



# **STANDING COMMITTEE ON THE ECONOMY**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON THE ECONOMY  
2005**

Mr. Kevin Yates, Chair  
Regina Dewdney

Mr. Randy Weekes, Deputy Chair  
Biggar

Ms. Brenda Bakken Lackey  
Weyburn-Big Muddy

Ms. Doreen Hamilton  
Regina Wascana Plains

Hon. Deb Higgins  
Moose Jaw Wakamow

Mr. Delbert Kirsch  
Batoche

Mr. Eldon Lautermilch  
Prince Albert Northcote

[The committee met at 19:00.]

**The Chair:** — Thank you, committee members. We are gathered here tonight for the Economy Committee, and we have substituting for Deb Higgins, Lon Borgerson. Welcome Lon. We have with us as well Eldon Lautermilch and Doreen Hamilton, Randy Weekes, Greg Brkich, Lyle Stewart, Brenda Bakken Lackey, and . . . [inaudible interjection] . . . Delbert Kirsch. Pardon me, Delbert. And Mr. Wakefield is joining us as well at the back.

**General Revenue Fund  
Supplementary Estimates — November  
Rural Development  
Vote 43**

**Subvotes (RD01), (RD03), and (RD04)**

**The Chair:** — Thank you very much, committee members. We have before us as the first item of business the supplementary estimates for the Department of Rural Development. We have representing the department, the minister, the Hon. Clay Serby. Would you like to introduce the officials you brought with you, Minister.

**Hon. Mr. Serby:** — Mr. Chair, I will. Seated to my direct left is Dr. Louise Greenberg. She's the deputy minister. Seated to my right is Deb Harrison, who's the director of program development and support. And I think directly behind me is Mr. Alan Syhlonyk, who is the executive director of policy and planning. And those, Mr. Chair, and members of committee, are my officials who are with me this evening.

**The Chair:** — Thank you very much, Mr. Minister. And we'd like to welcome your officials that are joining us this evening, and we'll open the floor for questions. Mr. Brkich.

**Mr. Brkich:** — I want to welcome the minister today and the officials. Just to carry on with one of the ones we didn't get into . . . was dealing with part of the estimates or dealing with Saskatchewan snowmobile trail management. Could you give me some background on that particular information?

**Hon. Mr. Serby:** — Yes thank you, Mr. Chair. To the member, about a year and a half ago maybe we began some discussions on the initiation of this issue with the Saskatchewan Snowmobile Association to see how they might be able to structure a new arrangement to finance their snowmobile trails.

As you know in the past, they've had a permit system. And in order to travel on the trails, the expectation was that people would buy, snowmobilers would buy a permit. This permit would be in the value of \$65 or \$90 depending on the length of time that they wished to have the permit for. They would then use those permits . . . the revenues that they collected from the permits to help them subsidize the operations of the trail.

Also in order to get your liability insurance, it was necessary to register your snowmobile, and we had established a snowmobile registration rate of \$9 for a season. There was the capacity for people to prorate that \$9 depending on whether or not they wanted to insure their machine for only a full season or

part of a season. We would make then available . . . We made available over the last year a small direct grant to the Saskatchewan Snowmobile Association to help them with some of their operating.

When they came to us in April of this year, they said that unless we changed the structure and moved from the permit system to a full load on the registration fee, it would necessitate them to close down their snowmobile trails in the province.

It was our view that this would not be a good idea given that the snowmobile trails in the province really provide a number of benefits, led primarily with the issue around safety. The more people that we can have travelling on the snowmobile trails, the better we think the notion is that people won't get injured or hurt.

And secondly the snowmobile trails provide a tremendous economic impact to a large part of rural Saskatchewan. I mean I know from the part of the province that I come from that there is a number of small businesses along the trails that make a very, very good living through the course of the winter because of the amount of fuel that's sold, the amount of concession that's sold.

And so the snowmobile association said to us that we want you to increase the level of the registration fee. Make the registration fee mandatory, not prorated, and then do away with the permits. At the end of the day, I think, the cost of the permit as I said earlier was both \$65 and \$90.

The Saskatchewan Snowmobile Association felt that now that people won't have to buy the permits and only have to pay the one-time registration fee of \$40, in many instances this is cheaper. It provides then for people to access the snowmobile trails anywhere in the province just by simply buying the registration fee. It no longer requires the policing of the snowmobile trails by the RCMP [Royal Canadian Mounted Police] to check to see whether or not people had in fact permits. And they've worked out a reciprocal agreement now with Manitoba where snowmobilers can travel not only in Saskatchewan on the trails, but with their registration fee they can also now travel on the Manitoba trails.

So it was left with the Saskatchewan Snowmobile Association to contact all of their clubs in the province, which they did. Then they came back to us with a letter from the Saskatchewan Snowmobile Association indicating to us that they had canvassed all of their clubs, that they were of the view that the registration fee was absolutely the direction to go. And then we took the position that we were prepared to go down that route, given the work that they'd done in preparing the snowmobile industry for that decision. And that's how we got to where we are today.

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

**Mr. Brkich:** — Mr. Chairman, dealing with the \$550,000, how is . . . do you have an exact breakdown of how that money was spent and why. If I guess you'll be collecting the fees from the users, why so much?

**Hon. Mr. Serby:** — The \$40 registration fee was the amount that the snowmobile association felt they required, and that's why the level of the registration fee went from \$9 to \$40.

They are also of the view that in order to maintain the snowmobile trails in the province, because they have about I think 10,000 kilometres of trail, they needed somewhere in the neighbourhood . . . they'll need somewhere in the neighbourhood of anywhere from 550,000 to a quarter million dollars to operate the trails.

And so they felt that the registration fee at 550 would be the amount that they would require. That's based on about, I think, 14,650 snowmobiles that were registered in the province in the year 2004-05. So that's how we get to the 550,000. It's based on the number of snowmobiles that are registered.

**Mr. Brkich:** — Thank you, Mr. Chairman. I guess I'm still not completely clear on the 550,000. Is that money that's going to be . . . you're collecting from the snowmobiles that's going to be replaced, or is that extra money you're throwing in to maintain the trails every year?

**Hon. Mr. Serby:** — There's two parts to your question, Mr. Member. And it's this. We'll collect the funds through the registration fees. The province will collect them, and then we'll provide the 550,000, or whatever that level of dollars comes to from the registrations that we collect, through a grant from our department to the Saskatchewan Snowmobile Association. They will then distribute that \$550,000 to the snowmobile clubs, to the 75 different snowmobile clubs across the province.

So our job will be to collect the money through the registration fees and then make the money available by grant to the Saskatchewan Snowmobile Association. And then their executive, their board executive, and their executive staff will distribute the money to the 75 clubs in the province.

**Mr. Brkich:** — So I take it this money then is planning to be replaced, and it's just money you're putting out in advance. And then you're planning on . . . That's what you feel you'll get in permit and fees coming back?

**Hon. Mr. Serby:** — When the fees get paid out, then we simply reimburse the fees when they come in. And most of the snowmobiles, I think about 90 per cent of the snowmobiles, are registered during this period that we're in right now, maybe a bit later. From about the 15th of December till the second week in January is really when the majority of the snowmobiles in the province are registered. So the money will come in during that period of time, and we'll just make the grant available through Rural Development to the Saskatchewan Snowmobile Association, and they'll have the funds to disburse to the various different clubs across the province.

And I think the clubs, as I understand it, hold back a little . . . or the Saskatchewan Snowmobile Association holds back a little bit of money for year-end, and then they make a final disbursement to the clubs across the province based on the actual amount of revenue that they're able to collect. So they might actually advance a bit in advance. And then once the money comes in, they'll do an adjustment at the end of the year.

**Mr. Brkich:** — If I understand right, you're advancing them though the 550,000 in lieu of the permits when they're coming in.

**Hon. Mr. Serby:** — Not really. What's happening is that the majority of the money will come in within the next two weeks anyway or within the next three weeks. The majority of the money will come in. And once the money comes in, SGI [Saskatchewan Government Insurance] will provide the money to us because the money is collected through the registration fees. And then the Treasury Board will write a grant to us, and we'll disburse the money to the snowmobile association.

So there may be a short period of time that the Saskatchewan Snowmobile Association won't have a large pool of money, but they won't be paying out the, they won't need to pay out the money anyway immediately because many of the small . . . well all the snowmobile associations have bank accounts, and they have arrangements with their financial institutions that they do business with. And they'll carry them for a short space of time given that they know now that they're actually getting the money.

**Mr. Brkich:** — Thank you. Mr. Chairman, I guess attack is that like you've budgeted 550,000. So are you planning on paying that out this fiscal year, and then you're planning on being reimbursed for the full 550,000? Or will some of this money actually be picked up by other taxpayers throughout the province, that there will be a shortfall of 550,000? Or will there be a complete flip of 550,000 of that . . . is just strictly permit and registration, snowmobile users?

**Hon. Mr. Serby:** — The amount of dollars that will get paid out to the Saskatchewan Snowmobile Association will be the money that we collect from the registration fees only. So I mean this a good question that you ask.

And this is a dilemma that the Saskatchewan Snowmobile Association may find themselves in. If there are not 14,600 folks who register their snowmobiles this year but let's say there's only 10,000 that register, then they won't get 550,000. They'll only get \$400,000 worth of revenue. If we use the \$14,000, it'll be 14,800 . . . or 480,000. If you took 14,000 as opposed to . . . or let's say there were 10,000 . . . I'll go back to my other number. Let's say there were 10,000 snowmobilers that register this year. At \$40 would be 400,000, as opposed to the 550 that they need. The snowmobile associations need 550,000 to groom the trails. If there is a reduced number of people who register their machines, they'll be short \$140,000 this year.

**Mr. Brkich:** — Mr. Chairman, then I take it is the Rural Development. Would they pick up that \$140,000 and giving that extra?

**Hon. Mr. Serby:** — The answer is no.

**Mr. Brkich:** — Okay, thank you, Mr. Chairman. Just one more question on that, maybe two. I imagine you're familiar with the insurance brokers' association. They probably have written you a letter. They've written us one. They seem to think that this came on very, very quickly, that they didn't have much notice of it. And they were, I believe, asking all MLAs [Member of the

Legislative Assembly] if they could delay it for a small period of time . . . to they could talk to it.

They also list, you know, not all snowmobilers, which they don't in my area, because in rural Saskatchewan very few of them do snowmobile trails. The only time they'll do it if they go to a provincial park, if they load up and go somewhere. But the majority of the guys who ride the sleds, in my area have never been on a trail and probably will never be on a trail, and probably aren't even aware of the extra fee till they go to where they actually get some snow, which might be happening today back home when they go to register their sleds, and they may find out about it. I imagine you may . . . I'll be getting some calls on why and your office will be. Have you . . . did much consulting with insurance brokers' association on that?

