interpretations.

The experts reported back in, I want to say, February of 2020. Both experts agreed with Saskatchewan's interpretation and methodology and wrote to the federal minister, provided him with their report recommending in favour of the Saskatchewan interpretation.

We didn't hear back from the federal minister until just very recently, basically a week ago, the first week of June. And at that point the federal minister indicated that he was prepared to accept the recommendation of the experts and on the basis of the revised interpretation issue a further payment to Saskatchewan of \$18.6 million. So we expect that we will receive that sometime in the next few months.

[16:30]

As to the proposals that the minister indicated that she put forward to the federal minister at . . . Was it last December's Finance ministers' meeting? Minister Harpauer put forward a unanimous proposal on behalf of all of the provincial-territorial Finance ministers to the federal minister for changes to the stabilization program. And those changes would remove the per capita limit on the program, would lower the thresholds on both the five per cent non-resource revenue threshold and the — it's hard to breathe with this mask on — and the 50 per cent resource revenue threshold.

And so the federal minister took that submission on advisement and indicated that they would consider the proposals and respond to the provinces later in the spring. I think events overtook that review and we have not heard back from the federal government on those proposals yet. I think that's answered all the questions . . . [inaudible interjection] . . . Oh sorry.

So for the current year, again if the program parameters stay as they are currently, our decline, our budgeted decline in resource revenues in 2021 relative to 2019-2020 fiscal year is 43 per cent. So if our budgeted revenues come in as we've budgeted — resource revenues — then we would not qualify because we're not meeting the 50 per cent threshold. And for non-resource revenues, as a proxy if you look at just taxation revenues, our taxation revenues are forecast to decline by about 4.6 per cent and so again we're missing that threshold.

**Hon. Ms. Harpauer:** — Maybe they'll change it.

**Mr. Wotherspoon:** — Yes. Thank you so much. And I appreciated that the deputy minister recognized the leadership in the Saskatchewan civil service or for all of Canada on this front. So Arun, thanks for your work. And you know, the Saskatchewan civil service is long recognized for, you know, punching well above their weight. So thanks to everyone in this room on files like this.

Moving along a little bit, I want to look at those COVID support programs that have been initiated, some of them in partnership with the federal government, some of them stewarded or delivered by the Saskatchewan government independently. I don't know what the best way is to get this information. I'd appreciate it in a timely way. I don't know if it can be turned around at this committee in a timely way; if not, I'd sure appreciate that information. I know you'll be able to provide some of it.

I guess what I would be looking for with each of those programs is the number of applicants, then the number of those that were accepted into the program, and then the current utilization or the current cost of the current subscription to the program. And so I would like the . . . And it would be the various programs like the Saskatchewan small business emergency payment, you know, the wage supplement, the commercial rent assistance program that's partnered with the feds.

**Hon. Ms. Harpauer:** — We can. I want you to be mindful that it's a moment in time, right. Because I get that update each and every morning because of it being evolving numbers. So as of today the Saskatchewan temporary wage supplement program total number of applicants is 7,675. The amount ready to be paid, so it's ready for the next payment run is 63,200. And the amount paid to date, aside from the sixty but actually paid, is 1,632,400.

**Mr. Wotherspoon:** — And that's the temporary wage supplement that's pegged to the 56 . . .

**Hon. Ms. Harpauer:** — That's the temporary wage supplement program. Overall . . . Oh no, that's applications, so then some of them may have been denied.

**Mr. Wotherspoon:** — 1.2 million is the total cost of subscription to date?

**Hon. Ms. Harpauer:** — 1.632.

**Mr. Wotherspoon:** — And I guess my question . . . Sorry, just on the applicants, are you able to break out with the data you have there the number of applicants and then those that were accepted?

**Hon. Ms. Harpauer:** — The number that were denied was 1,862. So 7,675 applicants and 1,862 were denied.

**Mr. Wotherspoon:** — So the difference would be the . . . Okay. Can we do the same thing with the small business emergency payment?

**Hon. Ms. Harpauer:** — We can. I just want to, for the record . . . So for the temporary wage supplement program, that one in particular is very preliminary data. Part of the issue — and we will have it available regardless — is the awareness that this is available, because they do have to apply. Now once they apply

then they will get the additional months without reapplying. But I know the Minister of Social Services has done another sort of reach-out, because it covers a lot of the CBOs [community-based organization], residential homes for individuals with disabilities. We'll get Health to do the same because we know those workers are there, but they may not be aware the program is available to them.

The Saskatchewan small business emergency program total number of applications is 8,318. Number of applicants denied is 2,213.

**Mr. Wotherspoon:** — The update on the total spend so far?

**Hon. Ms. Harpauer:** — Right. So the amount just sort of in the queue to be paid — it just hasn't been sent — is 128,791, but the amount that has been received is 27 million.

**Mr. Wotherspoon:** — And the commercial rent assistance? I know this is . . . Their folks are just kind of entering into that program.

**Hon. Ms. Harpauer:** — So the commercial rent assistance is the one that's particularly difficult because we have to get that information from the federal government. So I don't get daily updates on that one.

**Mr. Wotherspoon:** — Okay.

**Hon. Ms. Harpauer:** — The uptake on that has been relatively small. And I do have the most recent. 123 applicants to date. Do we know the amount of money that would be? . . . [inaudible interjection] . . . We don't know yet. That's for Saskatchewan.

And when I say the uptake has been . . . Like that's been a challenge right across Canada. To date I believe right across Canada they don't have 10,000 applicants yet.

**Mr. Wotherspoon:** — Yes, it's such a huge need, that rent pressure, the lease pressure. But the program, it would seem, hasn't been structured in a way that's going to provide the benefit that folks are needing in a timely way.

**Hon. Ms. Harpauer:** — In a conversation with Minister Morneau, I very much encouraged him to make it a grant available directly to the businesses rather than going through the landlord route. I don't think they thought out this very well in that he seemed a little surprised when I pointed out to him that a lot of landlords, many landlords in Saskatchewan — not the majority but many — don't live in Saskatchewan, like they're out of province.

And then you'll have a landlord, for example, that has, you know, property in two or three provinces. For these businesses, so that landlord, say they had 100 properties, be it strip malls or whatever, would have to contact all of their tenants. They would have to declare their financial position to say that their particular business did qualify. Apparently the application process is hugely onerous.

**Mr. Wotherspoon:** — Yes, we're hearing the same thing, and I have advocated directly as well on, you know, that it obviously needs to be a direct flow to the tenant. Because otherwise you've

got all these folks that are devastated by way of revenues and, you know, really on their own with this rent situation. There's a lot of good landlords out there too that are making accommodations. But there's many, many, many situations that that's not the case.

**Hon. Ms. Harpauer:** — It is a poorly designed program. So then the last ask I had of Minister Morneau is if he would consider, for those landlords that would not participate in the program and wouldn't agree to forgo their 25 per cent, if he would at the very least consider if the businesses in that situation could direct apply. He said he would think about it, but has never, ever got back to me. Alberta supported that position. The other provinces didn't commit one way or another.

**Mr. Wotherspoon:** — Yes, you have our full support, and we've had our advocacy on that to that end as well.

Now is the agro-recovery response for livestock, is that a similar type of a program where you're going to be tracking applicants and those denied and the amount that's been delivered yet?

**Hon. Ms. Harpauer:** — It's through agriculture — and you'll have to forgive me, I'm going by memory — but it's designed by a committee. And so in the past when that program was used, you agree to a price to hold your animal and keep its weight at a certain weight. But I don't know the parameters that's been chosen for this particular one to suit this situation.

The last time that we had a stress where we needed to have that program was because of BSE [bovine spongiform encephalopathy] and the markets closed. And so there was an issue then with feeder cattle. This is for feeder cattle mostly because your cow-calf operation, they can pasture in place for some period of time, but your feeders cannot. When they hit a certain weight they've got to go to market. So at that time it was designed for market access.

