



STANDING COMMITTEE ON THE ECONOMY

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**STANDING COMMITTEE ON THE ECONOMY
2007**

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Batoche

Mr. Eldon Lautermilch
Prince Albert Northcote

Mr. Lyle Stewart
Thunder Creek

[The committee met at 15:01.]

The Chair: — Thank you very much, committee members. As I call the meeting to order today, I'd like to indicate that we have Mr. Cheveldayoff substituting for Mr. Kirsch, Mr. Borgerson substituting for Mr. Lautermilch, and Ms. Crofford substituting for Ms. Hamilton.

The first item before the committee today is vote no. 18, estimates for the Department of Finance, and we have with us the Minister of Finance. Would you please introduce your officials to the committee.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

Hon. Mr. Thomson: — Good afternoon, Mr. Chairman. I am pleased to be joined today by a number of officials from the department.

Seated directly to my right, to your left, is Doug Matthies who's the deputy minister of Finance. On the other side of me is Darryl Kristjanson who's the director of the treasury board branch. Joining us also today seated behind me are Len Rog who is the ADM [assistant deputy minister] responsible for revenue; Brian Smith who is the ADM responsible for the pensions and benefits agency. Joanne Brockman is joining us; she is the executive director of economic and fiscal policy branch. Arun Srinivas is also here, who is the senior analyst for taxation and intergovernmental affairs branch. And also joining us is Louise Usick who is the director of administration.

The Chair: — Thank you very much, Mr. Minister. Do you have any opening comments you'd like to make?

Hon. Mr. Thomson: — Not at this time, thank you.

The Chair: — Okay. I'll therefore open the floor for questions. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Welcome to the minister and welcome to his officials, and appreciate the opportunity to pose questions this afternoon.

I want to begin by looking at the schedule of revenue from the budget documents. First item is the corporate capital tax: forecast for '06-07, \$480 million; the estimated for '07-08, 430 million. We're down about \$50 million. And in pulling out the Saskatchewan business tax review committee information, it shows that we would expect to be down about \$82.6 million as far as estimated revenue goes for the '07-08 tax year.

Could the minister or his officials just comment on the status of the corporate capital tax and if we're on schedule with what Mr. Vicq thought we would see in the province.

Hon. Mr. Thomson: — Mr. Chairman, we are in fact on track as far as the schedule that we had outlined in terms of the corporate tax reductions that were previously identified by this

administration and passed by the House last year. I am pleased however to report that corporate revenue has been stronger than we had initially anticipated, and as such that has helped to offset some of the anticipated declines.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Is there a breakdown? It looks like we're about \$30 million ahead of schedule. Is that correct?

Hon. Mr. Thomson: — I think what I could do, Mr. Chairman, that might be helpful is to provide a brief overview of where we're at in terms of our corporate tax forecast and our resource surcharge which will help members see fairly clearly, I think, as to where we're at as opposed to what we were forecasting.

The Chair: — Thank you very much, Mr. Minister. Please proceed with doing that.

Mr. Cheveldayoff: — I'm sorry; did you have a presentation along with it or . . . [inaudible interjection] . . . I thought I heard you say you were going to . . .

Hon. Mr. Thomson: — No but I'll give you a couple of minutes to look it over if you want.

Mr. Cheveldayoff: — Yes. I'll just refer to it as I ask my questions then, Mr. Chair. As far as the corporate capital tax goes, how many businesses in Saskatchewan currently are paying that tax, and has that number gone down since the tax changes?

Hon. Mr. Thomson: — Mr. Chairman, that number is fairly constant for this year at about 1,400 businesses.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Can the minister just outline the effect that the department has seen or the province has seen from the changes of the corporate capital tax since they've been announced? Is it too early to tell, or is there indeed some changes that he can speak to?

Hon. Mr. Thomson: — It's still early to be able to quantify as to what the impact of the changes are, but I think it's fair to say that all of us have some anecdotal evidence that there appears to be an upsurge in investment in the provincial economy. One of the issues that is always difficult to separate out is to what extent these tax measures have stimulated additional growth beyond what we would have anticipated anyway. Obviously the provincial economy is growing fairly significantly right now. So when we look at corporate tax revenue, a lot of that could be attributed to any one of a couple of different factors.

I obviously like to believe that the tax changes that we've undertaken do help to promote this kind of a reinvestment by the corporate sector and they're helping to provide for better profits. There's no doubt also that there is more disposable income available. And I think in large part, in some sectors of this economy, that's helping drive stronger profits and stronger corporate income.

Mr. Cheveldayoff: — Thank you, Mr. Minister. According to corporate income tax, we see that estimated '06-07 was 361 million; forecast for '06-07, 553 million; and then an estimate

for '07-08, 460 million. Forecast overestimated, '06-07, a 50 per cent increase.

Could the minister just outline the reason for the large increase and then the move back down to 460 in the '07-08 estimate.

Hon. Mr. Thomson: — I will ask Mr. Srinivas to answer.

Mr. Srinivas: — In 2006-07 the assessments for the 2005 taxation year were completed, and those assessments indicated that the provincial tax base had grown by almost 30 per cent over 2004. As a result, tax assessments were up for 2005. And we were paid, in 2006-07, a reconciling adjustment to complete our 2005 income tax payments.

Mr. Cheveldayoff: — Thank you, Mr. Chair. So would the same thing then happen with the '06 numbers? Will they arrive late? And will they change the forecast for '07-08 at some point in the future?

Mr. Srinivas: — Yes, it is, but we don't expect the growth to be quite to that same extent. The assessments always lag the taxation year by one year, so this is something that happens with every year's revenue forecast. The amount of the over- or under-adjusting payment is always different, and it varies from year to year. But what we received in 2006-07 was atypically high.

Mr. Cheveldayoff: — Yes, it was 50 per cent. Would you say it would be more in the neighbourhood of 20 or 30 per cent that you'd expect or . . .

Mr. Srinivas: — Too early to guess.

Mr. Cheveldayoff: — Thank you. How many businesses in Saskatchewan currently pay corporate income tax? And has that gone up or down in the last year?

Hon. Mr. Thomson: — We're not aware of any significant change in the number of corporate payers. The overall number we're advised is somewhere around 13,000.

Mr. Cheveldayoff: — Thirteen thousand and that's relatively the same as other years. Thank you.

We turn to individual income tax. We see that the forecast in '06-07 has gone up substantially from the estimated amount by about \$170 million, but then the forecast to the estimated '07-08 has only gone up by \$20 million. Can you take me through the . . . again the forecast over the estimated, and why the only \$20 million increase in estimated '07-08?

Hon. Mr. Thomson: — Two issues that we were dealing with here. One is the previously identified issue where we're dealing with a one-year lag in terms of the reporting. And the second is as we adjusted from the forecast, we had forecasted growth of 2.8 per cent and revised that to 6.5 per cent when it actually reported in. And so that was largely what the differential was.

Mr. Cheveldayoff: — Okay. You know, a similar question to the last one then. Are we expecting a big change in the estimated over forecast for the next year?

Hon. Mr. Thomson: — No, I don't think we're expecting it to be as significant. It is nevertheless still possible.

Mr. Cheveldayoff: — . . . some changes.

Hon. Mr. Thomson: — Yes.

Mr. Cheveldayoff: — Okay. Turning to sales tax in the province, with the PST [provincial sales tax] decrease we're seeing an estimated \$874 million expected next year. By my calculations that's about \$175 million a point. And with the decreased level, are you expecting to see that rate increase in the future or 175 presently? Would you say it's fair to say that that will continue to grow into the future?

Hon. Mr. Thomson: — Sales tax revenues are . . . I would expect that they would continue to grow somewhat. It just depends on the growth in retail sales, and so it's hard to project. This is a relatively stable tax base, but it does grow each year. So it's not as a, it doesn't fluctuate as much, but there is certainly growth in it. So if you take into account a year — well in 2005, I guess, or when Vicq was reporting — the change in a one point is probably in the neighbourhood now of 25 million.

So in the Vicq projections, we were looking at a rate of about 140 million per point. We're now at almost 170 per point, and so the value of each point obviously depends on the value of sales and price inflation. So a value of a point increases over time, and that's naturally what we've seen. And so retail sales have been growing, and that's largely what drives this.