**Hon. Mr. Serby:** — Much of the work in terms of the actual collection of the fee and the timeline of which the fees would be implemented, much of that discussion was done through SGI, through their agent system and through the corporation. And there are some . . . I've received some of the letters as well, as you have, about people who are concerned that there maybe should have been a delay.

You see I don't understand the rationale around what the purpose of the delay would be because the role of the insurance broker is simply to collect the fee. They are already collecting the fee. We're not changing anything in this process. Rather than collecting a fee of \$9 which they did for us in the past, they would pro-rate that based on what the skidoo owner or the snowmobile owner would want it to be, and then they would remit that to the province or to SGI. So the insurance broker's role hasn't changed at all. All they're doing is they're simply submitting a larger amount of money than what they did in the past.

And it's very difficult to have an extensive consultation because what you don't want to do is you don't want to alert people that you're going to be making the increase and to what level you're going to make it. Because what would happen of course is that when you go to alert people that you're going to make the increase, the Saskatchewan Snowmobile Association said to us that people will go out and register their machines this year at \$9 and that doesn't help us with the process. And so that's why there was very little discussion about what the timeline would be because we really couldn't make that public until we could make it public.

**Mr. Brkich:** — Thank you, Mr. Minister. One way you can argue that, I guess. The other way you could argue that, if the majority of the snowmobilers wanted it, like the snowmobile association says that they want it, that they would prefer to do that, that they are using the trails. So when you do do something along that line there, you know, people are mad because they say, why wasn't I consulted? If I really want to contribute to the trails — I use them — the extra \$20 or \$30 I pay as a one-time fee, yes it's well used, going to a good cause. It's something that I can use.

I could see where the insurance brokers would be concerned a bit over it because they're the ones that are going to get the flack. They're the guy that's selling it, and all of a sudden, it's a lot more. It's 30, 40, \$50 more.

You know, if you've ever been in retail business of anything and the price has gone up on anything quite substantially, it's usually the sales girl or salesperson that gets yelled at. Well how come this thing . . . all of a sudden it was . . . last month it was \$10, and all of a sudden now it's up to 30, whether it's any item. So that's probably their concern of it because, you know, a lot of guys when they come in, will just whoa, that's a big jump and what's the reason. And then they'll have to explain to them and go through it.

So I can see their concern. And the argument you had made, I think, is probably a weak one on that. If the majority of snowmobilers want to use the trails and thought this was a good deal — and the majority of them maybe do — at that end of it, you think then it wouldn't hurt to let them know in advance through the summer that yes, this is what this money is going for. It's going to keep these trails going so you can use them. And maybe we may make new trails throughout Saskatchewan . . . things along that line. So that would be my argument on this particular end.

**Hon. Mr. Serby:** — Well I should just add then, Mr. Chair, to the member, that the persons whom I was most concerned about are the people who end up having to pay a larger fee, where their fee goes from \$9 to \$40. I was most concerned about them. Not that I wasn't concerned about the insurance brokers because the reality is is that the insurance brokers, as I've said to you earlier, the insurance brokers are the folks who were collecting the fees anyway. So what they're doing is they're simply collecting a larger amount of money and remitting it now to SGI from what they did in the past.

But what the Saskatchewan Snowmobile Association did is they did a survey. They did a survey of the snowmobilers in the province. They met, I'm told, with every snowmobile club in the province and talked to them about what they're going to do here. I think to date in my office, including the Crown corporation of SGI, like we got something like 160 calls in total from snowmobilers across the province who are registering some concern about the increase in the registration fee. Of which we've directed them back to the Saskatchewan Snowmobile Association because the Saskatchewan Snowmobile Association are the people who represent snowmobilers in the province.

Now maybe you can argue that they don't represent everybody, and I think that's probably true, but at the end of the day they represent the 75 different clubs in the province. They did the survey. I think they had 1,250 people who they got surveys returned from of which they all supported the notion that they're going down.

We did extensive press on this when the snowmobile association fees were announced, and so I don't think that there are many people in the province today who don't understand why the rates have been increased and who increased the rates. I think it's fair to say that the Saskatchewan brokers, the insurance brokers in the province, were concerned that this piece of work couldn't be done on the computer systems. There was some manual work today that the brokers are having to undertake in order to make this happen. But at the end of the day, I think we've been able to solve a very serious issue in the province around the maintenance of skidoo trails in a very

credible fashion.

And for those who have been inconvenienced by it, we apologize to them for that. But at the end of the day, I think that snowmobilers in the province are very pleased with the fact that they're going to have very elaborate constructed snowmobile trails in the province today. And I would argue that there are many small businesses in rural Saskatchewan today who are very grateful for the fact that we've been able to sustain in a very, very lucrative industry today that's really making a difference in many of our small towns and in rural Saskatchewan.

**Mr. Brkich:** — Thank you, Mr. Minister. I'll pass that message on to them on your behalf. I don't know where that will go.

On regional development, I want to ask you, have you made any more movement with ethanol in rural Saskatchewan? I know I think that would go a ways to help rural Saskatchewan quite a bit. Have you gone in any directions with regional development or any progress or any of that money being directed towards ethanol development?

**Hon. Mr. Serby:** — Mr. Chair, to the member, this is a very, very timely question because I just came from a meeting with ethanol . . . for communities who want to produce ethanol in the province.

In the last couple of months, I have now met with the proponents of Shaunavon, the proponents of Unity, and the proponents of Tisdale to have a conversation about how it is that we can move, I think, in an extensive way, those three communities forward. And I say that because they are, those three communities and those proponents, are best positioned in my view to do something in a substantive way in the province.

I think that there are a couple of things that we need to achieve. One is that the Ethanol Council in the province has been working very closely with ethanol producers, and it's my sense that we should engage to a larger degree the work of the Ethanol Council — not that they aren't engaged now but to a larger degree.

We intend — and it may be me — to work very diligently at developing a strategy, a national strategy for ethanol. I think that Saskatchewan is extremely well positioned. I happen to believe that those communities that I've named are in a position to actually develop producer-owned facilities. They may require some additional capital or resources for that to happen, but I think that the role that we have as government, and I think as members of the opposition, is to work at developing a national strategy, a national standard for ethanol as a renewable fuel for Canada.

What our Saskatchewan agriculture producers need is they need some options for their primary production. And it will be my goal as the Minister of Rural Development to work with these three proponents to start with, because I think they're best position . . . There are others, other communities that are, like the PoundMaker model, which we have knowledge of today and are working with to see if we can grow this file.

The reality is, is that in Saskatchewan today I think we'll have

soon somewhere in the neighbourhood of about 170 million litres of ethanol being produced through the Weyburn project or plant, through the one at Lloydminster, and with the one at PoundMaker. That amount of ethanol in Saskatchewan uses up or takes up our entire Saskatchewan need. I think we need, to supply the province at a 10 per cent blend, about 150 million litres. So we have met it and will exceed it on those three plants.

So the proponents that we're speaking with today are interested in marketing this product not only in Canada but we think internationally. And what would be a better project, I say, for our Saskatchewan producers than to have the capacity of having, you know, three or four or five ethanol plants strategically located in the province that aren't only providing ethanol for Saskatchewan but are providing ethanol for Canada. And I'm very much engaged on that process right now. And as I say just came away from a very important meeting with the proponents of the three communities.

**Mr. Brkich:** — Mr. Chairman, yes, I totally agree that it's an area that can be . . . is under-developed and should be pushed. I know I've met and talked with some proponents of the ethanol industry, and one of the questions that was raised was they would like to be able to co-generate power back into the grid. And that is a problem here in Saskatchewan, a huge problem because SaskPower won't allow it.

You as a rural development officer or minister, would you push SaskPower to allow them to put power back in the grid as co-generators? That could be the difference between them making a dollar or breaking even or losing money. I mean we should be trying to give these businesses every opportunity to make a dollar that we can in this province. And I believe that is one of them by if a company can generate power and put it back in the grid, I mean, that saves our power. That saves anything we can . . . It's good for the economy. It's good for jobs and it's good business sense. I'll ask you, do you as minister, would you push for that?

**Hon. Mr. Serby:** — Well we're not just pushing for it; we're already doing it. We're already doing cogeneration in the province with a number of folks. I mean the intent, as you'll remember from the Throne Speech, is for us to have by the year 2025 a third of our energy that we generate in the province today that would be provided by a renewable resource or a renewable resource. And so for us to . . . for anybody to think that we're not down that path, we are down that path, already down that path. I mean we're generating 173 megs today of wind power. And this is making its way into the system today.

Now if the question is, are we prepared to do more of that? Of course we're going to do more of that. We know that we're going to do more of that. The reality isn't . . . In order for people in the marketplace today or for people who are proponents of green energy, their need isn't only their capacity or the ability to sell the energy back to the grid, Saskatchewan grid. It's also about securing sufficient capital to build some of the projects that they need around the province.

And on this issue, you're offside because in order to build a strong, vibrant energy sector in Saskatchewan including ethanol, people who live and work in your own communities are of the view that there needs to be some short-term

investment by the public on this issue. And you're offside on this piece. And you just need to meet with your own communities, as I am meeting with them, and they will tell you that your public policy is wrong.

So for us to invest in cogeneration, clearly we're already there and will expand that along the way. What I don't understand is how it is that you think that we're going to build, build enough capacity today to grow a rural economy without making any public investment in it. That issue I don't understand. And from that perspective nor do many of your constituents.

**Mr. Brkich:** — Thank you, Mr. Minister. I could be wrong on that, but I think the question was, if the company that didn't have any government money into it — and there are companies that surprisingly can operate without government; that may surprise you — if they can co-generate power, would you allow them to sell it back into the grid to help them make a dollar?

The difference between a break-even company . . . Let them make some extra money. Would you allow them to sell in the grid, total private? And you keep talking about we, and I think you mean the government is doing that. I'm talking about a private company, allowing them to sell power back into the grid. And ethanol is one of them. If a company that's a private company, that's there's no government money in, and if they're generating extra power, would they be allowed to sell it back into the grid?

**The Chair:** — Pardon me. I would just like to remind the member to ask his questions through the Chair.

**Hon. Mr. Serby:** — I've already said, Mr. Chair, to the member, that there are a number of projects today in the province where cogeneration is very much a part of their strategy. We already have agreements with proponents who are co-generating in the province to provide energy to the grid.

Today in Saskatchewan . . . and I don't have the number with me, but when you get the Saskatchewan Power folks before you, they'll describe for you the amount of energy that we require, the amount of power source that we require today in the province to run the province.

If you're suggesting that what we should be doing, and maybe the member from Estevan would agree, that we should be reducing the amount of energy that we produce by the coal-fire plants in Estevan, reducing the workforce in Estevan, replacing that workforce with cogeneration projects, which are privately-sector owned, that may be the point that you make. And I think that that's examination that we would be happy to undertake.

And so if you're suggesting for us today that we should be on a track to reduce the employment force in Estevan, to shut down the two coal-fire plants in Estevan, replace them with private-sector co-generating facilities in the province, then you should make that public.