This time it was a deeper need because it was processing access because of what happened to the processing plants in Alberta. So it would be needed for a shorter period of time but a larger volume needing to be held. So I don't know the end design, and perhaps your counterpart that is going to have the big questions for the Agriculture minister will get more details on that program.

**Mr. Wotherspoon:** — Thanks for that. Back to the Saskatchewan small business emergency payment. This is another program that I've written you and the Minister of the Economy on many times on this front. It's important that businesses that so many of their cash flows were just devastated and they needed some assistance with that. So the program aims are very important here.

The concern by so many local businesses is just how limited that program is. So there's many, many businesses that have had their revenues or their cash flows completely devastated, their revenues as well. Expenses continue but they haven't been deemed eligible for that program. So I guess they probably haven't even applied because of the . . . Some have applied and have been denied; I know that. I've followed up with your office on that. Others may not have applied.

It's really important that a program like this is equitable for

businesses that are being devastated by COVID-19. I guess I'm looking to . . . Is there an openness on your end to making an adjustment to make sure that the eligibility broadens to include businesses that have had their cash flows devastated or their revenues devastated in a more broad sense?

**Hon. Ms. Harpauer:** — So we have made some changes to the program since we first introduced it. And this is one particular program where I have to give accolades to my ministry for the service they have given to these businesses because when we asked for this program, the turnaround from the time we asked for it to when the cheques went out was super quick.

However, for the information that you're looking for, the criteria around the program, we deliver it financially but the criteria is all designed and vetted through Trade and Export. So this is good that you have my ministry first because I know that you will have the ability to ask those questions there.

**Mr. Wotherspoon:** — Yes, that's fair. I've quite a bit of time with the Minister of the Economy. The only time I find frustrating through estimates is if I get bounced from one and then directed back to the other later in the week.

[16:45]

I will just leave the point, and I'll leave it with you, is I've heard from so many local businesses. And I'll use like one example: an electrical contractor who prior to COVID had a good, strong business that they were running, you know, a good number of employees, good consistent revenues but they weren't forced to shut down. But they were forced to shut down because their work in his case was in residential scenarios, kind of seniors' condos and housing and some other work. Restaurants were a big component; of course the hospitality sector we worry right now just that they're going to be able to open doors and come out of this.

And so they weren't doing electrical upgrades at that time, so his revenues basically went to zero. And you know, he's been pushing this and I've been advocating for him. But it's businesses like that that really need to also be able to have the fair and equitable access to that support. Because he may not have been told by the government that he needs to shut down, and there's many other . . . Construction is one example. And some construction companies have been able to operate, and based on what their business looks like that's a good thing. But many in construction, many in different businesses that weren't forced to shut down have lost their revenues and really do need inclusion in the program.

You've directed me to the Minister of the Economy, which is appropriate and I will follow it up. Would you care to comment to this at all at this point or should I . . .

**Hon. Ms. Harpauer:** — No, the Minister of Trade and Export will be prepared because we had discussed it beforehand. Because I said, you realize you do the criteria and so questions will probably be on that. So he'd be prepared to answer those questions. He won't bounce you back to Finance.

**Mr. Wotherspoon:** — Perfect. You straighten him out in the meantime if he needs straightening out, all right?



**Hon. Ms. Harpauer:** — Yes.

**Mr. Wotherspoon:** — Thank you. It's just those programs are important and I know you have to build them quick. So like, kudos and credit to the civil service. But you know, any of these programs that are being deployed so quickly, inevitably there's some gaps and then trying to adjust in a timely way to make sure that it's not too late for those businesses.

**Hon. Ms. Harpauer:** — Part of the challenge with it is when you deliver it quickly. Because of course they needed it quickly, but a huge challenge with that — which the federal government's experiencing with the CERB [Canada emergency response benefit] program — is that there is no data to say you qualify or don't qualify.

In the case of the individual that you're aware of, you're right, he wasn't . . . We didn't have . . . Essential services, we basically had what didn't need to close. And so he didn't, but it did affect him. It's hard to know what data to use to say, yes you qualify and, yes you don't, because they don't have it yet.

**Mr. Wotherspoon:** — Thanks for, I guess, recognition of the concern at the table. And straighten out that Economy minister, and we'll see him in a couple days on that front.

Moving along just a little bit, one item. And I've written you on this matter earlier on and I'm following up. And I guess I wrote at first just saying that restaurants and taverns or bars, pubs are struggling obviously in a big way, and the liquor consumption tax remittance came due. And so I had written to see that that be one of those other costs, like the PST, that could be deferred.

And of course it's now learned, folks can defer it but it comes with a substantial penalty and then it comes with interest being charged on that deferral. I guess this is something that I hear as a serious concern for restaurants and that whole hospitality sector. It's not big dollars for the government that we're talking about here by way of the penalties or the interest, but it matters to businesses that are really hurting out there already. Is this something that you . . . I guess that my call would be that they should be able to defer penalty-free.

**Hon. Ms. Harpauer:** — It's not impossible. I have not personally received a lot of correspondence or requests on this. But obviously through this we've made evolving, as has the federal government and every other province, has been making decisions as we go. If we see there's some way that we need to step up and do more, it's considered. So the volume of requests hasn't been there but, you know, we'll give it a consideration.

**Mr. Wotherspoon:** — Thanks so much. I think it's a modest measure, but you know how it is right now. Like folks are really in a stressed place out there and any little bit of relief . . . And just that whole idea of there's a one-time penalty that, I think it's \$500, but then the interest is applied to that. And it's just that many are in a really tight financial position. So thank you very much.

I'd be interested in what you've learned out of the PST changes particular to construction labour over the last budgetary year, last couple of years, and what assessment your government has either received from the Saskatchewan business community or

undertaken yourself to assess the economic impacts of that decision to impose PST onto construction labour, as well as any fiscal impacts.

**Hon. Ms. Harpauer:** — Well the fiscal impact's obviously substantive because it is, I believe, \$450 million of revenues. So it's substantive on the fiscal side as revenue for government.

Largely from the industry, anecdotally there was a lot that said that this ended construction projects but could not name a project that it discontinued or that was cancelled because of it. Yourself included could not name a project that was cancelled because of it. So anecdotally it was just that this was the issue of why, you know, construction went down. However, if you actually sat down and had the conversation, there was recognition that in a very short period of time of two years there was at that time—now this will be a larger injection by government in infrastructure—but at that time there was the largest injection into infrastructure by government.

We were building the hospital in North Battleford. We were building a hospital in Moose Jaw. We were building a hospital in Saskatoon. We were building a bridge in Saskatoon. Oh gosh, I had the list. It is an incredible list. We were building 18 joint-use schools. So the infrastructure spend by government . . . So yes, building permits were up.

In addition, there was a huge increase in private sector investment. There was three crushing plants being built at the same time. There was massive expansion at one of the potash mines as well as K+S was under construction. So all of this was happening at the same time. So yes, there was a decrease after that in construction. But could someone say, I was going to do this project, or this project was going to happen and because of PST on labour and on construction, it did not? No one can give me that example.

So in housing we have a rebate for the PST. We mirrored very closely to the GST [goods and services tax] rebate, and so it's on a sliding scale dependent on the price of the home. So it speaks to help that particular industry because they would admit that the biggest impact on housing — because at the same time of there not being as much private construction, there was definitely a downturn in housing construction — however, they would say the biggest factor that impacted the housing starts was the economy, the downturn in oil. But the second-biggest factor was the stress test that was introduced by the federal government, which was devastating to the new homebuyer. And by the way, they're making more changes that I think is going to also be even more devastating. I read some preliminary information on that.

So in that case, we felt that there was a need to try and stimulate. And that was pre-COVID that we had made the decision to have a PST rebate on housing, depending on the price of the home, mirror it close to GST so that it was simplified and easy to understand for the homebuyer as well as the developers, and that would also help with the affordability issue for families.

**Mr. Wotherspoon:** — I won't rehash. These are important debates and, you know, we've been engaged on this front. We have seen a really challenged time for the construction industry and the number of jobs lost through this period of time. And of course you're identifying that there may be some additional

revenues that you're picking up on the PST side of the equation.