Mr. Cheveldayoff: — All right. Thank you, Mr. Minister. My next question was on the other taxes, a breakdown, but I see you've provided some information here for me to look at. I see that the numbers are relatively stable. Do you have any comments regarding the other tax component at all?

Hon. Mr. Thomson: — These are relatively straightforward. They don't tend to vary a great deal. And I think as we take a look at them — insurance premiums; the parimutuel tax which is basically, as far as I understand, still rebated back; motor vehicle insurance; fire prevention — these are all relatively static rates.

Mr. Cheveldayoff: — Thank you, Mr. Minister. And moving to non-renewable resources, natural gas rates or natural gas revenues, we're seeing . . . the forecast was down over estimated amount last year. But we're seeing a slight increase or about a \$10 million increase in non-renewable resource revenue from natural gas. Could the minister just comment on what he sees happening as far as natural gas in the coming year or coming years.

Hon. Mr. Thomson: — We're expecting a fairly stable price and again . . . sorry, a slight increase in price and relatively stable production is what we're forecasting based on . . .

Mr. Cheveldayoff: — Is that in the next year, the stable production? Do we see any increases in production in the future at all?

Hon. Mr. Thomson: — We're not anticipating at this point any significant changes in production.

Mr. Cheveldayoff: — Is the department doing anything in conjunction with Industry and Resources to try to increase production of natural gas in the province at the present time?

Hon. Mr. Thomson: — We largely respond to Industry and Resources in terms of their agenda on the resource sector. So this might be a question better posed to them. I would note however that compared to both of our neighbouring Western provinces, we're actually faring somewhat better on the natural gas side, partly because we're less dependent upon it so the price drop that we saw over the last year has not impacted our budget as much. But we've also been fortunate in terms of our production remaining relatively strong.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Some more question on the oil revenues. I think the minister will agree that we probably would have seen a far different budget if the oil number had been anywhere near the forecast of '06-07 number. It's almost a \$300 million hit as far as oil revenues go. And I understand that we're forecasting a 3 per cent increase in production next year.

So could the minister just outline for us the expectations as far as oil revenue goes. And can you confirm the increase in production numbers that I have been given?

Hon. Mr. Thomson: — Yes, those production numbers sound approximately right. We are fortunate that we're not seeing the slowdown in this sector as Alberta is. Our production is remaining stable and in fact is growing.

The question around price is one of significant debate. Obviously we've pegged the price at fifty-eight seventy-five for this budget. As the member will know, several banks have suggested that we are being very conservative on this — certainly less than what the price is today — but we believe that this is a reasonable estimate for the budget.

Mr. Cheveldayoff: — Thank you, Mr. Minister. And just for my own understanding again, do you have discussions with Industry and Resources as far as, you know, such a major component of revenue for the province and the budget? Do meetings take place and can you tell me if you've been proactive at all in this area?

Hon. Mr. Thomson: — Yes, obviously this is a major area. We spend a great deal of time working as a government to incent the oil and gas sector. I note that one of the reasons today that we continue to see production increasing is because of the NDP [New Democratic Party] government's approach to introducing the tier 4 oil and gas royalties that were introduced by Mr. Lautermilch when he was the minister of Industry and Resources that have really helped to bring on a lot more production. And so this is, I mean, it's quite competitive with Alberta and helped to attract a fair amount of new investment.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Any time that we see competitive rates you will get an agreement from this side of the House. Competitiveness is something that indeed is long overdue in Saskatchewan.

As far as potash goes, we see again quite a wide variance and I've heard some explanations about why that has taken place.

But if you wouldn't mind just taking the time to run through the numbers estimated; 279 million in '06-07. The forecast was 166 and then we're up to \$324 million.

Hon. Mr. Thomson: — The price is stronger this year and although production was good last year, we had difficulty moving product to market. As the member will probably remember, we had a difficulty between one of the major Canadian companies, Saskatchewan-based companies being able to ship into China. Those contracts have now been signed at an increased rate and so we're expecting significantly improved potash revenues.

Mr. Cheveldayoff: — Thank you, Mr. Minister. So indeed the estimated amount for '07-08, will that take care of the entire backlog that was experienced over the last couple of years?

Hon. Mr. Thomson: — Well I don't know if I'd describe it as a backlog. Part of it is simply lost, lost sale opportunity. So there were a number of months where we simply were not able to sell into the market. It's not so much a case of backlog; we've also had to deal with competitors. But we're projecting that this is a, that the price is going to remain strong and that production will remain high and that we will continue to be able to ship into the major markets. So this should be a more stable year for potash.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I guess the reason I used backlog was my understanding was a lot of the potash had landed in China but was unable to be actually sold because of some, some disagreements and was sitting there until the transaction could take place and then it'll be reflected in the province's numbers. Is that correct?

Hon. Mr. Thomson: — That's not my understanding of it but that might be a question that you would want to take up directly with the Industry minister. My understanding is that we were in fact not able to move as much potash and in fact that was why the company had looked at reducing its production and shutting down, and in fact I think shut down one or perhaps more mines for a brief period of time. So in fact it was a difficulty with moving potash. So that's my understanding of it. It could be a different understanding. You might want to take that up with Industry and Resources directly.

Mr. Cheveldayoff: — Sure. Thank you. Thank you for that answer. Under the other category on non-renewable resources, do you have a breakdown there that you can share with us as far as what constitutes that \$105 million? I see that it's up substantially over the '06-07 numbers.

Hon. Mr. Thomson: — I'm advised that because of the competitive nature of some of these operations we don't disaggregate the revenue components. But I can tell you that it is largely from uranium, coal, and some of the smaller other minerals — salt, metallics, sodium sulphate. But that's largely what that category is.

Mr. Cheveldayoff: — Thank you. So it's fair to say that uranium at \$113 a pound, or whatever it is right now, is having a fair bit of benefit for Saskatchewan. Is that correct?

Hon. Mr. Thomson: — Absolutely.

Mr. Cheveldayoff: — Do diamond revenues at all . . . And I realize that we're not in production yet but as far as forecasts go. I know in meeting with certain bank officials some of them are starting to work into their projections for Saskatchewan some revenue from diamonds. Is that something that the Department of Finance is doing or feels comfortable doing at this time?

Hon. Mr. Thomson: — Well we haven't devised a diamond royalty program at this point, so we have no program in place at this point as we have no production online.

Mr. Cheveldayoff: — Thank you very much. And the other question I guess is rare earth elements. We hear more and more about that. And is there any royalties coming to the province at this time? And is that an area where you expect that it will increase?

Hon. Mr. Thomson: — These are relatively small at this point in terms of a revenue source for us. In fact they are, I don't want to say negligible but they are relatively small in the overall composition.

What we need I think also to separate out though is that the amount that we collect in royalty doesn't necessarily reflect the significance either in terms of employment or investment in the province. Obviously mining ventures are particularly capital intensive and so it may often take some time while we're seeing the investment come into the province, seeing that spinoff in terms of whether it's other revenue as generating corporate tax of one nature or another . . . [inaudible interjection] . . . Right. It takes some time for that to work itself through into an actual royalty. Mining ventures of course take often more than a decade to fully develop.

Mr. Cheveldayoff: — Right. Thank you. Moving to transfers from Crown entities. Saskatchewan Liquor and Gaming Authority, \$350 million is estimated for '07-08. We've seen some announcements, some possible changes coming up to gaming agreements. Is that number still your forecast or your estimate for '07-08? And do you have any numbers beyond the current number provided?

Hon. Mr. Thomson: — We're not expecting a significant change from what we've projected. Obviously the gaming agreements are under negotiation now but I'm not anticipating that there will be a significant impact to the treasury as a result of those discussions.

Mr. Cheveldayoff: — Okay. Thank you, Mr. Minister. As far as other enterprises and funds, can you just give us a brief summary of what that entails?

Hon. Mr. Thomson: — The largest components under this are the Gaming Corporation and Information Services Corporation. There's a number of other small components to this from other government departments but those would be the bulk of it. The two of them plus WCB [Workers' Compensation Board] reimbursements account for probably some 95 per cent of the overall revenue in that amount.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Most of the others are fairly stable and fairly self-explanatory so I think I'll

move down to transfers from the federal government. The minister delivered his budget, your budget, after the federal government, the federal budget. Are you able to provide at this time revised figures for transfers from the federal government for the year?