At this point in time, we're doing a balance. Our balance is to use the resources of coal in this province to work out a strategy around clean coal, which we think is important, to build an energy sector that is driven by wind and other renewable

resources in Saskatchewan, and we are already experimenting with projects which are co-generated. Do I think that we'll see more of that in the future? My answer to you would be that I think we'll see more of that into the future.

**Mr. Brkich:** — Mr. Chair, when we talk about you . . . The minister was the one that had indicated that we would need more power, more energy sources, and this is one way to do it.

I mean we want this province to grow. And if you think this province isn't going to grow, yes then we will need exactly the same amount of energy as we're using. I think this province has huge potential. I think it will grow even though you may not think it will. And so we need extra sources of power, and that is one of them — is cogeneration.

And I hope whether it's private or it's government, I hope that you will explore that as much as you possibly can. And any company that can be allowed to sell into the grid . . . And it's just not for Saskatchewan use. We have provinces around us that may be looking to buy more power as times goes on. We've bought power in the past if you look back in the history and not very long ago. This year I don't think we did, but I know last year, the year before we bought some and we sell some. So the more power you can generate, there is sales for it. So I guess my statement would be . . . is I hope that you wouldn't stand in that way.

With that I think I've covered enough questions on it. We've gone past our allotted time, so I would thank the minister and the officials for the questions and the answers.

**The Chair:** — Thank you very much, members. The item before the committee is Rural Development estimates. The first item being voted on is central management and services (RD01) in the amount of \$831,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — The second item before the committee is (RD03) investment programs in the amount of \$550,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. And the third item before the committee is industry and development (RD04) for \$150,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Thank you very much, committee members.

Resolved that there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums for Rural Development, \$1,531,000.

Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Could I invite one of the members to move that motion please?

**Ms. Hamilton:** — So moved.

**The Chair:** — Okay moved by Ms. Hamilton. All those in favour? Opposed? That's carried.

**Some Hon. Members:** — Agreed.

[Vote 43 agreed to.]

**The Chair:** — All right. At this time I'd like to thank the minister and his officials for coming before the committee this evening. It's been a very enjoyable evening, and we thank you for all your answers and your co-operation.

**Hon. Mr. Serby:** — Thank you, Mr. Chair, and the members of the committee for their excellent pursuit of questioning on this very significant file. We appreciate the questions. Thank you very much, and to my officials.

**The Chair:** — Thank you. The committee members will take a two-minute or three-minute break here while we change departments and officials. So thank you.

[The committee recessed for a period of time.]

**General Revenue Fund  
Supplementary Estimates — November  
Industry and Resources  
Vote 23**

**Subvotes (IR04) and (IR15)**

**The Chair:** — All right committee members, as we resume we have before us the Department of Industry and Resources, vote 23. I'd like to thank the minister for joining us this evening and his officials, and with that, Mr. Minister, would you introduce yourself and your officials to the committee.

**Hon. Mr. Cline:** — Yes. Thank you, Mr. Chair. Good evening to you and members. I'm Eric Cline, the Minister of Industry and Resources. And to my right is Bruce Wilson, the deputy minister of Industry and Resources. To my left is Glen Veikle, the associate deputy minister of resource and economic policy. And sitting behind us is Debbie Wilkie, the assistant deputy minister of industry development; Hal Sanders, the executive director of corporate and financial services; Myron Sereda, the acting assistant deputy minister of petroleum and natural gas. And that is all. There's another name here, but I can see that he's not here, so I won't introduce him.

**The Chair:** — All right thank you very much, Mr. Minister. With that I'll open the floor for questions. Thank you, I'll recognize the member from Weyburn-Big Muddy.

**Ms. Bakken Lackey:** — Thank you, Mr. Chair. I have a concern brought to my attention by a constituent about licensing a producing well. And I just wondered if you could give the points that are required in order to licence a producing well.

**Hon. Mr. Cline:** — Actually I'll just indicate, Mr. Chair, first of all I'm going to ask Mr. Wilson to answer the question because he actually worked in this area for some 34 years before becoming deputy minister. So he's quite expert in that

area.

**Mr. Wilson:** — I was wondering if there was a very specific example because I understand that there was a particular individual who has concern about a well transfer and well licence transfer. And if that is the particular issue, I think I could certainly explain some of the problems that may have been encountered in the last little while. I believe this individual had recently written the minister, had copied at least one of the members of your party, expressing some concerns. If that's the issue, I think I would like to directly deal with that if that's okay.

**Ms. Bakken Lackey:** — Yes please.

**Mr. Wilson:** — The individual in question is a farmer who had an orphaned well on his property, and he had approached the department some time ago to see if there was an ability to have the well actually transferred to him. He had talked to a number of people in the department and indicated that we were certainly willing to do so. One of the requirements that we would have though, because the individual was not in the oil and gas business, is we simply wanted this individual to provide us with information indicating you know what prior experience he might have had in the oil and gas industry.

One of the things we require of all new operators is that they provide some indication of their financial wherewithal because we certainly want to have people who are going to be able to undertake all of their responsibilities in terms of owning and operating wells. The individual in question has provided us with a number of things, but some of the basic information that was requested more than a year ago has not yet been provided to us. And so I think that is the nature of the dispute that this individual has. He believes that he has provided us with all of the information, and we have I guess nicely tried to point out that there still are some deficiencies in the information that he has provided.

We will most certainly endeavour to work with this individual to resolve whatever issues are outstanding. But we do have, you know, a number of checks and balances that we use for all individuals, companies, who are initially getting into the oil and gas business, to be sure that these people really, truly know what they're getting into. It may be rather attractive to be able to say, I'm in the oil business, but it's more than just producing a bit of oil. There is an awful lot of liabilities that go with owning and operating those wells and the safety concerns and all the rest of it.

So as I say, we look for basic information. Our licensing people indicate that that information is still . . . has not been provided although some information has, and therefore this seems to have, you know, brought us to this particular point in time.

**Ms. Bakken Lackey:** — Thank you, My understanding from speaking to this individual is that he feels that he's being held to a higher standard than others that he is aware of that have similar licence, and that seems to be his concern — that things are being asked of him, in particular financial information, as well as his background which he feels is above and beyond what normally would be asked for. And he did indicate to me that when he went to his local financial institute that they



indicated as much to him, that he was being asked for information and that was not normally, to their knowledge, necessary.

And so I'm just wondering is that the case? Is he being held to a higher standard? And if so why? And if not, and if this is the normal procedure, do you have that actually laid out in something that someone who's getting involved in this can look at and say these are the steps I have to go through, so they know up front what their responsibilities are?

**Mr. Wilson:** — I certainly want to assure the committee that we are not imposing requirements on this individual that are above and beyond what we'd require of anyone else. So these are standard procedures without question.

The standard information was outlined in a letter to him I, believe more than a year ago, that just simply said for a new operator we need something in terms of your knowledge and understanding of the industry, what history you have. And if it was a new incorporated entity, we would probably look for, you know, some sort of annual report or audited financial statement from the company.

In this particular case, I think we're just saying provide us with some general information that your banker might be able to provide. All we're looking for is that an individual understands that there are some fairly significant consequences to taking ownership of a well. So when we transfer a well to a party, we'd like people to understand that as you take up that well you are probably taking on responsibility for abandonment of the well which could be 20 or \$30,000. There could be environmental clean up associated with that well that could be 20 or \$30,000 as well.

So even if a party acquires a well for a dollar, essentially what you are doing more often than not is you're acquiring a significant liability. So we want to be sure that, when we do in fact transfer wells, that all of the obligations are being met and that this isn't ultimately a liability then that will fall to the province, to individual landowners, to the RMs [rural municipality]. We want to be sure that anyone entering that business knows fully well what all of the obligations and responsibilities would be.

**Ms. Bakken Lackey:** — Just one follow-up question then, and then I believe that will suffice. I don't dispute your rationale and your reasoning for what you did. My question is, and because I'm asking on his behalf, are there actual regulations or terms that are standard? And if so, where are they? Like, can I have a copy of that, and in turn can he have a copy of that so that he realizes that he is being treated the same as everyone else? This is a standard procedure. Not just a letter that's written to him saying we want this from you, but actual rules and regulations that are standard across the piece so that he understands that he is being treated the same as everyone else and not being held to separate standard or a higher standard.

**Mr. Wilson:** — We have the ability within our regulations to impose requirements on any well licence. So in that sense, we look at this as simply one of those conditions that we would apply to the transfer of the well licence. These are provisions that have been around for a number of years.

Now over the course of the next several months, we intend to be bringing in additional regulations that will much more fully explain the requirements as part of this orphan oil and gas program that we have been working on for some time. So all of this is meant to deal with precisely the things that the orphan program is designed to do, which is to manage the liability, the environmental liability, associated with all of the wells and facilities in this province.

So I can certainly provide copies of, you know, the general policy that we use in that sense. And again I just simply want to reiterate that we certainly are not trying to impose any more onerous conditions on this individual than we do with anyone else who is new to the industry.

**Ms. Bakken Lackey:** — Well then just to follow-up on that . . . he has been given a deadline. Will this gentleman be contacted? Could he be contacted by yourself, Mr. Wilson, or someone so that this is explained to him clearly so he understands?

**Mr. Wilson:** — Right. We will absolutely endeavour to work with this individual to try and, I guess, convince him that these are not particularly onerous requirements that we are placing on him and that these indeed are standard requirements. Now I know there are some other issues over and above just the concerns that I mentioned here.

I believe within our department there are some concerns right now that this particular individual has outstanding amounts owed to the department in terms of royalties, taxes, or whatever. So part of the rationale, I am sure, for saying that if these requirements are not met, that the department will consider shutting in the wells, has to do with more than just the simple fact that not all of the sort of basic licence type information, you know, is still outstanding.

**Ms. Bakken Lackey:** — Well then I would hope that that would be communicated to him because in my correspondence and speaking with him, he believes it's all to do with the licensing standard. And if he's aware of the other, it has not been indicated, nor was it indicated in the letter that was sent to him from Industry and Resources. So if you could clear this up, it would be great. Thank you.

**Mr. Wilson:** — We will certainly endeavour to speak to the individual and work with him to try and resolve whatever disputes we have there.

**Ms. Bakken Lackey:** — Thank you very much.

**The Chair:** — Thank you very much. I recognize Mr. Wakefield.

**Mr. Wakefield:** — Thank you, Mr. Chairman. And good evening to the minister and your officials. Thank you for allowing me to take part in your committee, Mr. Chairman, not being a member of the committee in a formal sense.

Mr. Minister, just a couple of questions following up some of the things that I remember hearing from an earlier discussion or some earlier questions from an earlier session such as this one. If I remember, I think you explained that the Department of Industry and Resources was one of two departments that were

chosen to distribute the refund, the energy refund, and could you again just confirm that. Why is that? And what other department is able to do that?