But I've never seen the reporting of the impact of the job losses or the investment that's been shelved, sort of the broader fiscal piece, the income taxes, the property taxes. We've lost lots of those workers, you know, that have moved out of the province, as well the business taxation that flows when activity's occurring, all the activity through the supply chain.

My question would be, have you received an analysis from the Saskatchewan business community on this front around the fiscal and economic impacts of the changes?

**Hon. Ms. Harpauer:** — I received a report that they had done. The challenge with it is it gives a lot of . . . it's based on anecdotal comments without evidence. And so, I can say this affected me; it did not take into account the economy or any economic downturn. It didn't factor it in and acknowledged that it did not and could not factor it in. So it is what it is.

**Mr. Wotherspoon:** — Could you table that report?

**Hon. Ms. Harpauer:** — No, it's not my report to table.

**Mr. Wotherspoon:** — Fair enough. You know, I just would urge your attention to continue to look to this issue from a broader, more holistic view around the other revenue losses directly in Finance. When you have job loss and investment being shelved I really think it's critical, as we come through this period of time of an unprecedented challenge, that we initiate as many aspects of the economy as we can. And it can't just be reliant on sort of the government spend on capital which is going to be important. And then we need to keep those dollars local.

But we really do have to do all we can to put the commercial sector, the industrial sector, the agricultural sector, you know, all homeowner classes including the person who maybe isn't building a brand new home in the category that's going to get the benefit but might pick up an older-stock house at maybe a decent price right now and be ready to do some upgrades that that home might need as well — I think we just need every tool we can to get people to work as we come out of this COVID situation.

I know the decision was made at a different point in time. I would just urge fresh eyes and you know, the current situation as well to really looking at this from the economic perspective.

Would you care to remark? Would you have some openness to that change?

**Hon. Ms. Harpauer:** — I believe that we did, and that's why we have a PST new home construction rebate.

**Mr. Wotherspoon:** — Okay, fair enough. I think that, you know, it's not going to have the kind of economic stimulus that people deserve. And from the homeowner's perspective as well, I think that to pick just a narrow, the new home piece isn't enough. It should be including, you know, upgrades to older-stock homes as well.

[17:00]

Moving along, I don't have it in front of me and I should because

I've got the budget document here, but I guess, what happened last year with potash? What was budgeted? And what was the actual?

**Mr. Marshall:** — So I'm Jeff Marshall, director of fiscal policy. Your question was with respect to potash. So our estimate in terms of revenue for potash was 554 million for the '19-20 fiscal year. That's down about 70 million from last year's budget estimate, which was 619.

So in terms of the overall narrative with potash last year, prices were higher than budgeted but sales finished up a little bit less than what we budgeted. In terms of looking forwards, we expect prices to decline from last year's actuals, so falling from about \$223 US per tonne to the \$188 US per tonne. But that will support higher sales in the '20-21 fiscal year.

**Mr. Wotherspoon:** — Thanks for the update. It's such an important sector, and I think we really continually need to be mindful and engaging it in the decisions that are made. I mean, we've lost, you know, we've had the one mine shut down. We've had jobs lost this last year as well, and we really need to keep that competitive footing for this important industry. But thank you so much for the update that you've brought here today.

I'd like to move along to some of the investment tax credits and just get a sense of, I guess, what the value of the credits for some of them are. Maybe we'll take a look at the . . . Actually, we'll shift the focus to the chemical fertilizer initiative. And I'd be interested in just hearing sort of the accounting of, you know, sort of what the fiscal impact is, the number of jobs expected to be created over the next number of years on this front.

**Mr. Srinivas:** — Okay, thank you. Arun Srinivas, taxation and intergovernmental affairs branch ADM [assistant deputy minister].

So the Saskatchewan chemical fertilizer incentive is a new incentive that's announced in the budget. It's legislation that is being introduced by the Minister of Trade and Export Development. There are concurrent amendments in *The Income Tax Act* that . . . So the chemical fertilizer incentive Act will set out the eligibility criteria and allow that ministry to issue eligibility certificates to companies. And then the changes in the income tax legislation will allow the Ministry of Finance to accept those eligibility certificates and pay out corporate income tax rebates in respect of that. But the details related to the program, the anticipated investments, the anticipated jobs would all lie with the Ministry of Trade and Export Development.

**Mr. Wotherspoon:** — I have your permission to ask the minister these questions? Don't answer that.

I'd be interested in the other three tax credits: the Saskatchewan value-add agricultural incentive, the Sask technology start-up incentive, the Saskatchewan commercial innovation incentive. These are of course some very important industries to the province. I'm interested in the expected cost for each of these, the expected cost for 2020, and if you're able to lay out sort of what the forecast is in the coming years on that front, as well as the number of jobs created in 2020 and what projections are on that front as a result of those initiatives. And if you have it, the annual administration cost.

**Mr. Srinivas:** — Okay. So once again, each of the programs you've mentioned is a program under the Ministry of Trade and Export Development with the exception of the Sask technology start-up incentive which is under the Innovation Saskatchewan.

As far as the costing goes, a number of credits that have been introduced in recent years are new-growth incentives. And the intention of a new-growth incentive is to provide a tax incentive in respect of activity that currently doesn't occur in Saskatchewan. So to the extent that that new activity generates new incremental taxation revenue, the credit is intended to offset or return some portion of that new taxation revenue back to the company, and that serves as the incentive to make the investment in Saskatchewan.

So we typically don't really cost the incentive because, in the first place, we don't know whether investments are going to be taking place or not. Certainly when we create the incentive the intention is that it will attract investment, create new taxation revenues, and then the incentive is essentially paid from those revenues. But we don't know whether that incentive is going to occur. And then to the extent that we are paying tax credits in respect of those incentives, really those credits are coming out of the incremental revenue that the investment generated.

For further details on each of the programs, I again recommend that you speak to the relative ministries.

**Mr. Wotherspoon:** — Thanks so much. Moving along to our Crown corporations. In light of COVID-19 and the rather unprecedented shutdown and scaling back that's occurred, has there been an adjustment in operational spend or capital spend, you know, recognizing that commercial or industrial customers are requiring less and different services, less power?

I'm just looking to see what sort of adjustments may be factored into the current fiscal for our Crown corporations as a result of COVID-19.

**Mr. Pandya:** — So there is a \$635 million debt requirement that is built into the '20-21 budget for GBE-specific debt. About 200 million of that is to respond to deferrals that the Crowns have offered. The Crowns have offered something like 400 million in utility rate deferrals across Power, Tel, and Energy.

I should have prefaced the question with the response that I would direct you to the Minister Responsible for CIC [Crown Investments Corporation of Saskatchewan] in terms of the detailed answer to the question, but in general the answer is that there has been some changes in terms of their capital spend profile, but in general what has been occurring with the Crown Corporations of Saskatchewan is that they are rebuilding significant distribution infrastructure that requires replacement and renewal. And so notwithstanding what's happened specifically with COVID, although that's had very specific changes in terms of their debt requirements — again, deferral — they do have long-term plans in place relative to their infrastructure requirements.

**Mr. Wotherspoon:** — Well thanks for the update, and as well noted that the CIC minister would be able to provide some of that information as well. You wouldn't have at your disposal the change in electrical power consumption in this year, would you?

Okay.

Of course there's impacts on this front. Do you have sort of a status of what sort of profit, like what the profit changes are for our Crowns in the current fiscal year? When I saw them last year, the big three were down 79 million.

**Hon. Ms. Harpauer:** — It would be the income from government business enterprises.

**Mr. Wotherspoon:** — Are you able to break out from that a little bit as far as some of, like, as each Crown having different business lines and different operations, you just break out how each of those Crowns are . . . Then maybe looking at the big three, anyway: Tel, Energy, and Power?

**Mr. Pandya:** — I can maybe walk you through what are the specific reductions across the GBE sector if that's the question in terms of . . . And a component of that will be a loss of business, you know, a lower utility consumption, etc. But there are also other impacts that I would ask you to get CIC minister's answers on.