Hon. Mr. Thomson: — I'm told that we don't have them today. We'll put them into the first quarter update. But it's fair to say from the announcements that we've heard from Ottawa, we are obviously aware of what is characterized best as really a one-time equalization payment of 226 million.

I do want to indicate a significant concern with the way that the per capita transfers have been handled. The decision to equalize these — as Thomas Courchene has recently pointed out in an article he wrote — significantly penalized the province. And unfortunately I would argue that the approach that the federal government has taken has really jeopardized fiscal federalism within the country today.

Mr. Cheveldayoff: — Thank you. Thank you, Mr. Minister. As far as the equalization payment of \$226 million goes, how exactly will that be reflected in your financial updates? Will that money go to the Fiscal Stabilization Fund or will it be spent directly on certain projects?

Hon. Mr. Thomson: — It will be reflected in as revenue from the Government of Canada when we report it, whenever it finally passes. We're still waiting for the money, obviously, because the federal government has not yet authorized it.

Seventy per cent of that money will go directly to debt repayment and the remainder will be moved to the Fiscal Stabilization Fund. Some of that will be used this year to provide and to deepen the education property tax reduction.

So we believe that the 30 per cent that is not going to be used for debt reduction, the 30 per cent that's targeted for property tax reduction will allow us to continue the program for two more years.

Mr. Cheveldayoff: — Okay, so 70 per cent to debt reduction; 30 per cent to the Fiscal Stabilization Fund and then used for property tax?

Hon. Mr. Thomson: — Yes. It will be targeted for property tax reduction, that's right.

Mr. Cheveldayoff: — Okay.

Hon. Mr. Thomson: — I should just indicate on that, Mr. Chairman, that it is likely this fall that we would bring in a supplementary estimate to deal with the deepening of that tax cut from 8 per cent to 10 per cent. That is a likely consequence once the money actually arrives from Ottawa, as we undertake it.

We have advised the municipalities to prepare the tax notices with the 10 per cent reduction on good faith that the federal government will keep its commitment. But this will likely trigger a supplementary estimate this fall, once we actually undertake this spending.

Mr. Cheveldayoff: — Right, thank you. But it will be . . . If it's passed in time, it will be included in the first quarter update. Is that correct?

Hon. Mr. Thomson: — As soon as it is available it will be included. So if it's available in time, it will be in the first quarter; if not, it will reflect at the fiscal mid-year.

Mr. Cheveldayoff: — Thank you. I have a question regarding the debt servicing costs for the province. We see that they're up by some \$19 million this year. I know interest rates have been fairly stable, maybe inching up a little bit. Can the minister just give us an overview of the increase in the debt servicing costs and why indeed they've gone up by \$19 million?

Hon. Mr. Thomson: — Last year at mid-year we'd made a change in the way that we were dealing with the cash management situation of the province. We had decided at that point to fully cash fund the Fiscal Stabilization Fund. As a result of that it had the impact of, I think we identified at the time of about \$9 million impact on our debt servicing cost in order to cash finance the stabilization fund, to essentially bank that money as opposed to using it for cash management. And that is in large part what that impact is. So it's largely a change in policy as a result of the decision to cash finance the stabilization fund.

Mr. Cheveldayoff: — Has the appreciation of the Canadian dollar vis à vis the American dollar had any impact at all on that?

Hon. Mr. Thomson: — I'm advised it's about \$300,000 for every 1 cent increase or decrease, depending which way you're working it.

Mr. Cheveldayoff: — 300,000. Okay. And what was the level that you were using in your calculations? And I understand it's close to 89 cents right now but what was it when you were making your calculations?

Hon. Mr. Thomson: — 88.4 is what we had it estimated at.

Mr. Cheveldayoff: — Okay. So the variance isn't as high as I thought it would be but in a written question I asked you what the impact would be of the rising Canadian dollar on corporate capital tax. I think it was \$3 million, and on non-renewable resources an increase of 1 cent was a decrease of \$20 million. Could the minister just expand on the overall impact of the Canadian dollar appreciating — on the impact on the province?

Hon. Mr. Thomson: — It is a bit of a complex relationship. Unfortunately it's hard to give a hard and fast number on this. Part of it depends on how much our foreign debt exposure is, which is relatively minimal, but there's also obviously an impact on the Crown side which, if you're talking about the overall situation of the province, has some impact. I don't have much else to say beyond what was provided in the written answer . . . [inaudible] . . . just an estimate.

Mr. Cheveldayoff: — Yes that's understandable. I'm just wondering if I'm missing anything as far as, you know, calculations that I'm doing on my own as far as the changes in the dollar rate.

I was going to ask you for a copy of the components of other taxes, but you've provided that. And the other thing that's usually provided by the Department of Finance is the listing of other federal-provincial programs, the listing that happens. It's usually provided in late April, early May. It may not be ready, but just wondering if that is available. If not, could I have your undertaking to provide me with that?

Hon. Mr. Thomson: — I'll make that available to members of the committee in the next few days.

Mr. Cheveldayoff: — So it is available in the next few days.

Hon. Mr. Thomson: — Yes. Unfortunately we just forgot to bring it today.

Mr. Cheveldayoff: — Okay. Thank you, Mr. Minister. Looking at the salaries paid to government employees on page 16 of the *Provincial Budget Estimates*, we see that there's been an increase of about 10 per cent in salaries from estimated '06-07 to estimated '07-08 — 622 million to \$687 million. Can the minister just explain what constitutes the 10 per cent increase in wages? Maybe a comment on the average wage hike that government workers have seen over the year, and then an explanation of the difference.

Hon. Mr. Thomson: — I am advised that there are primarily three components that affect this increase. Obviously the largest portion of it is the bargaining, the result of the collective agreement that we've now entered into with SGEU [Saskatchewan Government and General Employees' Union] and other government unions. There's also the impact of a joint job evaluation where they have gone through reclassifications within the public service. And this budget also provides for a small increase in the overall number of employees. I think we're projecting 214 additional full-time equivalent positions.

Mr. Cheveldayoff: — Okay. Does the minister have a breakdown between what the average wage hike constitutes and what the reclassifications constitute and what the increased FTEs [full-time equivalent]?

Hon. Mr. Thomson: — I don't think we have that with us. We can endeavour to get it. I don't know if that's something we've normally generated so it may take us some time to see whether we can in fact create such an answer.

Mr. Cheveldayoff: — Okay. If the minister could undertake to bring that information to the next time we meet in estimates, I'd appreciate it. Is that agreeable . . . [inaudible interjection] . . . I'm just wanting to, I guess, address the increase in the full-time equivalents. We've seen an increase in the last year of some 214 or 215 FTEs when the province's population has been relatively stable, decreased a bit, and we're all hoping that it's on the increase now. Can the minister just comment on, you know, why the public service's increased over 200 FTEs in the period when Saskatchewan's population hasn't been growing?

Hon. Mr. Thomson: — Let me start by saying I don't accept the argument that there should be a direct correlation drawn between the size of the population and the service level, the type of services that are provided to the population. The number of FTEs is not directly connected in any way to the population.

Obviously if we decide to provide better services to Saskatchewan's population, that will require increased public service staff complements.

For example in this particular budget if we're to take a look at where the positions are, there are some 50 FTEs that are attached directly to Community Resources. These are tied, 27 of them for child protection workers which clearly are an important priority. There's 18 to deal with new housing programs. There's five to deal with increased risk management from community-based organizations. There are 50 new FTEs for the Department of Highways to allow us to accomplish the 10-year, \$5 billion expenditure there.

There's 38.8 FTEs attached to Corrections and Public Safety — 24 of these deal specifically to violence reduction strategies and gang risk management; 7.3 FTEs result from a change we made to move a CBO-based [community-based organization] program back into the public service; and there's 32 additional FTEs attached to Justice, 10 of which are to deal with prosecution services to deal with child sexual exploitation, gangs, occupational health issues, Aboriginal policing. There's 13.5 attached to court services in The Battlefords, and 9 attached to the coroner's office.

There's 11 additional FTEs that are tied to Advanced Education and Employment, largely to deal with services they're providing in the immigration side. And then there's another 32 that are scattered throughout the public service. So if we were to take a look broadly at what these FTEs are . . . I know there is often an attempt to paint these as part of a bloated public service. I think we should put the emphasis on public service, with the strengthening of the child protection worker areas, the service delivery into crime reduction strategies, and the additional court services and highways. I think these are all key areas and priority areas for the administration.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I appreciate your answer. It is something that, you know, we're certainly concerned about, I guess, is the rising staff complement. We want to make sure that we are certainly, you know, working within our means and that there is some reflection. I guess the minister and I would differ on that respect. As far as projections go, do you see numbers increasing in the next year, the next two years?