**Hon. Mr. Cline:** — Yes it's . . . To the member through the Chair, what I indicated the other day was that there were two departments or places in government really that had the legislative authority to distribute money for that purpose. One was the Department of Industry and Resources, and the other was the Crown Investments Corporation.

And a decision was made by government that they would distribute the money through the Department of Industry and Resources. It could have been distributed through the Crown Investments Corporation also, but they chose not to do that. So that money came into or will come into, I guess, through the supplementary estimates our department, and then we will distribute the money. So we'll administer the program in that sense, but it actually is a program I guess of SaskEnergy.

**Mr. Wakefield:** — Mr. Chairman, to the minister, if you're the only department then that is doing the distribution of the energy rebate, is your department taking an administrative fee from SaskEnergy?

**Hon. Mr. Cline:** — No we will be paid the costs of administering the program, but just on a cost-recovery basis. As I explained the other day in committee, we anticipate hiring a number of people, a small number of people on a temporary basis to administer the program. And the costs of that plus the money that we pay out will be paid to the department, but the department will not acquire any other fee in that regard.

**Mr. Wakefield:** — Mr. Chairman, does the minister know of any cost therefore that SaskEnergy will be incurring in distributing these fees or these funds so that there is a actual redundancy of costing for this rebate program?

**Hon. Mr. Cline:** — No there is no duplication. This part of the program is to deal with people that use propane and heating fuel, and SaskEnergy will not be doing that part of the program. They'll be dealing with the people that use natural gas which of course is the vast majority of people. But we will be doing the people that use propane and heating fuel.

**Mr. Wakefield:** — Mr. Chairman, will the people in the unique situation in Lloydminster that use heating oil be considered in that? I know Lloydminster was mentioned as a unique entity because the Saskatchewan side of the city is virtually forced to use Alberta energy under the distributor called Direct Energy. But some of the people within the city, I understand, do use heating fuel and maybe propane. Will they be treated the same?

**Hon. Mr. Cline:** — My understanding is that, in that particular instance, SaskEnergy will in fact be dealing with those people because they're dealing with all the people in Lloydminster that live on the Saskatchewan side that are not customers of SaskEnergy. So in that sense, they're dealing with all the people there already. So they will be dealing with that. And my understanding is that they are working out arrangements with respect to the people that would be using home heating oil in the city of Lloydminster on the Saskatchewan side.

I haven't been asked the question before. But I would assume that those people would be treated the same way as the other people and that they could apply for the \$200 grant because I can't think of any reason why they would be treated differently. But that would be administered by SaskEnergy in that particular case. And I believe that that's the only case I could think of where we would not be responsible.

**Mr. Wakefield:** — Thank you, Mr. Minister. The reason I mentioned that is because it is such a unique situation there — as you're well aware — in Lloydminster. And I must say that I was very pleased with the reports that I have received from the mayor of Lloydminster and some other citizens and business people in Lloydminster for the effort that SaskEnergy, the proposal that they are considering for Lloydminster.

And I know it's not in your area, but I just wanted to put it on the record that it has taken some time, but it's finally recognized that it is a unique situation, as you yourself, Minister, in an earlier portfolio recognized the imbalance of certain kinds of PST [provincial sales tax] that were charged there.

Moving from that, Mr. Chairman, and to the minister, I also noticed in the supplementary estimates that there is mineral revenues of \$200,000. And I'm wondering why the adjustment is there? Maybe that was covered in an earlier question, I'm not sure.

**Hon. Mr. Cline:** — Mr. Chair, to the member, the 200,000 is the cost of administering the program that will be paid to our department. It is referred to as mineral revenues, I'm advised, because that is the branch where the work is being done, but it actually is not mineral revenues. I'm advised it is money being appropriated by the legislature and actually along with the \$2 million. And it wouldn't make any sense if it were any other way because these are funds that are being appropriated out of the General Revenue Fund to our department. So to describe it as mineral revenues is a bit of a misnomer.

But I think that the reason it's there is because it's part of the vote for (IRO4), which has that name for that branch, the administration of that branch. But this is another 200,000 or . . . yes 200,000 to go to that branch in order to pay for that branch to administer the distribution of the program.

And I'd like to say in addition I appreciate the member's comments about our efforts in the city of Lloydminster. It's very kind of the member to acknowledge them. And I also appreciate the fact that the member acknowledges some work we did together a few years too, so thank you for that.

**Mr. Wakefield:** — Mr. Chairman, just further to that for clarification on the mineral revenues as you'd described it, that is in fact then, for want of a better word, the administrative fee that is being expropriated from General Revenues Fund to administer the rebate program for propane and heating oil? Is that my understanding correct?

**Hon. Mr. Cline:** — Well it is the administration. I wouldn't so much call it a fee as cost recovery in the sense that we estimate that that's what we will spend. So in other words, we think that this will be just a flow-through, that the additional expenses that

we undertake to do all the things that we need to do to administer this program will be paid for with that 200,000, yes.

**Mr. Wakefield:** — Mr. Chairman, I understand — and correct me if I'm wrong — that the rebate for the . . . well natural gas, heating oil, propane is limited to those energies that are non-renewable. What about geothermal heating and energy? Is that being considered?

**Hon. Mr. Cline:** — No and the reason for that is that this subsidy is for areas of energy that have an increased cost so that geothermal for example you know the cost may not go up significantly like the cost of natural gas. This is really to cover the cost, the high rate of the increase in natural gas. And then of course when natural gas goes up, the cost of propane and the cost of home heating oil also goes up, so it's very fair to subsidize those people as well.

But for example if you had a home with electric heat and no natural gas, their price would be going up about, you know, really it's 4.9 per cent recommended at least by the rate review panel, Cabinet hasn't made a decision yet. But my point is that's below the 10 per cent that the increase for the natural gas users is capped at, so there's no argument that they should be subsidized.

The argument is that you need to protect the natural gas users from the proposed increase of, I think it was, close to 30 per cent that the rate review panel recommended. And so for the natural gas users, the government is protecting them to the point of 10 per cent. They don't actually get any subsidy, but the home heating and the propane need to be given a grant because their rate you know will go up, but then they're subsidized in an equivalent way. But the electrical and the geothermal never will get up to a 10 per cent increase in the first place, so that's why there's differential treatment there.

**Mr. Wakefield:** — Thank you, Mr. Minister, and through the Chair I have another question in a slightly different area now; it's more in the industry and development area. Earlier this evening I understood that there was, under Rural Development, a vote in 43 called industry development, regional development, and I assume that is focusing on areas that the previous minister talked about. I guess I'm exploring here the possibility of there being a redundancy in trying to get development in place, that being rural development, but doesn't that cross over into your responsibility as Minister of Industry and Resources.

**Hon. Mr. Cline:** — No I don't believe there is a redundancy. What has happened is that our department formerly had the various regional offices in Saskatoon, Regina, and some other centres. But now . . . well and the ones in the other centres like Moose Jaw and some other areas, they have been transferred to Rural Development along with responsibility for the REDAs [regional economic development authority]. For example, we have the Saskatoon and the Regina REDAs, but the other REDAs are now the responsibility of the Department of Rural Development.

So it's not so much a redundancy as a division of responsibilities. And some of those responsibilities and some of the people have been hived off out of our department into the Rural Development department.

**Mr. Wakefield:** — Does that mean then, Mr. Chairman, that the Department of Industry and Resources has a smaller budget because of that?

**Hon. Mr. Cline:** — Yes there were positions and dollars that were transferred out of our department into the Department of Rural Development. And I could certainly get the member the specific number of people and dollars. I think it probably was a part of the original press release, but I'll undertake, if not this evening you know, quite soon to get those numbers to the member.

**Mr. Wakefield:** — Thank you, Mr. Chair. I just have another one or two questions if I could. I know we're in a timeline here, and I'll try to keep in tune with that.

A question then to the minister, the ethanol industry that is starting to spool up, the construction is well under way, as you know, in Lloydminster for that particular entry into that field. There is a natural, a real natural, that would have appeared to me as a place to be centred, and that would be the biodiesel initiative of the renewable energy source. Lloydminster would have been a great centre for that.

Diesel is refined there in the small Husky refinery. ADM [Archer Daniels Midland Company] is likely one of the largest canola crushing plants in Canada. What an ideal place. Was that ever explored from in your department?

**Hon. Mr. Cline:** — I'm advised, Mr. Chair, that even though our department administers the ethanol program, that the area of biodiesel out of canola has been the responsibility of the Department of Agriculture and Food and remains as such and that they are the ones taking the lead in the area of biodiesel as opposed to Industry and Resources.

**Mr. Wakefield:** — Okay. Thank you, Mr. Chairman. That's unfortunate that we didn't try and pursue that in some department or other, instead of saying it's their problem. It's somebody else's problem.

Just heard on the news tonight the province of Nova Scotia has landed a contract with Research in Motion for a research, no, a maintenance area for the BlackBerry with 1,200 jobs in Nova Scotia. And that was pursued by the province, particularly by the Premier, and that would have been a great fit in our research park in Saskatchewan. And I just encourage you to make sure that you're aware of these things and not have, for instance, the biodiesel plant develop in Velva, North Dakota. Those are really important issues.

**Hon. Mr. Cline:** — Yes. So, Mr. Chair, I certainly would want to indicate to the member in the committee that I agree these are important issues. And we in our department are always looking for these kinds of opportunities, and we're always talking to, you know, industries outside Saskatchewan to try to attract investment indeed. We spent a lot of time for example talking to Husky Oil about the building of the wheat-based ethanol plant before that came about.

And it's certainly the sort of thing that we do, and we're spending a lot of time the last few years talking to a lot of major oil companies, uranium companies, mining companies, and

forestry companies to try to attract them to Saskatchewan. And of course sometimes we've been successful, like Tolko for example, or the Weyerhaeuser oriented strand board plant at Hudson Bay, unlike the unhappy situation we have with the pulp mill.

But it is something that we pursue. And certainly with our partners in government, other departments, we want to look for opportunities. And sometimes we're successful, and sometimes of course another jurisdiction will be successful. But we certainly watch out for them. Thank you.

**The Chair:** — Thank you very much. I'll recognize the member from Thunder Creek.

**Mr. Stewart:** — Thank you, Mr. Chair. And before I forget and we end this, I want to thank the officials for coming tonight. I know that this is probably not your favourite thing in the world to do, but we do appreciate the help you give us. So thank you very much.

Mr. Chair, I see that our time is almost up, and I do have some questions. I know that we got cut off after about 15 or 20 minutes last week. I hope that we can extend this a little bit because I do have some areas that I would like to cover.

**The Chair:** — Thank you very much. Proceed with the questions and we'll find time.

**Mr. Stewart:** — Thank you, Mr. Chair. Mr. Minister, if you recall last week when we did this, I asked you to give an overview of the sort of state of the economy in your view and you did. And it was quite a glowing, rosy picture I must say. And I had started to ask you questions on that and we ran out of time.