So just in terms of the big three, SaskPower is forecasting a \$133.5 million reduction; SaskTel is a \$38 million reduction; and SaskEnergy is 23.5 million.

**Mr. Wotherspoon:** — Thanks. Thanks for that. And are there any changes around dividends or review of how dividends are going to be treated?

**Hon. Ms. Harpauer:** — In summary financial statements, there isn't dividends per se. Their bottom line becomes our bottom line.

**Mr. Wotherspoon:** — Right.

**Hon. Ms. Harpauer:** — So dividends, all that is, is cash flow. So it doesn't actually . . . It's not actually in the budget.

**Mr. Wotherspoon:** — Yes.

**Hon. Ms. Harpauer:** — So yes. I guess if their cash is down . . .

**Mr. Wotherspoon:** — Yes.

**Hon. Ms. Harpauer:** — Then they can't flow any if their . . . But that whole thing basically became irrelevant when you go to summary financial statements because you are taking on and acknowledging their entire income and their entire expenses and their entire debt.

**Mr. Wotherspoon:** — Right. I just think that if you watch the trend in the Crowns of late, you know, their debt-to-capital ratios have really adjusted upwards with a trajectory that's concerning. And yet they're still . . . The cash is, you know . . . So you're right on the summary side what that impact is.

I just am wondering whether or not it's the appropriate time to be reviewing how much of those dollars those Crowns should be able to be holding on to, to reinvest. There's a lot of private sector companies that, you know, would not be taking on debt to pay the dividend. You know, they'd be doing with the capital as much

as they can with cash. There might be a place . . . There's a place for debt with capital. But for a continued period of time we've really seen the dividend being financed with borrowing on the Crown, on the Crown itself. So I'm just wondering if there's any review or any considerations on these fronts because certainly our Crowns are, you know, piling up a lot of debt.

**Hon. Ms. Harpauer:** — But they're also growing a lot of assets. And so what the Crowns do is they measure their debt-to-asset ratio. It's a different measurement. And they benchmark it against industry standards or industry. So they always have. And I remember when I was the minister of watching these little green bars and making sure that it stayed within this parameter so that it was an acceptable margin within the industry.

[17:15]

So you have to . . . You can't just look at their debt load. You have to look at then your asset, which is no different than any other business. When I made my farm larger I had a heck of a lot more debt but my asset also grew. The value of my farm also grew, and you've got to take that all into context.

**Mr. Wotherspoon:** — Yes. No, the point being that the borrowing is occurring, you know, to create the dollars on the cash side of it, the dividend, if you will. And I think it's reasonable to look at the needs within Saskatchewan and making sure those Crowns are strong and viable and doing things like, you know, ensuring high-speed internet, for example, in rural Saskatchewan. I think it's worthy to make sure that we're looking at those trajectories and those Crowns and the debt-to-asset, debt-to-capital ratios and assessing whether or not they need to retain more of those dollars to be investing in the needs of the province and making sure that they're financially as viable as we need them to be.

**Hon. Ms. Harpauer:** — Well thank you for that advice, but they don't borrow to give cash to government. So that isn't the case. They borrow for their capital and they actually sell a product and the rates then finance their operations.

But however there is a couple of factors, and I mean they had aging infrastructure in all of our major Crowns. But the other is the growth of the province. Our population is higher than it's ever been. And so with the growth of the province they need to hook up the utilities. The additional people in the province, quite frankly, do want power, energy, and telecommunications. So that costs money that they have to recover over time because you can't automatically charge the rates that that new build necessarily will cost, nor can you pass the entire cost on to existing customers. So they do borrow for that growth. For a number of years we've had record high hookups in both energy and power.

I have no idea why you would have the perception that they borrow to give cash to fund health care. They don't borrow for that. They borrow for their capital and they do have a capital plan; each Crown corporation has a capital plan.

**Mr. Wotherspoon:** — Well, but they would borrow less if they weren't . . . Anyways I don't want to . . . we only have a little bit of time. So that when the borrowing, if they're borrowing, adding debt year after year and then transferring dollars at a time where

there's significant needs to be served by way of communities and people, it's in essence, you know, a company borrowing to certainly do their infrastructure but also to pay that dividend.

**Hon. Ms. Harpauer:** — I'm going to take you back to . . . In summary financial statements . . .

**Mr. Wotherspoon:** — I'm aware of this.

**Hon. Ms. Harpauer:** — All of their revenues become the government revenues, all of their expenses become the government's expenses, and the borrowing becomes the government's debt. So you can play games with cash flow movement, but that's what you're doing is you're playing games right now. So with limited time you perhaps might want to ask different questions.

**Mr. Wotherspoon:** — Well, like listen, I guess then to a finer point. It's your government that's playing games with the cash because the debt's going to be the debt. But if you're borrowing it on SaskTel to transfer it to have that dividend, that's ultimately debt but it's put on that Crown corporation.

And so anyways the whole point of and thrust of my questions is because of that shift as well to summaries and then as well the indebted position in growth that the Crowns are going through. But we'll engage on another day. It's important to keep our Crowns viable. But there's no, you know . . . If they're adding debt in our current fiscal and in transferring that dividend across, it all ends up as the public obligation but it's on the books of that Crown.

Anyways, I want to follow up on a couple other spots. The contingency fund that was established, the \$200 million — and I know it's, like I know it's hard to be forecasting, you know, what this is going to look like, this pandemic in the coming months, economically, second wave, health pressures — but I'm wondering how that \$200 million was arrived at.

**Hon. Ms. Harpauer:** — I decided that was the number I was comfortable with.

**Mr. Wotherspoon:** — I appreciate your frankness. So this wasn't one of these things that . . . it was derived at with this model or these pressures or this is what a second wave looks like or these are the costs of in the health system. It was . . .

**Hon. Ms. Harpauer:** — It was not.

**Mr. Wotherspoon:** — Thanks for being direct on that number. Are you able to break out a bit of what's collected around property tax and then the various classes of property tax? If we could look at the number because this current year is a hard one to sort of assess, so maybe '19-20. And then what's being booked or forecasted for the current?

**Mr. Pandya:** — So the '19-20 actuals on property tax are 774 million, and the '20-21 budget is 767.1 million.

**Mr. Wotherspoon:** — And then if you could just break out the classes if you're able.

**Mr. Pandya:** — They don't have that.

**Mr. Wotherspoon:** — If you can send it back to the committee when you're able. And just to make sure I fully understand the out-year implications of the economic downturn this year, on income tax, is it a one-year lag in its impact and then the corporate tax is more of a two-year?

**Hon. Ms. Harpauer:** — Yes. So the PST is virtually almost immediate. I mean, the personal income tax would be one year, give and take, and corporate income tax and business tax could be one to two.

**Mr. Wotherspoon:** — The PST of course has a relationship to our municipalities in the province. So when we book the lower PST revenues this year, that has implications if there's not some sort of an adjustment for municipalities in . . . is it two years down the road on that front? Has there been any undertaking with municipalities at this point to have some measures to offset that reduction that they'd face at this point?

**Hon. Ms. Harpauer:** — So again, we just introduced yesterday a budget, and you're asking me to make decisions two budgets from now. I'm not going to do that.

**Mr. Wotherspoon:** — With respect to municipalities, the municipal dollars that have been committed are really important around the infrastructure, something that I'm glad to see you acting on. We also were making that call. The sector was a good, strong voice. It is an important time to build that infrastructure and they need that support. Is there anything in the budget to assist on the operating side? Or is there any indication at this point from the federal government how federal dollars may fill the gap for municipalities that . . . Like the bigger ones have really been hit. Well everyone's been hit. The big ones have been hit hard, say on the transit systems and recreation infrastructure.

**Hon. Ms. Harpauer:** — So there is to my understanding, and I'm not privy to that conversation yet. There has been some indication from the Prime Minister that he has initiated conversations with the premiers of potentially some revenues for municipalities. The challenge that I believe — and I'm not first-hand for those conversations — is going to be the level of prescriptiveness to that. And that's always problematic because that's been a challenge in the infrastructure dollars previously.