Hon. Mr. Thomson: — It will depend on available resources. I guess the question I have — and this was an issue of debate in the budget debate — is, does the member believe that there are 1,480-some too many FTEs attached to the civil service? Which is essentially what was being advocated by the Sask Party, is that we had overinflated the size of the civil service by 1,480.

Mr. Cheveldayoff: — Thank you, Mr. Chair. I'd like to correct the minister, that the Saskatchewan Party has said that Saskatchewan should be able to be serviced by in the neighbourhood of 12,000 civil servants. And we are concerned about the increase and the growth rate and the cost of that and the sustainability of that. But I'm sure we'll have ample time to discuss those matters very shortly.

Thank you, Mr. Chair, that's all I have at the present time. I'd like to turn it over to my colleague just for a brief moment.

The Chair: — Thank you very much, Mr. Cheveldayoff. I'll recognize Mr. Toth.

Mr. Toth: — Thank you, Mr. Chairman. Mr. Minister, and to your officials, the past couple of years there's an issue has been brought to my attention regarding PST and especially farm-related services. And one issue that first, it just came up today and that's the first time I've really been aware of it. As you know, in the agriculture community with the GST [goods and services tax], basically anything that's directly related to farm production, the GST is, you can apply for and get the rebate back. Everyone pays it upfront and applies for it and gets the refund.

On the provincial side, on the fuel tax side, there is the exemption and on bulk services that the PST is exempt up to I believe right now — if I'm not mistaken — it's 20 per cent is paid. But I could be wrong on that.

But the other issue that arises is the issue of say, oil and oil filters and equipment that's directly farm related, and where the GST is refunded, the PST isn't. And the individual that raised this question, brought it to my attention today, mentioned that on different occasions he's talked about the exemption and was told by the retailer or the merchant providing the service that they were to apply for a PST exemption in regards to those commodities. So I'm wondering, Mr. Minister, if you could inform us today exactly what commodities are PST exempt — equipment and services in the agricultural field — versus in comparison to the GST exemption.

Hon. Mr. Thomson: — We have built in exemptions for farm machinery and repair parts on the PST; fertilizer, pesticides, and seeds on the PST; and on the fuel tax, exemption for farm activity. These three sets of measures account for approximately \$230 million worth of lost tax revenue to the province in support of the agricultural sector.

The question that the member raises is one that is, I guess, most closely related to the issue of harmonization of GST and PST policies. We have opted not to harmonize the two taxes and have opted instead for a select set of exemptions. Indeed there are some large number of exemptions we provide in a number of different sectors. We have not however given a blanket exemption to any one industry.

Mr. Toth: — When you indicate parts, Mr. Minister, are you indicating that like oil filters and of that nature are exempt? And maybe you could give me a list of the farm commodities and products and parts where exemptions are, and if the individual producer then has to apply for the exemption or apply for a rebate, what commodities that they would have to make an application for.

Hon. Mr. Thomson: — We can get you that. It is available on the Department of Finance website. We have it listed there but we can provide the member with a copy. But if, for future reference, whether it's individual constituents or businesses in the area, they can be referred to a specific bulletin on the Department of Finance website.

Mr. Toth: — I appreciate that, Mr. Minister. And if you can just even just give me a quick copy, that would be appreciated

and I could pass it on, and then even on that information just with the Finance website and where producers could go to get that information, that would be appreciated as well.

Another question that's been ongoing and I'm thinking that since you've been Minister of Finance, you've probably had contacts from a gentlemen in my area — it's a custom operator. And there's been an ongoing debate as to whether the custom work you're doing, if it's tractor-related equipment then there's farm exemption for the PST on the fuel that's used. Which means the operator using tractor-related equipment such as manure handling or bale picking, they get to use the PST-exempt fuel but a person with a, using a truck haul is not exempt. And it's becoming quite an issue especially as the price of fuel increases, and so there's quite a difference between what one custom operator has to charge in order to break even versus the other operator. And I'm wondering where the department has gone in regards to that question.

Hon. Mr. Thomson: — Without addressing the specifics of that particular file — obviously I don't think that's something we want to discuss here — let me say generally that the decision on how this tax is applied depends on whether you are in the business or whether you are simply farming and doing this on the side. And that's really what it comes down to as a differential. So those who are making their living exclusively from custom operation are treated in terms of one way; a farmer who undertakes periodically to do some kind of custom work on the side is treated differently. And it has to do really with whether this is the business or not the business.

Mr. Toth: — When you're talking about a farmer and farmer custom operator, are you basically saying that if it's an individual producer out there who's actively farming but on the sideline is running say a manure or a corral cleaning operation that he has, that person has the ability to use PST-exempt fuels even if that individual would be using truck-mounted equipment? Is that what I hear the minister saying?

Hon. Mr. Thomson: — In general yes, that would be the situation. Obviously we're prepared to look at specific situations case by case but in general yes, that would be the differentiation between the farmer who may do some custom work on his own land or perhaps on a neighbouring farm versus those who make a business and a living out of the operation.

Mr. Toth: — I guess that's where the big issue arises, because we do have — and I don't believe it's a lot of — custom operators, and that's where some of the controversy arises. In one case it's custom bale haulers using trucks, and that's part of their overall business. And it's put them at a difficult advantage to someone with a tractor-operated, as you indicated, in most cases a farmer who may be doing grain farming, but during the summer months would get into custom hauling and using tractor-mounted equipment. So it's created an uneven playing field.

And I'm wondering, Mr. Minister, if there's a way we can address that so that everyone was basically on . . . the playing field was level versus looking at it just individually and whoever seems to scream the loudest, and find a way to address the issue in a roundabout way. It would seem to me that we would be fairer just to say, well if you're in a custom operation

that is directly related to agriculture production, and in order to create the level playing field we'll treat everyone equally. Wouldn't that be the best way to address the question?

Hon. Mr. Thomson: — I'm not sure that there is a persuasive tax argument why one industry should be treated differently than another. And if anything, it would probably go the opposite direction in terms of tax fairness.

You can imagine then how we start to have to deal with logging companies, or others in other businesses that are using the same difference between off-road, on-road exemptions. And I think we'd need to be careful on this.

If what we are starting to see in terms of custom work is a growing business enterprise and this is becoming a larger part of that, it would probably put the exemption at risk. Saskatchewan has a very narrow base right now in terms of its tax collection system, and if we were to start to do as other provinces are, we would likely expand the tax out. We're not inclined to do that at this point but we will obviously be mindful of this as we look forward.

I'm sure the member can understand that as we start to look at, if this is provided then for agriculture, we need to start thinking about how do we treat other industries. And it's hard to argue one is any more or less important, depending simply on the geographic interest in the province.

Mr. Toth: — Well thank you, Mr. Minister. And I guess that point I think I understand where you're coming from. If we start expanding and allowing other industries into the same field, I can appreciate where the department's coming from in that regard.

However when we're talking directly agriculture production, it would seem to me that there's a legitimate argument for half a dozen. And I might be wrong on that, but as far as the numbers, I mean I know it's not a large number of custom operators with truck-mounted bale hauling equipment. But for the agriculture producer who relies on this service, it is an exceptionally . . . or the bill adds up at the end of the year by using this custom operator versus a neighbour who might be providing the same service who is an agriculture producer.

And so if I understand what you're saying correctly then, anyone who is directly related in farming, say a business person who is a custom operator and that's their only line of business but is not directly related in actual agricultural production, it would be to their best interests then to, say, purchase a half section and get into farm production and run their operation, custom operation in that manner. Is that what I've understood the minister to kind of indicate that's the, be the only way that they could actually get the farm exemption?

Hon. Mr. Thomson: — We'll continue to look at it on a case-by-case basis as to what the situation is. I want to be careful in terms of how we categorize this. In part the exemption is there not to penalize farmers who may undertake from time to time some custom work. On the other hand we obviously don't want to expand this out to see a great deal of tax leakage into what is essentially a growing industry. Now if things are changing within agriculture, and we're seeing a

growing reliance or a commercialization of custom operations, then we'll need to reconsider how it is the tax system works.