Mr. Minister, before I get into that again, going back to questions that Mr. Wakefield was asking, the rebate program is \$2 million I believe. Out of that 2 million, what portion of that 2 million will be administrative costs, and what portion will go to consumers?

**Hon. Mr. Cline:** — The administrative costs we feel will be about \$200,000 out of a total allocation by the legislature, which we hope to receive, of \$2.2 million.

**Mr. Stewart:** — Thank you. Thank you, Mr. Minister. Mr. Chair, I wonder if the minister could tell us if his department has an innovation strategy.

**Hon. Mr. Cline:** — Yes, Mr. Chair, to the member. The innovation agenda played a large part of the recently released Action Plan on the Economy. And while I don't have the various actions at my fingertips, one of the key areas is commitment to research and innovation. And many of the actions referred to in the action plan are part of the innovation agenda. And if the member wanted me to, but I'm not sure he does in the interest of time, I could go through it and identify the innovation agenda that arises out of the plan, but the document speaks for itself and is a public document.

**Mr. Stewart:** — Thank you, Mr. Minister, And, Mr. Chair, I wonder if the minister could tell us briefly, if possible, if there

are any targets set for the innovation agenda.

**Hon. Mr. Cline:** — I think it's been discussed quite a bit in the public domain already that the action plan speaks to some specific actions that we feel should be put forward. And we feel that if these actions were taken, it would build the economy in a positive way. But no, we haven't set in the action plan, specific targets although we have committed to reporting each year to the Legislative Assembly and on the progress we've made with respect to the implementation of the action plan. So we'll certainly be talking about what we have done or what we haven't done, conversely.

And if I may, I'd just like to add in answer to Mr. Wakefield's earlier question, I now can say that when the Department of Rural Development was created, there were 30 full-time equivalent employees transferred from our department to the Department of Rural Development and 30 . . . no I'm sorry, \$5.4 million was transferred out of our department's budget into the Department of Rural Development.

**Mr. Stewart:** — Thank you, Mr. Minister. Mr. Chair, I wonder if the minister could tell us if his department has any plan to accommodate cogeneration from industry and to facilitate SaskPower or . . . SaskPower I guess purchasing that power at, that cogenerated power at commercial rates.

**Hon. Mr. Cline:** — Our department, Mr. Chair, to Mr. Stewart, no would not be responsible really for cogeneration. That would be the responsibility of the Saskatchewan Power Corporation.

I should indicate though that we did sign an MOU [memorandum of understanding] with the federal government last week to explore the possibility of clean coal which would be a major project and also either coal gasification or petroleum coke gasification which would be a major project as well. And in one sense at least the second part of that would involve some cogeneration I think. But in terms of the general question surrounding cogeneration, those would really be the responsibility of the Saskatchewan Power Corporation.

**Mr. Stewart:** — Thank you, Mr. Minister. Mr. Chair, last week when the minister gave his report of his opinion on the state of the economy, he talked in glowing terms about the oil and gas industry and the activity that's taking place there.

Mr. Minister, as I read this Saskatchewan Industry and Resources weekly drilling summary report no. 44 ending November 4, 2005, drilling starts for the year to that point were up 14, and that includes oil, gas, dry holes, and others. The total increase over the previous year was 14, and I note that there were 20 more dry holes. So clearly real producing wells or new producing wells are down from last year in combined oil and gas.

Does the minister find that odd in a time when oil prices are at record highs and gas prices are at very high levels that, even accepting the minister's interpretation of these numbers, that we're only up 14 new wells? And when you look into it further, we're down because we're up 20 dry holes.

**Hon. Mr. Cline:** — Mr. Chair, no I don't find it odd. As I explained last week, one of the issues that the industry faced

this year was rain. It is difficult to move rigs around and do a lot of drilling when it's raining. And we did have more rain than usual. That was a issue I identified last week.

Second issue is the availability of drilling rigs. I did explain that there are more rigs in Saskatchewan now. But anywhere you go, rigs are in very short supply. And so you can't always access a rig to do all the drilling you want. You have to find a rig, and they're very busy.

A third observation I would make is that our objective is not only to drill more wells, although that's certainly a very important objective, and more wells are being drilled. The number of wells drilled is not bad. But also we are attempting to increase the production from the wells we have. As has been stated before, in Saskatchewan on average, we only obtain 15 per cent — that's one five per cent — of the available oil out of the oil wells, leaving 85 per cent in the ground. And so it's just as important to try to increase the level of production per well as it is to have new wells.

And of course, to make a long story short, we're trying to have enhanced oil recovery from the wells we have. And so we see a doubling of production out of the Weyburn wells because of the CO<sub>2</sub> injection by EnCana, and similar attempts are being made by Apache at Midale. So those are my observations.

And the other observation I'd make is most independent observers say that the oil and gas sector in Saskatchewan is flourishing. Production has doubled in Saskatchewan in the last number of years. We're doing much, much better than we were before. And I don't say that everything is perfect, but I'm not a crepe hanger either. And when an industry is really doing quite well, I don't go out of my way to pretend it's not doing well when it is doing well. And most independent observers and certainly the many, many people I talk to in the oil and gas sector and the families that depend on that sector for their jobs all feel quite sincerely that the oil and gas sector is doing better in Saskatchewan than it has done before.

**Mr. Stewart:** — Thank you, Mr. Minister. So, Mr. Chair, I wonder if the minister could explain then since the focus is not on new wells but it's on increased production, I have in front of me page 6 of the 2005-06 Saskatchewan mid-year report from the Minister of Finance wherein he says that in the first seven months of this fiscal year that oil production was down eight-tenths of one per cent in this province and that natural gas wells drilled were down 27.9 per cent in the first eight months of the fiscal year.

**Hon. Mr. Cline:** — Well I don't need to explain it, Mr. Chair, because the member has just explained it in his question. He just referred to a document that refers to what happened until the end of July. We're now in the end of November, and I have given the member statistics that go up to November 4 already so there's need to rely on certain mid-year statistics that go up till July. And the member's answered his own question because he's using dated information.

But I can tell the member that there's a new weekly drilling summary that is for the week ending November 18, '05. So let's not bother wasting our time talking about what happened as of July; we've got figures till November 18. And as of November

18, there had been 3,242 wells drilled in the province of Saskatchewan compared to 3,234 the year before, up until the equivalent time.

In terms of active rigs there were 72 active rigs for that week compared to 56 the year before. And in terms of licences issued, there were 4,061 as of November 18 compared to 3,589 licences issued for the same period a year before. So obviously that's an increase of almost 500 licences. And why anyone would want . . . 500 licences increase out of 3,589, well you can do the math, but it's more than a 10 per cent increase in the last year.

And why we would want to sit around a room like this pretending for some reason that there wasn't activity in the oil patch? I'm sorry, Mr. Chair; the logic of that simply escapes me.

**Mr. Stewart:** — Mr. Chair, I think the minister can maybe take note of this fact, that it was wetter in Alberta this past spring than it was in Saskatchewan and in fact it wasn't a particularly wet spring in this province at all. For instance seeding was finished on time across southern Saskatchewan where most of the oil and gas activity is. Certainly if you can seed in this province, you can set up an oil well so that excuse isn't holding any water with me.

And furthermore as far as availability of rigs go, there were plenty of rigs available in Alberta to ramp up their production by 100 and — what? — 70, 74 per cent? So I suggest that the minister look into those answers and try and come up with a better excuse.

Mr. Minister, what would you think about these statistics? This is taxpayers-supported debt to gross domestic product ratio for the province of Saskatchewan, and it's the highest in Western Canada by a fair bit. Does the minister think that's a good thing?

**Hon. Mr. Cline:** — Well in answer to the first part of the question, Mr. Chair, just to illustrate how, well, uninformed I think the member is when he says that there might have been less crude oil production in Saskatchewan, you know, one year over the next, relying on figures from July which is kind of strange.

The fact of the matter is, as I indicated before, nobody's crude oil production is dropping faster than the crude oil production in the province of Alberta. In the last number of years while our crude oil production has doubled, the crude oil production in Alberta has been declining. We now produce, and I don't have the numbers in front of me, but I believe it's approximately 400,000 barrels per day of crude oil. I believe Alberta produces roughly 600,000, and, you know, if my figures are wrong, I'll get the member the right numbers. But my point is this. Their crude oil production has been declining over the years; ours has been going up. Now the member can try to indicate to the public that somehow we're producing less, but I'm here to say that that's not true.

Now, now the member wants to talk about the level of public debt in the province of Saskatchewan. And of course he wants to trot out the myth that somehow under the New Democratic

Party the level of public debt is going up to astronomical levels. Well I'm here to say, Mr. Chair, in answer to that question — which I guess really is a question for the Minister of Finance but I'm not going to let it go unanswered — that when our government took office in 1991, I believe the level of public debt to the gross domestic product was 68 per cent which was the worst in the country.

I believe that the province was close to bankruptcy, and there were only 23 bond investment houses that would invest in bonds in this province. In fact the Government of Saskatchewan had to go to the federal government with cap in hand to get some extra money so that the Government of Saskatchewan could pay its bills at one point.

Well I believe today the debt to GDP ratio for the Government of Saskatchewan is approximately 24 per cent. I don't have the number in front of me, but it's in the Public Accounts.

And I would say this to the people of the province, Mr. Chair. They don't have to listen to me. They don't have to listen to the member from Thunder Creek, but they should listen to the credit rating agencies, the Dominion Bond Rating Service, Standard & Poor's out of New York, Moody's out of New York. What do they say? They have raised the credit rating of this province from the worst credit rating in the country to at least average, and we have a AA credit rating across the piece, and I believe the province of Saskatchewan has had 13 credit rating upgrades.

And if I have to take the word of even myself or a member of the opposition or the word of Dominion Bond Rating Service, Moody's or Standard & Poor's as to whether the Government of Saskatchewan is doing a good job on the fiscal side, I'll take their word.

And the opposition can keep peddling their mythology that somehow the New Democratic Party is not managing the finances correctly, and I suppose they would say that the Conservatives in the 1980's were, as if anyone would believe that. They can say that all they want, Mr. Chair, but it will not go unanswered because it is not in accordance with the facts, and everybody knows it.

**Mr. Stewart:** — Well thank you Mr. Minister. That was a long-winded answer but, Mr. Chair, I must say that I have all kinds of time. If the minister wants to answer in 10-minute answers, that's fine with me. We can stay all night. I'm in no hurry at all.

Of course as the minister suggested, production drops in Alberta because such a high percentage of their oil fields are mature. They've been in the oil drilling business in a very big way since the 1940s when Saskatchewan was just really beginning. So that's bound to happen percentage wise; their production's going to be dropping, and ours will too as our fields become more and more mature. But can the minister deny that drilling activity is very intense in Alberta? And certainly many more wells being drilled in Alberta than there is in Saskatchewan. Can the minister deny that? That should be short answer, I would think.