And we've worked very hard to get some flexibility built into it, as has other provinces, because they tend to favour large metropolitan areas. We don't have subways. We have public transit but not in the same level of Toronto and Vancouver. And so we're hoping that that won't be a challenge with whatever the federal government has in mind, that it will be prescriptive to the point that it's only going to be advantageous to larger centres.

**Mr. Wotherspoon:** — And then just making sure there's flexibility to make sure that . . . Because everyone's having their impacts, but certainly places like Regina and Saskatoon right now really have been hit hard on their own-source revenues as transit's been shut down or . . . not shut down, sorry. Utilization's been significantly lower. And then of course recreation infrastructure has been shut down.

I'm interested in what correspondence and positions the government has taken forward with respect to equalization changes, ensuring fairness for Saskatchewan in the last couple of

years. I know there's been a proposal at some point.

I guess the one question that I'd have is, do you have other provinces supporting the Saskatchewan proposal that's been submitted?

**Hon. Ms. Harpauer:** — No. No we don't. And there wouldn't be. Other than verbal conversations with myself and the federal minister, there wouldn't be correspondence.

**Mr. Wotherspoon:** — Okay. So there's no written correspondence on . . .

**Hon. Ms. Harpauer:** — Not since the last that you would have had. I mean basically the Finance minister federally said that the review's done and here's what it is. And they buried it in an omnibus bill, budget bill, two years ago. Now it will be up for review again. I would have to go back and see when they . . . So it's been a conversation that we have on the agenda when we have federal-provincial-territorial meetings. But it's a very divisive conversation because those that are receivers of it do not want to see changes.

**Mr. Wotherspoon:** — Yes. It's an important file to Saskatchewan and, you know, and Western Canada and making sure that it's fixed and that there's improved fairness in the model. Another question I would have is just with the resource downturn and the economic situation we're facing, will Saskatchewan be eligible for equalization in the coming years?

**Hon. Ms. Harpauer:** — I'll get the official to answer whether or not they feel we will be eligible. But it speaks volumes to where it needs to be fixed, is the amount that the non-renewable resources are recognized in the formula because that is in essence why we don't ever receive any payments through the equalization. But yet you don't realize those revenues with what's happened in the industry.

**Mr. Pandya:** — So 2024 will be the next equalization program review. So that's the next time that that program is up for review. As the minister said there was no support from any other jurisdiction for Saskatchewan's recommended changes to that program. And in terms of whether we'd qualify, it would be highly unlikely, but I wouldn't speculate at this point. It would depend on what happens.

**Mr. Wotherspoon:** — Looking back in time to the lawsuit that was dropped early in the tenure of the government, if you had to do it over, would you look at that in a different way? And would've you looked to not drop that lawsuit but to have pursued it on equalization?

**Hon. Ms. Harpauer:** — All I can say . . . and I was here at the time. But all I can say, we had record oil prices. I mean it was pretty hard to justifiably make a case when your non-renewable resource revenues were through the roof. Our Premier today has publicly stated more than once that when our revenues are there, we are willing to share them. He just wants the country to reciprocate when our revenues have a downturn.

[17:30]

**The Chair:** — Okay, seeing no further questions we'll adjourn

our consideration of vote 195, Advances to Revolving Funds; vote 175, Debt Redemption; vote 18, Finance; vote 12, Finance — Debt Servicing; vote 177, Interest on Gross Debt — Crown Enterprise Share; vote 151, Municipal Financing Corporation of Saskatchewan; vote 176, Sinking Fund Payments — Government Share.

Minister, do you have any closing comments?

**Hon. Ms. Harpauer:** — Thank you very much, Mr. Chair. I want to thank the committee members for their time spent and for this committee and the very important questions asked.

I also want to thank my officials. It's been definitely a team that has stepped up at a very challenging time. I don't imagine any one of them could say that they've done two budgets in one year in such a short period of time. So they have done that as well as add these programs to help businesses and citizens within our province with the programs that we have asked them to deliver, and they have done it in a very short period of time. So it's just not tonight I want to thank them; I want to thank them for what they've been doing behind the scenes all along.

**The Chair:** — Back to you, Mr. Wotherspoon. Do you have any closing comments?

**Mr. Wotherspoon:** — Thanks to you, Mr. Chair, and committee members and the minister for the time here tonight. And to the officials just thanks so much for your presence here tonight, your answers, and to echo the minister's comments your service, and your leadership, and your efforts every year. But this is a year that will go down in history for generations forward that we'll talk about, and you're there on the front lines of the Saskatchewan civil service organizing a very important response.

I know there's debate and critique between the minister and I and between the official opposition and the government on certain approaches and gaps in program. But I can only imagine how heavy the work has been for all of you at times when your families are also impacted in such significant ways, so nothing but care and respect to the work you do as civil servants, now and always.

**The Chair:** — Well thank you. This committee will now recess until 6:30.

[The committee recessed from 17:33 until 18:29.]

**Bill No. 180 — *The Miscellaneous Statutes (Government Relations — Transfer of Gas, Electrical and Plumbing Functions) Amendment Act, 2019***

**Clause 1-1**

**The Chair:** — Well welcome back, committee members. This evening the committee will be considering Bill No. 180, *The Miscellaneous Statutes (Government Relations — Transfer of Gas, Electrical and Plumbing Functions) Amendment Act, 2019*. We'll begin our consideration of clause 1, short title. Minister Carr, please make your opening comments.

[18:30]

**Hon. Ms. Carr:** — Great, thank you very much. I have several officials here with me tonight, and I think just as they have opportunity to speak, I'll just get them to introduce themselves at that point in time.

So this bill amends seven public and technical safety statutes to implement cabinet's directive to consolidate gas, electrical, and plumbing licensing and inspection functions into a single point of contact with the Technical Safety Authority of Saskatchewan, TSASK. The amendments will provide the necessary legislative authority for the transfer of these functions starting in 2020. They will provide for the associated legislation and regulations to be the sole responsibility of the Ministry of Government Relations. Currently these functions and legislative responsibilities are carried out by three different bodies: the Ministries of Health, Government Relations, and SaskPower.

The amendments are relatively straightforward and primarily ensure that the existing terminology, authority, and definitions in the various statutes cover the transfer of functions of responsibilities to TSASK. No substantive changes are being made to licensing or inspection requirements or codes and standards contained in these statutes. The transfer of these functions will better support public safety in the province, modernize the delivery of technical safety standards, provide a single contact point for industry, and improve consistency in enforcement with TSASK current responsibilities regarding boilers and pressure vessels, elevators, and amusement rides in the province.

And I would be happy to take any questions at this point in time.

**The Chair:** — Well thank you, Minister. Are there any questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thanks, Mr. Chair, for recognizing me. How many workers in total are involved in the changes? How many will be impacted in the changes that are occurring?

**Hon. Ms. Carr:** — Okay, well that's a really good question that I'm going to turn it over to my officials to answer that one so that you get the correct number.

**Mr. Wotherspoon:** — Sure.

**Mr. Donais:** — Laurier Donais, assistant deputy minister with the Ministry of Government Relations. So there is two employees from the Ministry of Government Relations from the gas and electrical licensing unit that will transfer over. And then there are also approximately 108, I think, FTEs [full-time equivalent] from SaskPower's gas and electrical inspections division that would transfer over.

**Mr. Wotherspoon:** — Thank you for the information. What would the cost of moving these regulatory functions to TSASK be?

**Hon. Ms. Carr:** — I'll start with that one. The intent of this is to transfer services from one ministry to another ministry. So theoretically it's transferring of assets, it's transferring of people. There should not be any additional cost because we plan on keeping the same services that we're already providing for the people of the province of Saskatchewan. They're just going to be

under a different umbrella now consolidated in, I guess what I would like to call a one-stop shopping centre for all of these kinds of trades to be able to go to.

So the intent isn't to have additional costs. The intent is to just transfer services and make things run more efficiently. So I don't know if that's accurate. I imagine there will be a few small expenditures as we get started, but for the most part.