And I understand this is a very real debate in some areas of the province. I am not inclined at this point to pursue a tighter policy on this simply because I think it would disadvantage more individual producers who from time to time undertake this work. That being said, I appreciate the grievance that is raised by those who are more dependent upon the work itself as one of the mainstays of their living. And obviously there's always some competition between those who are operating a business and those who are fighting what might be described as an underground economy. But I think just given the reality of how this works across the province, not speaking to the specific of the member's community, I think we've got about the right approach on this. And I would be reluctant to tighten it at this point.

Mr. Toth: — Thank you, Mr. Minister. I guess the question that faces the custom operators is trying to be competitive in a fairly competitive marketplace given the challenges that agriculture producers face even with the, even with the increased grain prices this year.

I think there is a lot of optimism. I sense it. That could change pretty quickly if all of a sudden we get to a period of fairly dry conditions, although we're not at that rate yet. In fact some areas of the province they're hoping to start seeing some snow moving. And I was just talking to a colleague up in the Canora area, and he mentioned his yard's still full of snow. So there's areas of the province, and there's some in the agriculture community who are going to be facing some real challenges even just getting on the land in sufficient enough time to put a crop in the ground.

But it becomes an issue and especially or in view of the fact that the price of fuels has certainly soared, and unfortunately in the agriculture community, there's no real way of recouping those costs. While we've got a better return on the grain market right now, we conversely have seen a reduction in the livestock sector, and that's reflecting the higher costs of, the higher costs of fuel, the higher costs of feed. All of those factors come in. So for agricultural producer, it continues to remain a challenge, for the custom operator who is trying to provide a service to the agricultural producer. And many producers find it more convenient rather than having to bear the high costs of hay handling or manure handling equipment to bring in a custom operator.

So, Mr. Minister, whatever your department could do or your officials could do as we look at this to try and create a level playing field, I believe that's all that's really being asked of, and anything that could be done is certainly welcome. Thank you.

The Chair: — Thank you. I'll recognize Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. A few more questions for the minister today. Since the release of the provincial budget, the government has committed additional spending, I believe, to assist the Lab Building at the University of Regina. Can the minister give me an outline of all spending undertaken since the budget that was not included in the recent

budget? He mentioned that there will be supplementary estimates for a property tax issue. Can you just give me a summary of what has taken place?

Hon. Mr. Thomson: — The only two measures that were not previously contained in the budget were the debt reduction as a result of the equalization spending and the deepening of the property tax reduction. Now we have not yet received, nor undertaken, spending related to either the health care wait time guarantee and the ecotrust money. But again we haven't got the cheque yet from Ottawa. So if there are announcements being made in those areas, they will be dependent upon the federal money flowing. So these will be reflected as we go forward. For the time being it's largely an intention of spending. As far as the Lab Building, it's my understanding that that is either budgeted for or was provided under the third quarter spending. So it's . . .

Mr. Cheveldayoff: — I did a quick search. I thought I saw some money for it, but I didn't think it was all there. But I stand to be corrected as well.

Hon. Mr. Thomson: — We've made no announcements since March 22 that have an impact on the budget with the exception of the equalization announcement or other federal . . . I guess there'll be, I would anticipate at some point there will be some announcement around the health care wait time, I guarantee, and what that actually means. But that's contingent upon the federal money being received.

Mr. Cheveldayoff: — Thank you, Mr. Minister. A few questions then on the graduate tax exemption, the initiative announced in the budget that the members of the opposition in the Saskatchewan Party were quite supportive of. You know we did hear from students across the province that something should be tuition based, but any move in this regard we see it as a positive manner and just a number of specific questions on how the calculation was made. Can you tell me what the current retention rate of post-secondary graduates in Saskatchewan is? I believe I saw the number as 86 per cent, but I wasn't sure of that.

Hon. Mr. Thomson: — It would be very close to that in terms of the number of credits that are issued and redeemed.

Mr. Cheveldayoff: — Does the minister know how that number is calculated? Is it just merely who continues to live in Saskatchewan after graduation? Is that the way it's done?

Hon. Mr. Thomson: — The detail around some of this may be best addressed by Advanced Education and Employment as they're responsible for education and employment in terms of them being responsible for the program. But that reflects both the retention and the in-migration of other students — that 85, 86 per cent. So we may retain fewer students from Saskatchewan institutions, but in fact as we know a number of students do move to the province to start their careers here. So the overall number is about 85 per cent. And that's what we've based the assumptions on around the graduate tax exemption.

Mr. Cheveldayoff: — Thank you, Mr. Minister. That's I guess what I'm getting at, is what you've based your assumptions on. And indeed we will be asking questions in those departments. Many, many questions were asked in health care estimates

yesterday regarding the health care program. But I just was wondering what you would have with you here today regarding the graduate tax exemption. Can tell me if you have any figures or any assumptions were made for long-term retention rates of Saskatchewan post-secondary graduates. Do we know how many are retained here in three years, in five years?

Hon. Mr. Thomson: — We built the estimate on a relatively stable forecast of the number of graduate tax exemption certificates that'll be issued and redeemed on an annual basis, and it may be worth pursuing with Advanced Education what the history has been of the existing program in terms of its redemption levels. I would anticipate we'll make them aware that this is one of the questions that may be raised of them, and hopefully they'll be able to bring that to the committee. I don't have that with us as we don't directly administer the program. But that's what the assumption is based on.

Mr. Cheveldayoff: — Sure thank you, I appreciate that. That helps in the interim. The breakdown of degree and certificate and diploma grads — there was a degree number, but there was certificate and diploma grads lumped together. Do you have a further breakdown between certificate and diploma grads that you can share with the committee this afternoon?

Hon. Mr. Thomson: — We don't issue certificates, and as such the program detail really belongs to Advanced Ed. The detail that we have is provided in the budget documents showing about 3,900 certificates and diplomas are expected to be redeemed, 1,000 trade individuals, 700 post-graduate, 100 professionals, and 4,300 undergraduates is what we believe the composition is. I don't . . . I'm not in a position to say as to whether we expect there to be a change in terms of the percentage mix of this. I anticipate Advanced Ed would be able to provide you with some kind of expectation based on what enrolment numbers are.

What I can tell you is that because we have increased significantly the number of seats that are available in the particularly SIAST [Saskatchewan Institute of Applied Science and Technology] and the regional colleges, we would likely anticipate more people taking up training in those areas. So we may well, over the time, see a transition within the composition of pie, but the specific forecast may be available through Advanced Ed.

Mr. Cheveldayoff: — One more question, Mr. Chair, in this area regarding . . . and this is a question the minister may be able to answer. What is the average earnings of a post-secondary graduate in Saskatchewan after they graduate? Do we have that for one year, three year, five years? Is that something that you can share with us today because that would be very helpful.

Hon. Mr. Thomson: — I've been advised that the number is somewhere between 20 and 25,000 for the first few years after graduation.

Mr. Cheveldayoff: — 20 to 25, that's immediate after graduation?

Hon. Mr. Thomson: — That's right for the first few years. Obviously it depends . . . This will fluctuate depending on the

type of position that you're . . .

Mr. Cheveldayoff: — Okay, right. But as far as the assumptions that you've made, that's the number that you've used, right through to five years?

Hon. Mr. Thomson: — That's right.

Mr. Cheveldayoff: — Okay. Well thank you, Mr. Chair. Thank you to the minister and his officials. I see our time has elapsed. I know that we will be back in estimates again.

I just want to give the minister a heads-up that I'll have some questions regarding the insurance premium tax, and if Mr. Hall could be available, the superintendent of insurance, for those questions the next time that would be helpful. And I think the other questions that I will have will be general enough in nature that, you know, the officials that are present would suffice.

Again thank you to the minister and thank you to all his officials. The information provided has been very helpful. Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Cheveldayoff. Thank you, Mr. Minister and your officials. We very much enjoyed our hour with you this afternoon, and we will hope to see you again very shortly. With that we will just take a two- or three-minute recess to allow for the officials for Regional Economic and Co-operative Development to join us at the table.

[The committee recessed for a period of time.]

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Subvote (RD01)

The Chair: — Thank you very much, committee members. I see now that we have with us the Minister Responsible for Regional Economic and Co-operative Development and their officials. Mr. Minister, would you please introduce your officials to the committee?