**Hon. Mr. Cline:** — Well what the member should know, Mr.

Chair — and I think he probably does know — Alberta has about I believe 30 times the known reserves of natural gas to Saskatchewan. British Columbia in fact has more natural gas than Saskatchewan. Most of the activity in Alberta is on the natural gas side.

Now he says, would I deny there's a lot of oil and gas activity in the province of Alberta? No of course not. Everybody in the country knows there's a lot of oil and gas activity in Alberta. That's why they're rolling in money. Everybody knows that.

But I don't know why the member would try to deny that there's oil and gas activity in Saskatchewan, albeit not as big as Alberta. But I mean any member of the public watching this would know that there's a lot of oil and gas activity in Alberta and has been for years. And every member of the public watching this would know that the oil and gas sector isn't as big in Saskatchewan, but it's twice as big as it was, you know, a short number of years ago. So obviously we're making progress.

Do we have the same resources they have in the province of Alberta? No unfortunately we don't. Are we developing the resources that we have? Most reasonable people know that that's happening because they have their eyes open and they can see the activity going on in the oil and gas sector in the province of Saskatchewan. And I'm proud of that, Mr. Chair. And I think that all members of the legislature should be proud of the people that work in the oil patch and are developing that industry here in Saskatchewan which employs about 24,000 people now.

**Mr. Stewart:** — Mr. Chair, I wonder if the minister knows that Saskatchewan's corporate tax rates are the highest in the country. And if he knows that — and he probably does — does he think that that's a good thing for building an economy?

**Hon. Mr. Cline:** — Well, Mr. Chair, I served as Minister of Finance for five and a half years, and I've been in the provincial cabinet for 10 years, and if I didn't know that we have the highest corporate capital tax, well then I should resign because of course I know that. And it was confirmed recently by Mr. Vicq in a commission that was appointed by the New Democratic Party government to look into the matter, and we all know that, Mr. Chair.

And so the government has set out, you know, to have it looked at in a very honest and transparent way and to ask the question whether something can be done about that. And it's a concern that we all share.

**Mr. Stewart:** — Thank you, Mr. Minister. Mr. Chair, I wonder if the minister's aware that Saskatchewan also has the highest small-business corporate capital or corporate tax rates in the country. And does the minister think that that's a good thing for growing an economy?

**Hon. Mr. Cline:** — Well I'm not sure I agree with what the member's saying there. The fact of the matter is, Mr. Chair, that the small-business corporate income tax rate in Saskatchewan today is five per cent. When our government assumed office it was 10 per cent. Now I believe in the province of Alberta the rate is 4 per cent. So it's lower than our 5 per cent but not much

compared to what it used to be. So we've made a great deal of progress. And I think if the member wanted to be fair, the member would acknowledge that when you cut a tax from 10 per cent to 5 per cent, you've made some progress. And those are the real facts.

**Mr. Stewart:** — Mr. Chair, I wonder if the minister is aware that real, average hourly wages in Saskatchewan are lower than a basket of the real, average hourly wages in the country as a whole, and all four Western provinces plus Ontario? Is the minister aware of that, and does he think that's a positive economic indicator?

**Hon. Mr. Cline:** — Well I would say this, Mr. Chair, I would say that in any province including Saskatchewan there's some indicators that will be more positive than average, and there're some indicators that will be less positive than average. And when some of the indicators are less positive, I don't sit around and just gripe and complain about them. I try to take action along with my colleagues to do things about them because I don't claim everything is perfect.

What I would claim, Mr. Chair, is that in reforming the personal income tax system as we've been doing in this province, and the oil and gas royalties in the mining sector, and trying in a very honest and sincere way to build the economy of the province, we're trying to deal with some of the negative indicators that we have. And I think in some ways we've had some success. So when the member says some of the numbers are more negative than average, we have to acknowledge that, and then we should all agree in a positive way to try to do something about it. And that's what our government is committed to do.

**Mr. Stewart:** — Thank you, Mr. Chair. I wonder if the minister knows how many jobs were lost in this province from October 2004 to October 2005.

**Hon. Mr. Cline:** — Well the numbers are well known, Mr. Chair. The numbers from Statistics Canada for 2005 show that in September and October for those two months there were fewer people — I think specifically 6,200 fewer in October — working than the previous October. However that followed 17 months of straight job growth. And on average for 2005, there are 5,000 more people working than for the same period the previous year.

**Mr. Stewart:** — Thank you, Mr. Minister. Mr. Chair, I wonder if the minister is aware that out of that same basket — out of the country as a whole, the four Western provinces and Ontario — that Saskatchewan's job creation rate was tied with Manitoba for the lowest in 2004 and continues into 2005.

**Hon. Mr. Cline:** — Well I would like to at least thank the member for acknowledging that there was some job creation in the province of Saskatchewan, albeit at a lower level than he would like and that I would like, Mr. Chair. And I would say that we are not satisfied with the level of job creation that we've seen, and so we need to do better. And again what you need to do better is, in a positive way, to set out a plan to try to improve the situation, and that is certainly what we're trying to do.

**Mr. Stewart:** — Thank you, Mr. Chair. I think that is all the

questions I have, but it's clear that the answer to the minister's questions did not reflect the same kind of rosy picture that he painted of the economy last week. Thank you.

**Hon. Mr. Cline:** — Well let me just say, Mr. Chair, that my comments are on the public record today and the previous time and they speak for themselves, and members of the public can refer to them and make their own judgment. And with that, thank you.

**The Chair:** — Thank you very much, committee members. The business before the committee is the supplementary estimates for Industry and Resources, vote 23. The first item to be voted on is mineral resources (IR04) in the amount of \$200,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — The second item is home heating assistance for alternative fuel users (IR15) in the amount of \$2,000,000. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Thank you very much.

Resolved that there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums for Industry and Resources, \$2,200,000.

Can I get a member to move that please.

**Mr. Lautermilch:** — So moved.

**The Chair:** — Moved by Mr. Lautermilch. All those in favour? Opposed? That is carried.

[Vote 23 agreed to.]

**The Chair:** — Thank you very much, committee members, for your co-operation. Mr. Minister, I would like to thank you and your officials for coming this evening and answering so proficiently those questions put before yourself and the committee. And I'd like to thank your officials as well.

**Hon. Mr. Cline:** — Thank you, Mr. Chair. I'd like to thank the officials for their assistance here tonight. And I'd like to thank you and the members of your committee for our dialogue. Thank you.

**The Chair:** — Thank you very much. Well the committee will stand adjourned for two minutes as we change departments and officials.

[The committee recessed for a period of time.]

**General Revenue Fund  
Supplementary Estimates — November  
Agriculture and Food  
Vote 1**

**Subvotes (AG08) and (AG03)**

**The Chair:** — All right. Thank you committee members, I'd like to welcome you back. And the business before the committee now is the estimates for the Department of Agriculture and Food, vote 1. We have with us the Minister of Agriculture. Would you please introduce yourself and your officials to the committee.

**Hon. Mr. Wartman:** — Thank you very much. I'm Mark Wartman, Minister of Agriculture and Food. To my right is deputy minister, Doug Matthies. And to my left is assistant deputy minister, Hal Cushon. Immediately behind me on my left is Rick Burton, who is the director in the policy branch. And in the middle behind me is director of financial programs branch, Dave Boehm. And to my right and behind me is Jack Zepp, who is the acting assistant deputy minister.

**The Chair:** — Thank you very much, Mr. Minister. I'll now open the floor for questions, and I'll recognize Mr. Bjornerud.

**Mr. Bjornerud:** — Thank you, Mr. Chair. And welcome to your officials, Mr. Minister. I want to go back to where we touched on the other day because of the emergency funding that had just nicely been announced when we met the other day. Have you any more information? A lot of the questions that we're getting right now because, I believe, of the urgency of the need of cash out there on every farm in the province . . . do we have any better idea of when and how this money will be paid?

**Hon. Mr. Wartman:** — The funding will be flowing in the new year. We were assured that they would move that as quickly as possible. The base for the funding was to be '98 to 2002, based on eligible net sales. And they have decided that they would include 2003 as well, so it's '98 to 2003. And as near as we can tell, they will follow up on this and get it flowing just as quickly as they can.

**Mr. Bjornerud:** — Thank you, Mr. Minister. That, I believe, is the same way that they paid that out . . . there was a payout last year, a smaller amount of course. But because of BSE [bovine spongiform encephalopathy] and all the other things going on, on the grain side as well, there was a payout last year. Is that the same criteria they used to get those cheques out last year, or was it the year before — I'm not sure — in the last couple of years?

**Hon. Mr. Wartman:** — In the spring the criteria was on the TISP [transitional industry support program], the transitional . . . what's the acronym on that? FIP last spring, okay the farm income program was used in the spring, and TISP was used last year. Now for this year, it's just eligible net sales which they have not used before.

It was for all commodities when it was used previously. This is now just for grains and oilseeds that they will use eligible net sales.

**Mr. Bjornerud:** — Okay I have somewhat of a concern that someone that may have had bad times of drought or something will affect probably what they get in a payout out here, if I'm following what you're saying right.

**Hon. Mr. Wartman:** — I think that's the reason why they are using multiple years to try and account for those who have had

some difficult periods.

**Mr. Bjornerud:** — I do find it a little odd that the federal government wouldn't try and get this out quickly. In fact some of the farmers I've talked to were quite optimistic that this money may flow very quickly because, as we know tonight, Mr. Martin's government fell. And if I was Mr. Martin and wanted to get re-elected, I'd want that money out here real fast, as our farmers want it out here real fast. So I'm sure you and us together would hope that they would push those buttons very quickly.

I don't care if they're playing politics, and I don't think probably you don't, and I know the farmers of this province really don't. I don't know whether it will sway the way they vote, and I don't really care that either, but hopefully they get this money out there real fast.

**Hon. Mr. Wartman:** — Well I would like to see them get it out as quickly as they could. I mean our preference would have been to have a program earlier, and we recognize the impacts of trade injury on producers around this province and the problems that most of them are facing have certainly come on them through no fault of their own.

**Mr. Bjornerud:** — Yes the subsidies around the world. But also with our input costs that have been skyrocketing, inputs of all makes from whether it's taxes or fuel costs or fertilizer costs or whatever, but their costs have actually been as much of a problem as their income really this year because they've skyrocketed so much. I think that probably touches on . . . where the questions that we've had from farmers in the last while . . . on that one.

One area I'd like the minister to comment on is, and I'm sure you're well aware of this, is the alternate land use group that's out there. It seems to be something that may have a lot of merit to it down the road, and I've heard nothing but optimistic things about it from the work that's been done so far. There's a trial project going on in Manitoba. Are we anywhere near trying something like that in Saskatchewan, or would the minister comment on that?

**Hon. Mr. Wartman:** — Since these programs are really just in their early stages, they're trying to see what the parameters would be. We are watching what is happening in Manitoba. One of the Maritime provinces as well is doing some review of how this might work and what kind of parameters would be actually set to help one of these programs to function. And so at this point we're just monitoring and trying to see if there is value in moving forward on a plan like the ALUS [alternative land use services].