**Mr. Donais:** — Yes. There certainly will be some investments that will be required on behalf of TSASK, you know, in terms of IT systems and those kinds of things, just readying for the transfer and those upgrades. And then we are currently incurring costs associated with a project manager on this file as well.

But the intent would be that, you know, as the minister indicated, that these functions would transfer over to TSASK. They would receive the revenues associated with these functions and then also incur the expenditures associated with that. And so there is a net revenue piece from SaskPower in the neighbourhood of two to two and a half million dollars, I think, that would be transferring over to TSASK, and so that would sort of be utilized to pay for the expenditures associated with upfront investments and ongoing and that.

**Mr. Wotherspoon:** — So the upfront, sort of the IT system and the project manager component, the costs that you describe there, those are going to be funded by SaskPower to the tune of 2.5 million. Is that correct?

**Mr. Donais:** — No. They won't be funded by SaskPower. They'll be funded by the revenue streams, I guess, that come associated with the inspections piece. So right now, as I indicated, SaskPower on an annual basis has net revenues of about two to two and a half million dollars. And so that's their, you know, gross revenues less their specific inspection expenses, ends up to be the tune of two to two and a half million dollars. So it's that net revenue piece that will transfer over to TSASK, you know, in order for them to pay for their upfront investments as well as future investments.

There will be some transfer of unearned revenues that will go over to TSASK as well, you know, associated with both inspections and licensing. So there will be some transfers going from the Ministry of Government Relations as well as SaskPower to cover off sort of those responsibilities associated with revenues that they've earned to the transfer date.

**Mr. Wotherspoon:** — Thanks for the information you're providing. Just to make sure I'm getting a sense here, so you mentioned that there's the set-up costs, an IT system project manager you have in place. What's the total cost of the front-end costs that you're incurring to take this on?

**Mr. Scott:** — Good evening to the Chair and to the committee. My name is Bill Scott. I'm the CEO [chief executive officer] of TSASK. And we have borne some expense with respect to preparation for what is before us. It isn't the sort of thing that we've been accounting for dollar-for-dollar because some of it is sort of generic changes in our business to accommodate the fact that we're going to be twice as large in the future as we are now.

For instance with respect to Saskatoon, our lease was coming due

in our existing building. We took the opportunity to take a lease in another facility that was somewhat larger because that made sense because it would then be able to accommodate the larger employee contingent because they will be moving away from SaskPower's building. So we'll have to reflect those costs in the future.

We've made some effort to change our vehicle fleet because we want to have an externalized fleet because we don't want to administer a fleet internally, because of course we'll be looking at close to 100 vehicles by the time we're finished.

The IT changes: everything we've done in IT we've done with an eye to how it would reflect upon a larger TSASK. Within the recent past we've completely updated our website. Well our website probably needed updating in any event, but when we did so, we did so with an eye to the fact that we would be expanding our website to reflect these additional technologies and to create that portal for an external customer to be able to do all of their business in a simple fashion.

So it's difficult for me to sort some of these costs one from another because many of them would have been things that we would have done as a business in any event. But we have done these things now with a particular eye to the fact that this expansion has been now coming down the track for some time.

So the big one I would reflect upon would probably be the leasehold improvements in Saskatoon — because again there's the expectation of our near doubling in size — and some of the IT shifts. And of course IT programs, we're not actually building something from the ground up. We're acquiring the existing system from SaskPower. We're integrating it with our system and we're integrating it with our accounting system and our payroll system because all of that is internalized within TSASK. So there are expenses in that regard, and they are borne by TSASK. We have operated TSASK now for a few years knowing that this was a possibility, and we have conducted our affairs in order to ensure that we have the capacity and wherewithal to accommodate this transition if it came to pass. And now here we are. So that's the short answer.

**Mr. Wotherspoon:** — Thank you. Can we get a number, a range on the cost then? So you've had the IT system that you've built to scale up for this capacity. You've taken on both additional space, but then done leasehold improvements on that. And there's the other costs that you've identified. There's the project manager and these pieces. To your best of your ability, how would you articulate those costs with some hard numbers?

**Mr. Scott:** — I would suggest that the largest cost is reflected by the changes in the Saskatoon office. The IT costs, most of which are sort of generic and not specific to this expansion, but I would think we're probably in that 4 to \$450,000 range.

**Mr. Wotherspoon:** — Now mind my ignorance on this aspect here. So the workers are coming from SaskPower in Saskatoon?

**Ms. Verret Morphy:** — Good evening. Rachelle Verret Morphy. I'm the vice-president of corporate and regulatory affairs at SaskPower.

So we have inspections employees located across the province:

Regina, Saskatoon primarily. But we have inspectors also located in several of our regional offices, 10 other locations besides Saskatoon and Regina. I probably couldn't name them all, but I can probably remember two-thirds of them if you want me to name them.

**Mr. Wotherspoon:** — And so through changes, they'll still be distributed across the province. They're not going to be in the Saskatoon office every day. They're going to be able to continue to reside in the communities they reside in right now.

**Hon. Ms. Carr:** — I think it's fair to say that as we shift forward, people that are going to be using the services of all of the services that they already use should see very little change in the way things operate from that sense. So people that are already in Estevan, for example — and I don't know if we have people in Estevan; I'm just using that as an example — they're still going to serve out of that area and they're going to live in that area. We're not going to transfer them somewhere else.

So for the people that used to deal with Bob, they're still going to call Bob, even though he's under TSASK and he used to be with SaskPower. He's still going to be their guy.

**Mr. Wotherspoon:** — Thank you. So the costs to take on this change is borne by TSASK because it's been described. There was some mention of some dollars coming from government services as well as SaskPower, or is the SaskPower mention sort of the revenue stream that they have right now? If you can just explain a little bit. I want to get a full understanding of who's contributing to the front-end costs to prepare for this change. And then I have some questions afterwards about sort of the ongoing sort of transactional revenue line where those dollars flow in.

**Hon. Ms. Carr:** — So fair enough. I'm going to turn it over in a minute here. But first of all I'm just going to say that as we move people over and we move our resources over, if it has to do with the inspection side of their business that's coming over to TSASK, then any resources that come with that will move over to TSASK, whether that's a person or equipment or whatever it is that they use. So that stuff will come over. And then I'm going to turn it over if there's any further . . .

**Mr. Wotherspoon:** — Just a question. Come over and that was to come over from government services or from SaskPower?

**Hon. Ms. Carr:** — Both.

**Mr. Wotherspoon:** — Both. Okay.

[18:45]

**Hon. Ms. Carr:** — So it's not really a cost. It's just a transfer of assets, for lack of a better term.

**Mr. Wotherspoon:** — Right. What kind of value, what kind of assets are we talking about here? Vehicles or . . .

**Mr. Donais:** — Yes, I think for the most part it would be vehicles and probably computers and those types of things. Although I know some of those were sort of at the end of their life, so I think that's one of the other things that TSASK is looking at, is investing in computer technology.

Just to answer your question with regards to the costs. So Government Relations does have the contract with the project manager, and we're paying \$135 an hour on that contract. I think we originally budgeted 160,000 on that so, you know, we're reporting on that.

With regards to the revenue, the transfers that are going over, they'll be about 500,000 in unearned revenue going from Ministry of Government Relations over to TSASK. And this is really just to cover off those licences that we've received the funding for, but the licences still have a certain period of time yet before they expire kind of thing. So it's really just to cover off the expenses associated with those licences.

And then the same kind of thing on SaskPower's side, there's some unearned revenue. So it's revenue that they've received the dollars for where there's some outstanding obligations. So maybe inspections or some work associated with some of those permits that has yet to be done, and so that would be transferred over the date the inspections would transfer over. And that's estimated to be around \$1 million.

**Mr. Wotherspoon:** — And if you can give me a bit more context here, like so who's paying that right now? Like explain, sort of the customer if you will, how they're interfacing with SaskPower. They're paying for that service right now directly to SaskPower. Is that correct?