Hon. Mr. Wartman: — Thank you very much, Mr. Chair. I would like to introduce on my immediate left, Denise Haas, who is deputy minister of Regional Economic and Co-operative Development. To my right is Dion McGrath, the executive director of policy and planning. Behind me on the far left is Andrea Terry Munro, and Andrea is senior manager of financial services. Next to her is Sandra Stanger, executive assistant to the deputy minister. And next is Marilyn Day, director of investment programs; and then Debbie Harrison who is director of program development and support. And on the right-hand side behind me is Bill Spring who is acting executive director of regional programs and services.

The Chair: — Thank you very much Mr. Minister. Do you have any opening comments you would like to make at this time?

Hon. Mr. Wartman: — Not much other than just to mention that this department is a relatively new department. There have

been a bit of adjustment phase in putting together the budgets and really being able to anticipate what kind of costs there will be. We think that with this budget the appropriate adjustments are made. And we're prepared to move ahead.

The Chair: — Thank you very much. With that I will open the floor up for questions.

Mr. Brkich: — Thank you. Welcome to the minister and officials today. I'm used to the minister . . . or the member from Swift Current, I'm used to having him here. And I hope that he . . . Unfortunately he can't be here so I know that you will do a job in that. I can pass wishes on to him.

A Member: — The member from Yorkton, you mean.

Mr. Brkich: — Yes. I guess we'll start with the snowmobile trail management. I note you have 550,000 allocated for that. I understand that's kind of a flow-through program, but I've had some snowmobilers question me about it. I think in my constituent . . . I don't even know if I have a snowmobile trail.

Is it still . . . The first question I guess is, is it still the \$40 you take for registration off snowmobiles?

Hon. Mr. Wartman: — Yes, that's correct.

Mr. Brkich: — Okay. What's the period you take it off in? Is it the '06-07 registration?

Hon. Mr. Wartman: — We started in '05-06 and also it's been in place for '06-07.

Mr. Brkich: — Okay. So it runs January 1 to December 31 of each year.

Hon. Mr. Wartman: — The program is April 1 to March 31 each year.

Mr. Brkich: — Okay. Well it runs on April. I'll go for of '05 and '06, you should have them figures in. How many Ski-Doos were registered?

Hon. Mr. Wartman: — For the '05-06 season there were 12,055 which works out to about \$482,200 in registrations.

Mr. Brkich: — You have budgeted 550,000. So do you backfill the rest, or is that all they get is just the 486,000?

Hon. Mr. Wartman: — They only get what comes in through the registration, 482,200.

Mr. Brkich: — Okay. For the money that's flowed through that goes to the snowmobile association, is there any attachments that they use the money for or do they . . . Is it up to their discretion how they use it?

Hon. Mr. Wartman: — The fund is managed under contract with RECD [Regional Economic and Co-operative Development] and it is . . . The funds go directly to the snowmobile trail fund, not to the association itself though they do administer it with RECD.

Mr. Brkich: — Thank you. For the trail fund management, is that money paid out for groomers to groom it, or are they allowed to buy equipment with it, or is it just for wages and maintenance?

Hon. Mr. Wartman: — I'd like to give you the breakdown on that. Administration of the fund is about 7 per cent; marketing, 2 per cent; safety, 2 per cent; signs, 10 per cent; shelters, 6 per cent; insurance, 16 per cent; and trail maintenance is the bulk at 57 per cent.

Mr. Brkich: — Trail maintenance, thank you, would probably fall under wages and maintenance of equipment, I would assume?

Hon. Mr. Wartman: — The labour is all volunteer. As well the equipment is owned by the clubs and is supplied on a volunteer basis, though maintenance of the equipment might be covered through the fund.

Mr. Brkich: — They own all the grooming equipment I presume then?

Hon. Mr. Wartman: — Yes.

Mr. Brkich: — Okay. Has there been any requests for the government to buy some grooming equipment?

Hon. Mr. Wartman: — Not at this point, no.

Mr. Brkich: — Are you looking at buying some grooming equipment for them if there was requests?

Hon. Mr. Wartman: — Not at this point, no.

Mr. Brkich: — Okay. Good. Because I know we'd asked some questions last year and they were . . . at one time the answer then was that you were leaning, looking at towards buying some equipment, so I was glad that you was going to leave that up to trail operators.

Hon. Mr. Wartman: — Not right now. I'm not leaning either way.

Mr. Brkich: — Okay, that's good. I'll pass that on to my snowmobile association people, at that end of it that . . .

Next question dealing with: are you familiar with an organization called Action Southwest in the southwest corner?

Hon. Mr. Wartman: — Yes.

Mr. Brkich: — Okay. Do you provide them any funding?

Hon. Mr. Wartman: — There is no core funding, just project funding for projects they would put forward.

Mr. Brkich: — Okay. Do you have a breakdown of funding for that particular organization?

Ms. Haas: — If I might answer that. Are you speaking for past funding or for budgeted funding? Sorry.

Mr. Brkich: — We'll talk about the '06 budget year for them.

Ms. Haas: — '06-07, you mean?

Mr. Brkich: — Yes.

Ms. Haas: — In '06-07 we provided them some project funding and to enhance programs, I think for the total of 25,000 for various projects that they were to deliver. But it's all project funding.

Mr. Brkich: — Okay. The projects I imagine would fall under . . . Would that fall under your small-business loan allocations, I mean, in the budget book?

Ms. Haas: — No, no. The small-business loans allocations are specifically just for the small-business loans program.

Mr. Brkich: — Where would it fall under? The regional economic development authorities then? That wouldn't . . .

Ms. Haas: — If projects are done in conjunction with the REDAs [regional economic development authority], which some of them are, then they could qualify to have some money under that REDA programming. If their projects are outside of REDAs, and say they're larger than REDAs from a regional perspective, then we look at our money and see if we can, you know, possibly fund \$3,000 for a project out of our regular operating costs.

Mr. Brkich: — So I take it this wasn't funded through REDAs in the 25,000.

Ms. Haas: — No.

Mr. Brkich: — Okay. It was funded just through the department. For what kind of projects?

Ms. Haas: — One was to fund the community first impressions initiative, which is a process whereby you get communities from a distance going in and evaluating each other and determining what their greatest assets and maybe what some improvements could be and things like that. So it's kind of a community development initiative where communities are working together to better their own communities. So that's one.

And another project that was given to them was for the general money for their, to generally oversee some of the other projects that they have going. Because if you're familiar with Action Southwest, there's a whole host of projects that are going on down there. That's the two blocks, yes.

Mr. Brkich: — Okay. That was a one-year funding or is that going to be ongoing?

Ms. Haas: — One time. It's any of the payments for those projects are like one time.

Mr. Brkich: — Okay. I know looking at your budget book here you do a lot of, basically you manage the REDA associations and provide funding for them. I notice there's an estimated increase in funding for, allocated for this year. Can you give me

a breakdown of the extra funding going in this year?

Hon. Mr. Wartman: — The REDA funding increase of 130,000, of which 30,000 is for a budget shortfall in core and 100,000 is for a general increase. There are also inflationary increases of 38,000 related to REDA core operational funding.

Mr. Brkich: — Thank you. Do you run the small-business loan through them or is that separate?

Hon. Mr. Wartman: — Okay. There are 235 groups that help administer SBLAs [Small Business Loans Association]. Some REDAs choose to do it, others are not engaged.

Mr. Brkich: — So the ones that . . . Anybody can basically apply for a small-business loan. They can apply directly to the Regional Economic Co-operative Development minister for that. Or do you have to go through REDAs, or do you have to go through an association?

Hon. Mr. Wartman: — It would have to be through one of the associations. Depends what's happening in that particular region. It might be the REDA or it might be one of the other associations that's administering SBLAs.

Mr. Brkich: — Okay. Do they have to register? I imagine then they have to register with the minister — your associations, business associations whether it's like a chamber of commerce or Action Southwest or west central. I would take any one of them would be registered. But let's say a smaller town that maybe isn't in a bigger area and they're looking for to set up. A small business has come . . . I guess what I'm asking is, if a small business wants a loan and there is no association in that town or close by, how would they go about applying for one?

Hon. Mr. Wartman: — If you were in a small community and you wanted to have an association that would deal with these, if you put together four to six representative groups of people, you could form an association that would then work with the department and be enabled to help administer the SBLAs.