**Mr. Bjornerud:** — Yes thank you, Mr. Minister. I realize from the information that we've received on this program I know, and I think farmers would say too, this certainly isn't going to solve their problems out there. But if we had enough of these things, it certainly couldn't hurt the situation. And it could be a guaranteed income even though it's very small. It would be something that would be there every year.

And I guess also keeping in mind that when we go to things like carbon credits where farmers are getting absolutely no value out



of the carbon credits and yet they are the people that are actually providing the positive things that we see when we're talking about being green and the Kyoto accord and things like that, it's disappointing that farmers aren't getting their fair share when it comes to things like carbon credits. ALUS may be something that they would get a little bit out of. Not near what we would hope that the carbon credits would realize for them when we actually get the federal government on side with this, but I think it's something that we could really look at. And I think it was, you know, it's positive, and if we had enough of these things going, it would certainly help the situation to some degree.

We talked last week, and I just want to go back to it for a second because I've had this concern brought to me again about if you show your CAIS [Canadian agricultural income stabilization] . . . on your CAIS application, the money that you're going to get out of this payout, and it is a concern out there. I thought maybe just the first couple of calls that I'd had, but I've had more since, and on the weekend I've had some of my own farmers talk about it, that there's nothing been further talked about on this situation where there's a possibility that this money may not have to be shown for CAIS purposes. It would have to be shown, I know, for Revenue Canada's purposes and for income tax.

But I think the concern out there is that it may distort the picture for where one might get a payout out of CAIS. It would discard that payout for next year, put them out of the range where they would fit. And yet someone that wasn't in a position to have a payout next year would get this payout and be, you know, clear and free.

And I'm not really . . . have anything wrong with somebody that's not in a position to get it, to get this money. That's great; they need it too. But I can certainly see where the concern is for someone that's going to be docked when their CAIS payment may not kick in because of what they're getting today. They're actually being penalized for it.

**Hon. Mr. Wartman:** — Well thank you. Let me start off in response to that by saying it is very important to note that this is a federal program that, despite earlier assurances that any type of funding that was going to come out, that there would be negotiation, that we would have input into how we could make that most effective. That did not happen.

This is clearly a federal government program, and we do not have all of the details on it. In our discussions at the federal-provincial-territorial ministers meeting, it sounded to us very clearly like the federal government had made a decision, but we do not have written details. But it sounds like they had a decision made that this would be considered income for CAIS as well as for income tax.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Mr. Minister, then if this program goes like it looks like it's going to go and these dollars are going to affect CAIS for another year, would it not be right to say that this payout is actually going to save the province money?

**Hon. Mr. Wartman:** — Again because we don't have the details on how it will be rolled out or even paper on how it's

going to be accounted, we could speculate, and in speculation there is potential that it could save us in the tens to twenty millions. But at this point, it's only speculation until we get the written detail. And we are hopeful that it will, will save us some funding that we will hopefully be able to apply to help build the agriculture economy further.

**Mr. Bjornerud:** — Did I understand the minister right? Are you saying you'd be willing to put that 20 million also into this program, or are you talking some other . . .

**Hon. Mr. Wartman:** — No not at all. This is a federal program. They've designed it without any consultation. And one of the things that again, across the nation, provincial agriculture ministers have said is that we want to build long-term, stable agriculture program. We want a stable economy. We want to make sure — and just in terms of our emphasis — we want to make sure that people are getting a return, a fair return for what they are producing. So that's our emphasis. And if we can find ways of making strategic investments that will enable that to happen, that's where we want to apply any funding that we're able to put in.

**Mr. Bjornerud:** — Well we certainly agree with the minister that we would like a better deal out of the federal government than 60/40. I guess I know from my perspective of being Ag critic and also the farmers that I represent in my own constituency, I certainly think we're going to have a hard time explaining to them when the provincial government can save 10 to 15 to \$20 million because of a payout from the federal government, and they aren't going to see that money put into this payout or somewhere where they're going to see the cash for it, but it's going to go into some other program that they may never see the benefit of. I think we're going to have some disappointed farmers out there, and I can certainly understand where they're coming from.

**Hon. Mr. Wartman:** — Well we won't make any assumptions on whether or not there is money there, will be money there. We can speculate, but we can't assume. And I think for us, recognizing the amount of hurt that there is in the rural economy, we want to try and provide supports where and how we can. But for the most part, we want to build a good, long-term base that people will be able to be confident in.

**Mr. Bjornerud:** — Well thank you, Mr. Minister. And if there is a saving to the provincial coffers of 10, 20 million, I'm sure we haven't heard the last of this.

Mr. Minister, and I realize the CAIS program is administered federally, so this isn't probably under your jurisdiction. But what I'm hoping, you would pass some of these concerns on. We talked about some we had last week, and there's more coming in.

I had a call today from a farmer where, last year they qualified for a half decent payment, were quite satisfied with the payment they got. This year everything that they applied for in CAIS is very similar to last year. The only difference would be your average of your five years that has changed. But really the numbers are down again. They look very much like last year, and phoned into CAIS. And the person that answered the phone was explaining to them that last year they got a decent payment;

this year they weren't going to get any payment. And the producer was somewhat dismayed that last year it kicked it in and this year it didn't. So the farmer said well everything is the same. Nothing is changed. How on earth can this happen?

So they punched it in and looked it over and the contact person in there said oh, we've made a mistake; we've punched in the wrong numbers. The only way we can fix this is you have to go through your accountant and you change it through the system rather than the person being . . . dealing with it in there, punching in the right numbers, can't do it because the farmer has to go through the accountant again.

And I know the minister is shaking the head and I agree. This is the frustrating things that farmers are trying to deal with out there. Number one, they need the money. They need it as quick they can, and this program seems to be so slow to react to what they need. And then someone in an office tells them that, when they've got bills to pay and they're waiting on this payment . . . and some of these farmers thought the payment should be in the mail already, and now they're told it isn't even coming. And when they find out that through no fault of their own, somebody in there made a mistake, punched the wrong numbers in, that the farmer is actually having to have to go back, pay his accountant again to re-do some of this stuff because of someone's mistake in there.

And I would hope the minister would pass on concerns like this when you're dealing with the federal government, that there's certainly room for improvement in there. This program's been going long enough now you'd think they'd have some of these kinks ironed out by now unless they've got people in there that are not capable of doing the job. In some cases I'm afraid that may be the case because we're hearing some real horror stories out there.

Mr. Minister, while we're on this subject, one of my colleagues also has something that probably ties very close to this, so I'd like to pass it on to him and let him pass his concerns on.

**Hon. Mr. Wartman:** — Do you want a response?

**Mr. Bjornerud:** — If you'd like to respond.

**Hon. Mr. Wartman:** — I'd just say that we too are receiving phone calls regarding some of the problems around the CAIS administration, and this province is not alone in facing those. We have been certainly pressing the federal government for changes — and I think I indicated this last time we met — to try and more effectively deal with the administration through training, through consistency in the staffing there. And we are aware that they know that there are problems. And I think one of the other things that is important that when we encounter these that we move them forward and direct them to the CAIS administration hierarchy so that they will be dealt with effectively. Anyway you have other comments.

**The Chair:** — Thank you very much. I'll recognize the member from Batoche

**Mr. Kirsch:** — Thank you, Mr. Minister. I've got a situation here that's just arrived. And it says about three weeks ago — and this is from Dennis Shulhan — Dennis phoned into CAIS to

check on the status of his application. He was told CAIS never received his application. Dennis phoned his accountant with the information. The accountant phoned CAIS and was told by a gentlemen working there that CAIS had received seven calls that day from people whose applications had not been received.

Dennis called again last week, and the woman he spoke to would not admit that there was a problem with the applications not received. He was told he may have to go through the application process, the appeal process. Mr. Shulhan has heard that the appeal process can take up to two years. He cannot wait for two years, can't afford to wait.

Mr. Shulhan would like to know if the applications gone missing has been a problem, and also can something to hurry along the process of Mr. Shulhan's situation?

**Hon. Mr. Wartman:** — I think one of the key things . . . and I did indicate that we are receiving calls; we're also following up on those. And from the feedback that I get where we have done that it's been effective. There really are not many, and I'm surprised actually to hear in terms of lost files, there's not much in that regard, but it's possible.

And so basically what I would say is if you have . . . and as the other member indicated he has some names and concerns. But certainly if you, if you forward the names and details, my staff will follow up, and we will see if we can get as hasty a possible response. And clearly, I mean, my view is that this is vitally important given that this is the program we live with, and we want people who are viable to survive. And that means timely action. So if we can help move these along, we're very, very happy to do so.

**Mr. Kirsch:** — Thank you, Mr. Minister. Another question I have is, one of my constituents is in the pork business and was concerned with this. Big Sky Pork is opening up a plant in Winnipeg. And she would like to know, and I would like to know also, does that mean the Saskatchewan government is going to have a share in the Winnipeg plant?

**Hon. Mr. Wartman:** — I think, though Investment Saskatchewan is a significant investor with Big Sky, the province did not put any funding at all into the Winnipeg plant. And it will be one of several that Big Sky delivers to. They have contracts with a number of plants where they will deliver.

**Mr. Kirsch:** — So the money's not going there directly, but it could be going there indirectly?

**Hon. Mr. Wartman:** — To the best of my knowledge, there's no Saskatchewan government money going into the Winnipeg plant.

**Mr. Kirsch:** — Thank you.

**The Chair:** — Thank you very much. I'll recognize Mr. Weekes, the Deputy Chair.

**Mr. Weekes:** — Thank you, Mr. Chair, and welcome to the minister and your officials.

First question I have is concerning livestock dealer licence. The

renewals are in the mail right now. As the minister is aware of, there's been some problems in the past where licensed dealers have reneged or weren't able to pay on sales of cattle. As an example of my concern, is on the table it shows of a licensed dealer's purchase of 501 animals to 20,000 head. All the amount of security that they would have to secure is \$40,000. That's hardly the price of a load of cattle. Is the minister of your department looking at making any changes in the way the licensed dealer situation is in concerning security?

**Hon. Mr. Wartman:** — I think one of the things over many generations of dealing cattle and seeing that there are certainly those times when you've got unscrupulous dealers who have caused significant losses and some who have absconded with significant dollars, the struggle has been to not over regulate the industry so that it impedes business but to make sure that there is a level of safety in place. And at this point there are— though there are risks — it is, as with many businesses, based on trust. And at this point the bonding that is necessary seems to be acceptable to most, though it does place significant risk with those who are moving cattle. But I guess it's really trying . . . overall it's trying to find that right balance between security risk and not wanting to impede business with over regulation.

**Mr. Weekes:** — Thank you. Just to go on on that same theme, an individual licensed dealer could owe hundreds of thousands of dollars to producers in one week, especially in the fall, run approaching a million dollars, and they still would only, in this example, still would only have to take out a \$40,000 security bond.