**Mr. Donais:** — That's right, yes. And so as of the transfer date there would be a certain number of permits or so that SaskPower would have received funding for, but hadn't discharged its obligations or its commitments, whether it's performing some inspection work or what, right? So it's really transferring those dollars associated with that additional work that needs to be done.

**Mr. Wotherspoon:** — And then after that, your relationship with SaskPower, you won't be receiving an ongoing transfer from SaskPower. You will be billing, sort of having the payment direct to TSASK. Is that correct?

**Mr. Donais:** — Yes. That's just a one-time transfer, and then there's no more transfers that go from government or SaskPower. The revenue stream would be, you know, under TSASK. Their ongoing licence fees and inspection revenues, they would be collecting upon those and of course incurring the expenses associated with those activities.

**Mr. Wotherspoon:** — The fees and licences, is there a commitment to sort of hold the line or the approach on the cost of those fees and licences, or is there change on that front?

**Hon. Ms. Carr:** — Yes, so right now we're actually not planning on changing any of the fee structure. Everything is going to stay as it is. And as TSASK moves forward, of course, it'll look at the way it's doing business and evaluate as this goes along. But as I already mentioned, the customer should really see not a lot of change other than it doesn't come from a SaskPower address. It comes from TSASK Services; fees will all be the same.

**Mr. Wotherspoon:** — So the ratepayers' money has paid to help accommodate folks in the past, these employees in the past through SaskPower, and then there's been the fee for the service. I guess my question is, what's the impact on SaskPower out of



this? Are we leaving space that's paid for, that's available and leaving empty offices? Or how does this all work on SaskPower's end?

**Hon. Ms. Carr:** — So I guess just to speak to the actual employees and stuff and the way it works. So you fill out a permit, you pay the fee, and then from those fees is what actually pays for the people to go out and do the work. So it's not the utility bills that's actually paying for that. It's the fees that come in that take care of that, and so from those fees they've managed to pay all of the expenses.

And so moving forward, I think what is intended is we should have approximately \$2.5 million net profit at the end of the year based on the fees that are brought in and the inspections that are done, if I'm correct.

**Mr. Wotherspoon:** — So the question is, has SaskPower utilized additional dollars in it as a corporation to establish this unit the way that it has with things like their vehicles and their space, training, or has it been fully covered and accounted for based on the fees and the licensing that occurs?

**Ms. Verret Morphy:** — So within SaskPower all of inspections activities has been fully funded by permit revenues for the last several years. So the permit revenue that we earned has covered all the expenses. You can imagine there are some services provided corporately such as legal and HR [human resources] and IT. Our finance group does charge us a notional overhead charge to help them sort of track this.

Conceptually you would expect inspections to be a non-profit activity but they have contributed between two and two and a half million to SaskPower's general revenues over the years. Of course whoever has inspections bears the risk and the responsibility of doing those inspections under the Act, so I don't think it's unreasonable. But that's been the case.

**Mr. Wotherspoon:** — Two and a half million annually?

**Ms. Verret Morphy:** — Yes.

**Mr. Wotherspoon:** — Right. So those revenues will be lost to SaskPower then at this point?

**Ms. Verret Morphy:** — They will transfer to TSASK as part of this. But they are revenues that are earned through permit fees from contractors and homeowners that are getting electrical and gas permits. So they are intended to fund the work.

**Mr. Wotherspoon:** — The two and a half million is the entire revenues that flow? Or two and a half million is the profit or the earning on . . .

**Ms. Verret Morphy:** — Yes. You could call it a profit or a surplus net. It's the net revenue minus expenses.

**Mr. Wotherspoon:** — So SaskPower will be out the two and a half million dollars to the good that they pick up annually on that front?

**Ms. Verret Morphy:** — Correct. Yes. Of course, we're also transferring the liability and responsibility and all of those things,

but yes.

**Mr. Wotherspoon:** — Thank you very much. I always have, you know, concern about making sure our Crowns are in a viable position, and you see a transfer of assets and a loss of that two and a half million dollars to the Crown as well. It's a notable concern. What's the goal? What will TSASK do with that two-and-a-half-million-dollar profit for these services annually?

**Mr. Scott:** — Well I think the first thing would be that we will operate the business and will determine what the profit is when it's operated in our hands. You know, it would be fully costed in our environment because we're a smaller organization. So some of the costs that perhaps aren't reflected presently would be reflected in our environment.

But TSASK itself operates on a cost-recovery basis. So if indeed there's a situation where an aspect of our business is overly profitable, we would adjust the fees to reflect that. We strive internally to have the technologies self-support their activity within our portfolio. So that would be our goal with respect to these additional technologies, would be to determine whether indeed they are profitable or how profitable they are. And if they are profitable to a level that would not fit within our model as a not-for-profit, we would adjust the fees accordingly.

**Mr. Wotherspoon:** — Thanks for the information around the not-for-profit mandate of TSASK. Is that mandated through legislation for TSASK?

**Hon. Ms. Carr:** — Yes, it is.

**Mr. Wotherspoon:** — Can you give an ironclad, your guarantee that TSASK wouldn't be privatized, wouldn't be sold?

**Hon. Ms. Carr:** — So I guess what I would say to that is it's actually incorporated through statute and it's a non-profit organization. So yes, that's how it sits.

**Mr. Wotherspoon:** — So you as a minister, would you commit to ensuring that TSASK wouldn't be privatized?

**Hon. Ms. Carr:** — Well TSASK is an entity of its own already.

**Mr. Wotherspoon:** — Right, but I guess that entity could change through legislation and it could be . . . Right now it's a not-for-profit delivering a service. Legislation could change that and it could be delivered by a business for a profit. I think this would be the entire wrong way to go, but I guess that's where I'm seeking the commitment.

**Hon. Ms. Carr:** — Well I think what I can say is the intent of what we're doing right now is to roll it under the umbrella of TSASK, which is in legislation. And that's what I foresee happening and that's what's happening right now.

**Mr. Wotherspoon:** — But you can't commit to not working towards its privatization with a commercial mandate?

**Hon. Ms. Carr:** — I'm not going to talk about what-ifs. This is what we're doing, and this is the plan, is to put it under TSASK and have it as an entity that we do right now.

**Mr. Wotherspoon:** — I think it speaks volumes. People have their careers and they look to, you know, guarantees through times of change and you know, I think that . . . Anyways I've asked the question a couple times, and you haven't been able to provide that commitment, which is a concern. But I'll leave that here right now.

We've gone through the cost. Are there unfunded liabilities of pensions who will be transferred? Or what other sort of variables are we dealing with here?

**Hon. Ms. Carr:** — I'll just touch on it briefly and then she'll elaborate. But our intent is that all of these employees are going to stay completely whole. What they have now is what they're going to have when they come over to TSASK. They're not going to lose anything, and they should see that moving forward as we continue on.

**Ms. Verret Morphy:** — So we do have some accruals associated with the employees. So accrued vacation liability, for example, and other entitlements under their collective bargaining agreements. So for those balances, those liabilities were accrued while those employees were working at SaskPower. So after they move, the plan is that SaskPower would pay those amounts to TSASK so that they could stay true to the commitments that were incurred while they were at SaskPower.

**Mr. Wotherspoon:** — Do you know a ballpark or, you know, a fairly good estimate — I assume we are close to this transfer — as far as that cost right now?

**Ms. Verret Morphy:** — I'm sorry, I don't, but I could probably get that for you.

**Mr. Wotherspoon:** — That would be great. Thank you very much, through the minister to this table if you can make sure the information . . .

**Ms. Verret Morphy:** — Sure. Yes.

**Mr. Wotherspoon:** — Thank you very much. Where will TSASK get the legal . . . and this was identified. Right now legal and some of the other financial administrative services are organized through SaskPower. So how will TSASK retain those services moving forward?

**Hon. Ms. Carr:** — Yes, I think it's fair to say that to what Bill had said earlier is, once it comes into TSASK, they're going to have to do all of this stuff themselves, so it's not like they can draw on other resources. And so once they flush all that out and see how their expenses go, then that will determine where they land on fees and all of that kind of stuff. But right now, I believe it's all intended to be done through the organization. But is there anything else to add? So yes, all internal.