Mr. Brkich: — The group administers the loan then, not . . . They provide you with a business plan and then you approve it or disapprove it but they have to, they make the payment plans?

Hon. Mr. Wartman: — They do the recommendations to the department which provides funding.

Mr. Brkich: — Okay. And if the business goes in default then who's liable for it?

Hon. Mr. Wartman: — The associations themselves are responsible for trying to make sure that people fulfill their obligations around the loans. And if you've got somebody that's in default they would, like any organization administering loans, they would seek ways of getting payment.

Mr. Brkich: — And if they run into or they can't get payment what's . . . Are they held liable at all?

Hon. Mr. Wartman: — If they had followed all the necessary processes to try and recover the loan and were unable to do so and it was in default, not recoverable, it would be written off.

Mr. Brkich: — Okay. How many loans have you got written off so far up to date?

Hon. Mr. Wartman: — We've written off 6.2 per cent of the loans that have gone out.

Mr. Brkich: — Six two point . . .

Hon. Mr. Wartman: — 6.2 per cent of \$59 million in loans that have gone out.

Mr. Brkich: — Okay, and that's — I don't have my calculator on me — that rough figure.

Hon. Mr. Wartman: — It's less than \$5.2 million if you want to . . . So it would be about what, 3.9? — 3.7, thanks.

Mr. Brkich: — How long have some of these been outstanding?

Ms. Haas: — Those stats are since 1989 when the program was initiated. That's the default rate of 6.2 per cent overall . . .

Mr. Brkich: — Is that per year?

Ms. Haas: — No, overall.

Mr. Brkich: — That's overall.

Ms. Haas: — Outstanding.

Mr. Brkich: — In the past year, 2006, have you had any default?

Ms. Haas: — Yes we have.

Hon. Mr. Wartman: — Forty-nine loans are in default for a total of \$206,316.

Mr. Brkich: — Are you doing anything to recover them or are you just leaving them up to the associations?

Hon. Mr. Wartman: — The associations are responsible for doing what they can to recover the loans.

Mr. Brkich: — I noticed you have a small-business loan association, loan loss provision worked in the budget. Can you explain that?

Ms. Haas: — I'll address that one. Like any financial program that spends out loans, there's a requirement just from accounting principles that you have to set up loan loss provisions because there's going to be some default. There's always some risk. So that loan loss provision is the budget that is set aside in order to cover any potential writeoffs that come because of defaults, and those that can't be collected on once you've gone through the collection process. So it's the budget that covers off the writeoffs.

Mr. Brkich: — Okay. You've got 667,000 for that. So is that written off or is that more just a paper figure for the bank? Or is that . . .

Ms. Haas: — The 667,000 is the budgeted amount that we estimate that might be required. The amount that's actually booked or written off every year is totally dependent on actual defaults.

Mr. Brkich: — So if it's more you basically have to go and adjust your budget and if it's less it's returned to General Revenue at the end of the year?

Ms. Haas: — That's correct.

Mr. Brkich: — Okay. Did you return anything last year to General Revenue? The year before?

Ms. Haas: — Yes and yes.

Mr. Brkich: — Okay. One of the few departments that have did that. Usually they spend their budget. Also looking at the small-business loan association — we're still talking about that — concessionary allowance. Can you explain that a little more?

Ms. Haas: — The concessionary allowance, what that is, is . . . If I might explain a little bit about the program. The small-business loans associations are given up to a \$200,000 line of credit from the government of which they turn and they take that credit and they make loans to the loan applicants from that, right. In the funding and the line of credit that we provide to those loan associations we do not charge them any interest, okay. It's interest free. But by accounting guidelines, we have to claim that as, it's like an expense that we have to claim because we're providing it interest free. So again the concessionary allowance is kind of the interest forgone that would have been there if in fact we were charging interest.

Mr. Brkich: — I think we've pretty well covered the small loans of it except for one question. How many businesses would have applied? And I don't mean associations. I mean how many businesses would have actually used the loan provision last year, would have actually applied for a loan? How many businesses would it have helped?

Hon. Mr. Wartman: — In the '06-07 year?

Mr. Brkich: — Yes.

Hon. Mr. Wartman: — 378 were the number of loans.

Mr. Brkich: — What would the average loan per business be under the small loans? Does it run from 5 to 50,000?

Mr. Wartman: — It's up to 15, 000. The average would be about 12 to 13.

Mr. Brkich: — And they're spread out through rural Saskatchewan or are the cities also included in this?

Hon. Mr. Wartman: — Over 90 per cent of the program activity is in communities outside of Regina and Saskatoon.

Mr. Brkich: — Okay, thank you. I also noticed on the, while we're going down the list of the budget here, pretty well everything has gone up. But I noticed under regional economic development authorities, there's also an estimated increase. Can

you give me a breakdown of that?

Hon. Mr. Wartman: — Those are the numbers that I gave you earlier on, the 168 total.

Mr. Brkich: — Okay, thank you. You also got neighbourhood development organizations. It's the same amount as the snowmobile trail management. Is that the same or is . . . What would that be, neighbourhood development organizations? You've got the same amount budgeted for that.

Hon. Mr. Wartman: — These are primarily inner-city groups in Regina, Saskatoon, Prince Albert, and Moose Jaw, and they would provide resources for inner-city groups trying to develop skills or help build and strengthen community. They are primarily voluntary, non-governmental entities, legal entities that were established for the purpose of reducing poverty in the inner city neighbourhoods.

Mr. Brkich: — That money comes straight out of General Revenue then? There's no fee collected, anything for it. I know it's in the same amount as the snowmobile association but . . .

Hon. Mr. Wartman: — General Revenue Fund provides core funding for Saskatoon, Regina, Prince Albert at \$150,000 per year and for Moose Jaw at \$100,000 per year.

Mr. Brkich: — Okay. And the rest? That's 250,000. Where does the rest come from?

Hon. Mr. Wartman: — Yes. It's 150,000 each for . . .

Mr. Brkich: — Oh for each city. Oh okay.

Hon. Mr. Wartman: — Yes. And \$100,000 for Moose Jaw.

Mr. Brkich: — Okay. And . . .

Hon. Mr. Wartman: — Moose Jaw's special but not that special.

Mr. Brkich: — On that funding, same thing? An organization would apply to who, to the minister or to another parent organization?

Hon. Mr. Wartman: — They would apply through the program to the department.

Mr. Brkich: — They would have to be a non-profit organization.

Hon. Mr. Wartman: — They are all non-profits, yes.

Mr. Brkich: — Okay. And they'd have to apply. Would you have some of the examples of who applied for last year, and how much they got, different groups?

Hon. Mr. Wartman: — Some of them have been around for some time. You'll be familiar with the names. In Saskatoon the Quint Development Corporation has really done a lot of excellent work in housing and community development in the core neighbourhoods there. The River Bank Development Corporation in Prince Albert and the Community Action

Co-operative in Regina — each of these have I think done significant work in their areas in helping out in the core areas of the cities. In Moose Jaw it's the Connecting As Neighbours Co-operative.

Mr. Brkich: — These are straight grants. They're not loans that flow to them every year.

Hon. Mr. Wartman: — Right. They would bring forward their program and what they were seeking in funding and work with the department to make sure that everything is adequately covered.

Mr. Brkich: — So how many groups would have applied for that 550,000?

Hon. Mr. Wartman: — These are the only registered groups that are using the funding.

Mr. Brkich: — And they get the whole 550,000 or do they pass it on to, well like a parent organization?

Hon. Mr. Wartman: — Well remember in terms of the cities, Moose Jaw, or pardon me, Saskatoon, Regina, and Prince Albert get 150,000 each. So Quint would get 150,000. River Bank Development Corporation would get 150. Community Action Co-operative in Regina would get 150, and the Connecting as Neighbours Co-operative in Moose Jaw would get 100,000.

Mr. Brkich: — Okay. So they . . . Is that kind of a set rate every year that they get, or do they kind of apply for it kind of pre-budget year?

Hon. Mr. Wartman: — Yes. That is the full amount that is available. And then they have to have deliverables. They have to have programs set out that will account for the use of that full amount.

Mr. Brkich: — Okay. And naturally goals to reach along that line. Would it be the same for each city, or would it be different for each group?

Hon. Mr. Wartman: — Each of them has different programs. There are some similarities, but they are different programs.