I just was wondering, what is the procedure concerning bonds? What steps are taken to ensure that a licensed dealer actually has a bond taken out as security?

**Hon. Mr. Wartman:** — A couple of things. First of all I want to refer back to the first part of your comments to note that it was seriously looked into a few years ago that we would have an assurance fund . . . and a lot of discussion with cattle producers, people within the industry, and there was real divergence of opinion and no sense that industry really wanted to move forward with significant changes.

Secondly with regard to the dealers and the bonds, in order to be a dealer you have to be bonded. If they are not bonded and they are reported or caught, then they would be prosecuted which would probably lead to fines, revocation of dealership, etc.

**Mr. Weekes:** — Why I'm asking is a few years ago, whenever a licensed dealer took a bond out and submitted the application to be a licensed dealer, your department asked for a copy of the bond. And in the last few years, your department has not been asking for that. And what brought it to mind is a situation in Highways and Transportation, and we're not going to talk about that tonight, but it's a similar situation where it's taken at face value that this individual has taken a bond out with his . . . Yes that person would be breaking laws and could be charged. But at the end of the day, is that bond in place? Could you comment on that?

**Hon. Mr. Wartman:** — Because the person who runs that program is not available to us tonight, we'll take the question

under advisement and get back to the member. Certainly whether there is a copy asked for or not, there may be another mechanism for checking if there is a bond in place. That's one guess, but I don't want to leave you with a guess; I'd rather that we deliver the facts to you. So we'll check that and then get back to the member.

**Mr. Weekes:** — Thank you, I appreciate you getting back to me on that. Another question just generally concerning diseases in farm animals but in particular a disease called Johne's that is prevalent in North America. What steps is your department taking to, well, to track these diseases? I mean this particular disease is not one that's been listed as one of the critical ones like a BSE or TB [tuberculosis], but there are diseases out there that are not in the public eye or have not yet been identified as a human concern to human health. And I just want to know what procedures do you have in place to watch for these types of diseases that are out there that may affect our trading relationships with other countries in the future.

**Hon. Mr. Wartman:** — In particular with Johne's there's been a fair bit of discussion go on and again no consensus amongst the key players. I mean it is primarily an economic disease in the sense it impacts economy, reduces production in dairy. But the other piece of it is that in terms of tracking, certainly our veterinarians we rely on them as front line; they're the first people who will encounter disease.

We also have the PDS [Prairie Diagnostic Services] labs which do the diagnostics. They do report to us. And if there is significant incidents or a disease that certainly needs to be noted and flagged, then we do roll that information through to the federal government as well.

But currently I mean there's . . . you'll know that with other cattle diseases as well, there's really questions about whether we need to place restrictions on or whether we just deal with the disease as it comes through. Does it have a significant health impact, or is it something which just impacts the economic side of the business? And those things have to be weighed out in the industry. They have to be weighed out in terms of regulations. I mean we're looking at dealing with bluetongue. How do we do that in a way that will help facilitate our trade with the US [United States] and do it, you know, just get the regulations changed so that the industry can flow as well as it can, recognizing that you don't have significant health impacts with that disease in Canada.

**Mr. Weekes:** — Thank you. On another topic, World Trade Organization is going to be meeting mid-December, and our federal government will be sending a delegation. Other provinces are sending representatives to the WTO [World Trade Organization]. Is Saskatchewan planning on sending a representative to that meeting?

**Hon. Mr. Wartman:** — Yes. On the agriculture side, we have an official with significant expertise who will be attending. I will also be attending. And in preparation for that, what we have done here is I called together a round table of representative of many producer groups, producers with . . . And I tried in pulling that together to get the breadth and the depth of divergent views that we have, to try and pull together the most solid Saskatchewan position that we could get to to

reach the highest common denominator where there was agreement and to also be able to set what the priorities were that would give us strength here.

Out of that round table, we pulled together a subcommittee which has really done a lot of the basic groundwork, and I think has helped us to prepare a strong Saskatchewan position. But in preparing a strong Saskatchewan position, we have to also see ourselves in the national scene, and we asked the subcommittee in their work to be cognizant of that. And we think that the work they have done has been and will be very helpful in terms of our approach.

In discussions with the other provincial ministers, I have tried to share with them the information that we got, and there are a couple of others that were also looking at doing some round tables. And we expect that overall — and I think our communiqué from the federal-provincial-territorial ministers focused on this — that overall we recognize as a high priority for Canada gaining more market access. We know that in order for that to happen there will have to be real negotiating going on. But gaining more market access also means that we're going to have to see some real cuts, real substantial cuts in the subsidies, the trade distorting subsidies that are provided in the US and the EU [European Union].

**Mr. Weekes:** — Thank you. In all negotiations to get an agreement, there's going to be trade-offs. And Canada is in a unique situation having supply management which the Canadian government defends as well as the Canadian Wheat Board. And the big concern for western producers is the high level of subsidies that the Americans and the Europeans subsidize their producers.

When it comes down to the final negotiations and the trade-offs that will take place, is your government prepared to advise the federal government to allow the Canadian Wheat Board, allow producers to have some options in trading their grain which would mean giving them the option of selling their wheat through the wheat board or not through the wheat board in order to get a deal on the subsidy side with the Europeans and the Americans?

**Hon. Mr. Wartman:** — Let me first of all read to you part of the communiqué because we have tried to and will continue to try and to put together as broad and strong a front as we can as we go into the negotiations without just simply flashing our cards in front of everyone as to what we may or may not do:

Ministers will continue to push for greater market access, address trade issues, and seek to level the international playing field so that Canada's producers and processors can compete fairly and equitably in global markets. They strongly confirmed their support for the right of producers to choose orderly marketing systems.

And given the divergent views across the country — particularly Alberta's view which they have put a lot of money behind, that they do not agree with the retention of the Canadian Wheat Board — this is as close as we can get to a unified Canadian position. Certainly with the supply manage side, Ontario and Quebec have been very clear that they don't want those traded away in any kind of easy form.

So when you start looking at that, what you're . . . in terms of negotiation, if there is some need for movement, you start talking about what are the tariff rate quotas and at what levels can you begin to negotiate around those tariffs in order to gain access. But in gaining access, that means others will gain access to us.

In terms of the wheat board specifically, I think the member will know that our position has been quite clear, that we do support producers' right to choose an orderly marketing system, and yet we also know that these negotiations are going to be very, very hard. And in terms of world support for state trading enterprises, though, Canada does have some support from Australia and New Zealand and discussions with China and I believe it's India, that are supportive.

There's huge pressure from the EU and the US to eliminate state trading enterprises. So there's no illusions that this will be . . . this will be hardball negotiations, and we will present our strengths as fully as we can at the negotiations as we seek to get the best deal for Canada. Remembering clearly what I said at the beginning, that market access is very, very important for us as a trading nation and as a province which exports as significantly as we do . . . not only in agriculture because agriculture is only one portion of the discussion — a key one — but only one portion. And we are also major exporters of manufactured goods. And in looking at the broadest picture, we recognize that getting a good deal in agriculture makes possible good deals in some of the other sides as well.

**Mr. Weekes:** — Well I would agree. I guess my point is when it comes right down to it, is the Saskatchewan government prepared to move a little on the Canadian Wheat Board position that you have in order to get a fair deal for Saskatchewan and Canadian farmers as far as subsidy levels from other countries?

And those, as the minister said, it's not going to be an easy decision, but there is considerable pressure, as you pointed out not only from our trading partners, but from within Canada to make some changes to the Canadian Wheat Board to allow our producer to have the option of trading through the wheat board or outside the wheat board. And it would seem that it would make a lot of sense in order to get a deal on these very serious subsidies that the Americans and Europeans are subsidizing their farms with, that it would be in the best interest of Saskatchewan farmers if that we would negotiate to reduce those subsidies in doing those negotiations.

**Hon. Mr. Wartman:** — Well a couple of things, I think I would like to note in response to that. First of all remembering that we are going into very sensitive negotiations and that we are in public here as we speak tonight, I think it's important to note that I'm not a big card player, but I rarely, when I'm playing cards, do I show my hand to the other players. And secondly I actually have been successful in buying and selling cars and a few other things occasionally and getting a return. So I'm going to be very careful in terms of how I speak about issues where we might go in terms of our negotiating position.

All that said, we are looking for the very best deal for Saskatchewan farmers. We must recognize that the wheat board has been challenged 11 times — 11 times has shown that it is a fair trader before the trade courts. And in terms of some of the

issues that have been particular bugbears for some of our competitors, the wheat board has indicated that it is prepared to give up some of those and to change its way of operating. And again we do believe that producers do have a right to choose orderly marketing system, and we don't think that it is the right of foreign governments to tell our producers how they can organize to market their product.

So all of those pieces I would put together and again emphasize, we recognize as traders how important it is that we gain market access.

**Mr. Weekes:** — Thank you, Mr. Minister, and thank you to your officials for answering the questions this evening. That's all we'll have.

**The Chair:** — Thank you very much then. The business before the committee is the supplementary estimates for Agriculture and Food, vote 1. Farm stability and adaptation (AG08) in the amount of 154,800,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Thank you. Industry assistance (AG03) in the amount of 4,300,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Thank you.

Resolved that therefore there be granted to Her Majesty for the 12 months ending March 31, 2006, the following sums, Agriculture and Food, 159,100,000.

Do I have a mover? Mr. Borgerson. All those in favour? Opposed? That is carried.

[Vote 1 agreed to.]

**The Chair:** — At this time committee members, I'd like to thank the minister and his officials for attending tonight and answering the questions of the committee. The committee has a few remaining items of business, but we'd like to thank the minister, thank his officials, and hope that you have enjoyed your evening as much as we have.

**Hon. Mr. Wartman:** — Well thank you very much for that very enjoyable evening in good company. And I would like to thank the members for their questions and for noting some of the concerns that we are addressing and need further addressing in terms of the CAIS program. I would invite those members who do have particular cases they want to deal with to feel free to contact my office, and we will make sure that action is taken.

That said, I would like to thank my officials for their commitment, their hard work and thoughtfulness in helping answer the questions. And thank you for this opportunity to deal with supplementary estimates.

**The Chair:** — Thank you very much, Mr. Minister. Members of the committee, we now have before us a draft report on the Standing Committee of the Economy, fourth report. Okay. All members had the opportunity to look at it, so Ms. Hamilton is

moving:

That the fourth report of the Standing Committee on Economy be adopted.

All those in favour? Opposed? That is carried.

For notification of the members, tomorrow I will move, seconded by Mr. Weekes, in the Assembly that our report be concurred in and that will occur under routine proceedings when we have reports of standing and select committees.

With that I will entertain a motion to adjourn. Moved by Mr. Lautermilch motion to adjourn. All in favour? That is carried. We now stand adjourned.

[The committee adjourned at 21:26.]