[19:00]

**Mr. Wotherspoon:** — So forecasting out then, is there . . . I know we touched on kind of the costs of service for those that are paying for the service in the future. Right now SaskPower, you're saying, has these different efficiencies built in with its relationship with its legal team on the administrative side. I think through Government Relations, there'd be of course the

relationship with the Ministry of Justice. That will come to an end. Is there an expectation that will force costs to go up for those requiring inspections and fees?

**Hon. Ms. Carr:** — Well I think I believe what I heard was on the SaskPower side of things is it was cost recovery. So they did get billed from the different areas, that the services that they were receiving for legal and stuff, it would get billed to their inspection department. So they actually were paying for it out of the fees that were already coming in. And I guess our piece within government was very small. There were two employees. So I mean it's all relative, right?

**Mr. Wotherspoon:** — Yes. I just wonder if there's an efficiency to be found in that larger administrative unit or legal team, as opposed to having to go and contract or procure that independently. But you're saying right now there's not a feeling that those costs are going to cause an increase for this service.

**Hon. Ms. Carr:** — That's what I believe, but I think I will ask someone else to address that.

**Mr. Scott:** — Most of the normal functions that you would expect to see in a corporation of our size we have internalized. You know, we don't have a legal department. We don't have a communications department. We do have an accounting department. We do our own internal accounting. We do our own payroll. We sort of sustain ourselves in that regard and yes, should we require an external service, we do have relationships.

But we really don't have a large dependency on any external consultancies at all, and nor do we anticipate a heavy need for those sorts of resources in the future. We're very careful about our expenditures. We try to operate responsibly on the basis that the monies that we are dealing with are our stakeholders' monies and we treat them in that light. We are self-supporting and we're self-financed, so we're very careful about our expenditures.

**Mr. Wotherspoon:** — Thank you. Building licensing is moving to TSASK in this bill. What's happening or what's the plan with building inspections?

**Hon. Ms. Carr:** — No, that isn't part of this. They're staying exactly where they are.

**Mr. Donais:** — So just to be clear, it's the gas and electrical licensing piece that is moving from that building standards and licensing. Building inspections occurs, you know, through the municipalities and that. And so that will remain the same. We're not talking about sort of building, you know, building permits and building inspections associated with that.

**Mr. Wotherspoon:** — Okay. And you've got . . . I appreciated the commitment to honouring the collective agreements that are in place and honouring the employment and making sure that, you know, whatever's been accrued from vacation through to pension obligations will be maintained. You have, I think, three different unions or something that represent these workers. I guess just what's the plan on the labour relations side of this and how do you ensure that you're keeping everyone whole and those collective agreements honoured? What's the plan on that moving forward?

**Hon. Ms. Carr:** — So it's my understanding, and it was just confirmed, that as the employees come over they'll stay within their collective bargaining agreements that they have.

**Mr. Wotherspoon:** — Okay. And you've been working with the three different unions on this front?

**Hon. Ms. Carr:** — Yes we have.

**Mr. Wotherspoon:** — And have they established a plan on this front? Is that how it'll continue, or is there a plan on that front?

**Hon. Ms. Carr:** — As they move forward it would be those employees' choice if they decide to go to a different union, but right now they're staying exactly where they are.

**Mr. Wotherspoon:** — Any impact on safety with these changes? I think one of the . . . I think it was asserted that this may bring improved safety. Maybe I read that in your remarks or heard that. Maybe not. But I guess, what's the perspective? And this is critical to public safety, these functions. You know, failure to ensure that can be catastrophic. What assurances and plans do you have to make sure that safety's assured and, if anything, improved?

**Hon. Ms. Carr:** — Well I think I can assure you that TSASK, the way it is set up right now, has their safety record. And all of the employees that are moving over are currently . . . fall under regulations and are safe doing the job. As they move over they'll continue to do the same thing. And I think just like with any employer, we're always looking at ways to improve safety and that would not change with more employees under this umbrella.

**Mr. Wotherspoon:** — And then of course, very important for the employees, but the function that it provides by way of public safety. It's pretty critical infrastructure that is important here. Not sure that I have . . . I mean I've noted some concerns and some questions and, you know, we'll track and follow up on some of those pieces possibly at another time.

I guess maybe have you . . . Of the stakeholders involved in this exercise — which would be everyone from the person paying the bill for the service and those customers through to the employees and through to SaskPower which is impacted — have you had concerns identified with this change, with you as a minister, with your officials? And if so, share the detail of that.

**Hon. Ms. Carr:** — So I would say that there are no concerns. I guess the concern that is being covered here is that they were all over the map, and now with the consultations that we've been doing with the different industries, they're really happy to see the opportunity to have this call all come under one window so that it's one place to go and get your permitting and all of that stuff done. So associations are very pleased with that. They were working fine on their own, doing their own thing, but this will just . . . And for the customer it's going to be much better too once everything is under one umbrella. So I don't think there are any concerns.

**Mr. Wotherspoon:** — Has SaskPower identified any concerns through this process?

**Hon. Ms. Carr:** — Not that I'm aware of.

**Mr. Wotherspoon:** — And with your officials?

**Ms. Verret Morphy:** — No, we have no concerns. We completely support this move. Inspections is a function very important to public safety but outside of our core mandate.

**Mr. Wotherspoon:** — Thanks. And the workers, to sort of canvass this thing, you said you included them in the question. You haven't had concerns shared with officials or with yourself as it relates to the workers themselves, either as workers or through their unions.

**Ms. Verret Morphy:** — Since this was announced in December 2018, I have had monthly calls with all the employees, all 108 employees in the inspections division to give them an opportunity to ask questions and let them know how the transfer is going. They've had opportunities to ask questions. Bill Scott and I have worked together to bring them answers. We've had many discussions with the unions and, I would say, good relationships, really good discussions with the unions, and we're working through it. I think the employees . . . There's the fear of the unknown, which isn't unexpected, but we want to make sure that this as seamless as possible for our staff.

**Mr. Wotherspoon:** — Thanks for the response, and I have no further questions at this time.

**The Chair:** — Are there any more questions or comments from the committee? Seeing none, this bill has just under a hundred clauses. Is leave granted of the committee to review this bill by parts?

**Some Hon. Members:** — Agreed.

**The Chair:** — That is agreed. We will proceed the vote on the clauses. Part 1, short title, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Clause 1-1 agreed to.]

[Clauses 2-1 to 11-1 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Miscellaneous Statutes (Government Relations — Transfer of Gas, Electrical and Plumbing Functions) Amendment Act, 2019*. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I would ask a member to move that we report Bill No. 180, *The Miscellaneous Statutes (Government Relations — Transfer of Gas, Electrical and Plumbing Functions) Amendment Act, 2019* without amendment.

**Mr. Nerlien:** — So moved.

**The Chair:** — Mr. Nerlien has moved. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This concludes our business of the evening. Minister Carr, do you have any final comments?

**Hon. Ms. Carr:** — Well I guess just briefly I'd like to thank all of my officials for being here tonight. As much as I'd like to be able to answer every single question, I rely heavily on my officials for technical things. So thank you to all of them that are in the room and those that are in the other room waiting that didn't have an opportunity to come in.

And of course, thank you to members of the committee for being here tonight and the opposition for asking the questions, and of course to all the support staff that make these evenings happen. So thank you very much.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you to the very fine Chair, really reasonable in this committee, and to committee members and to the minister for the time. And thank you to the officials from SaskPower, from TSASK, from Government Relations, from the minister's office for their time here tonight and for bringing forward the consultations and engagement with respect to these plans.

**The Chair:** — Well thank you. I would actually like to thank Hansard too for all of the work that they do, and the staff, Stacey, for helping me out and all these things that we, a lot of people, just take for granted.

But anyway, seeing we have no further business today, I'll ask a member to move a motion for adjournment. Mr. Nerlien so moves. Is that agreed?

**Some Hon. Members:** — Agreed.

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

[The committee adjourned at 19:20.]