Mr. Brkich: — Okay. While we're still on, I guess, on the budget pages, just looking at the co-operative end of it, you have a certain amount of money, it looks like, going to . . . that supports and promote development of co-operatives. Can you kind of give me a breakdown of how that works?

Hon. Mr. Wartman: — There is . . . In the '07-08 budget 461,000 is for salaries. You've got 223,000 that is for mainly operating costs. That includes 60,000 for the Co-op Development Assistance Program and 75,000 for the Centre for the Study of Co-operatives.

Mr. Brkich: — To break down a bit more of that. The study for co-operatives . . .

Hon. Mr. Wartman: — The Centre for the Study of Co-operatives.

Mr. Brkich: — The centre for the study, where is that? Can you give me some more information on that one?

Hon. Mr. Wartman: — It operates out of the University of Saskatchewan.

Mr. Brkich: — So it's like a grant that goes to the university to study co-ops.

Hon. Mr. Wartman: — There is an established centre at the University of Saskatchewan. It goes to the centre for their work.

Mr. Brkich: — And is that all they study there is co-ops or credit unions or just the movement? I guess what I would ask.

Hon. Mr. Wartman: — Let me point out that this is partial funding that is provided by the Regional Economic and Co-operative Development department. And along with the funding that is provided by the department, there is support from the university, the co-operative sector represented by Federated Co-op, Credit Union Central, The Co-operators, the Co-Operative Trust Company, CUMIS, and the Saskatchewan Wheat Pool. Now Wheat Pool probably isn't providing significant funding at this point.

Mr. Brkich: — Yes, they really don't fall in the co-operative movement any more. How much goes . . . That again, was it 276,000 as a grant?

Hon. Mr. Wartman: — 75,000.

Mr. Brkich: — 75,000. Has that been ongoing for the last . . . basically since this department started?

Hon. Mr. Wartman: — That funding would go back to '99.

Mr. Brkich: — '99. Okay. Any particular reason why you give them that much every year? You'd think after you studied kind of the co-operative movement for like a year or two, you would kind of like get a grasp of what it does or what . . . I guess what would come from it? Promoting? You know, I mean, the co-ops, the credit unions, you know, they're very well established. They also have their business offices here. They're, I would say, very well organized.

Hon. Mr. Wartman: — I think it's important to note that there are new co-ops developing regularly. There are new generation co-operatives. There is certainly a lot of people that have not had the experience with co-operatives that are wanting to learn about co-operatives, and communities that are looking at ways of developing. And so they would be looking to the co-op development program as well.

Mr. Brkich: — So do they develop programs for certain groups?

Hon. Mr. Wartman: — They undertake graduate and graduate studies. They undertake research with specific focus on co-operatives and related subject matter. So I mean you can think of the range of areas that they might cover when you look at how co-operatives throughout Canada, the United States, and around the world are operating. And just like any other businesses, they're trying to become as effective, efficient as

they can become. So ongoing study on what's working, what isn't working, and helping those who are engaging in co-operative work to understand best practices would be all part of the work that they're doing.

Mr. Brkich: — It's like a livestock group who wanted to get a co-operative feed calf operation going, could they apply to them, either . . . I don't think for funding, I would not think, but they would be able to maybe apply then for somebody to come out and help them set it up or run them through the rules? Or is this just more a university program that just students go to?

Hon. Mr. Wartman: — That kind of assistance would come from the department. And for the co-op development program and the centre, it would be more education programs.

Mr. Brkich: — For the students going through, like it would be like a program then?

Hon. Mr. Wartman: — It would be for university students in a variety of disciplines where they might take programs in the centre, but it would also no doubt host from time to time programs, education programs that communities could have delegates come to as well.

Mr. Brkich: — Okay thank you. There was a couple other mentions that were first talked about this particular money that was budgeted. Can we go into the other two? I think there was two other mentioned under the co-operatives, money that was set aside.

Hon. Mr. Wartman: — The other one was the co-operative development assistance program, provides grants of up to \$10,000 to new and expanding co-operatives to support organizational and business plan development.

Mr. Brkich: — That one, providing grants, how many grants per year on the average have you handed out?

Hon. Mr. Wartman: — The average would be about five per year, and the grants would be in the neighbourhood of 10,000. That's the limit on the grants.

Mr. Brkich: — Since the beginning of what year?

Hon. Mr. Wartman: — '98-99.

Mr. Brkich: — For last year, do you have a list of the co-operatives that have received grants?

Hon. Mr. Wartman: — Yes there were four, four approved in last year.

Mr. Brkich: — Did you have the names or what they were?

Hon. Mr. Wartman: — The Saskatchewan Organic Livestock Co-operative, the Nipawin Biomass Ethanol New Generation Co-operative, the Oxbow fitness co-operative, and Youthbuild. And that one's in Saskatoon.

Mr. Brkich: — Same thing. If a co-operative was getting set up in a certain area, they would apply to the minister again or would they have, need a parent organization to go through?

Hon. Mr. Wartman: — They would apply to the department.

Mr. Brkich: — And is there any specifications for the money? Is it just for business plan or is it to actually help them buy equipment or is it for administration?

Hon. Mr. Wartman: — The funding is for the development of the co-operative. Now that wouldn't just happen in year one because you may have new directors coming in, and so you may be holding new programs, development programs, and so the funding really is about helping these new co-operatives to develop but also to renew some of the co-operatives that are in place.

Mr. Brkich: — . . . would be just basic to help them establish a business residence or an office or help pay for staff. It wouldn't be like if there was a . . . would that be for like . . . What would . . . [inaudible] . . . be used for?

Hon. Mr. Wartman: — No, it is for organizational development; that's what the funding's for.

Mr. Brkich: — Organizational development which means wages?

Hon. Mr. Wartman: — No, it means program to help develop the organization. So we'll take one example. Take the Nipawin ethanol development new generation co-operative there. It's been going for a few years, but they have new people coming in, engaging. They may want to develop new skills in terms of the administration of the co-op. They may want to see if there are ways that they can operate more effectively as a co-op, and so they might get development support for programming, might have a consultant come in and help them, and it's to cover the costs of development programming.

Mr. Brkich: — That's the only criteria that they can use it for, be for that business plan or conference if they want to go somewhere, to a conference to learn more about co-operatives, or to university?

Hon. Mr. Wartman: — Generally for the development within the community.

Mr. Brkich: — Okay. When they apply at the end of the year, they have to show you how they spent their \$10,000? There's a . . .

Hon. Mr. Wartman: — Yes, there is an accounting.

Mr. Brkich: — With this particular portfolio, I know it's changed names a few times, and to me it seems like it's changed direction on policy. I know when I first started it was Rural Revitalization and went to Rural Development, and now it's changed its name again to Regional Economic and Co-operative Development.

Has the policy changed much? Like when it first started, it was more just to revitalize rural Saskatchewan. That's when it was first set up in, I think, '98, '99, year 2000 when I was first elected. It was to basically just to deal with more rural issues at that time. I think that's the way it was set up. That's the way I understood it was set up, and I think that's the way the minister

explained it to me at that particular time. And I notice now that some of the criteria is going to the cities, and I know there's a need for it. But I was just wondering if the policy or the direction has shifted.

Hon. Mr. Wartman: — I think one of the things that really has been learned over the process is how we operate as regions, and it's responding to that to some extent in terms of how the department has been developing, emerging. And as well they've taken on new responsibilities as this concept has developed, and that has now included a shift from Industry and Resources, where REDAs used to be housed. The REDAs, which of course include city regional economic development authorities as well, are now housed within the department. So as the department has evolved and picked up new responsibilities, it has changed some of the work that the department is doing as well.

It's a recognition that really the development happens within regions and the strict division between urban and rural isn't accurately reflective of how development takes place.

Mr. Brkich: — I understand that. And we need to get over the rural and urban split, but yet I kind of like the idea of a portfolio that was kind of directed to help revitalize rural Saskatchewan through the bio-industry. Biofuels is huge.

And I know that under Rural Development there was a portfolio that seemed to be a little more interested in that. I know when I talked to the member from Yorkton about this at that time, he wanted to focus more in that direction. And now in the budget end of it, you know, it seems to be a lot of money, like, directed towards, you know, the co-operative development, not maybe for just trying to get any business in rural Saskatchewan or even looking at the problems in rural Saskatchewan, which is huge infrastructure.

I mean a lot of the businesses out there, when I talk to my constituency, is infrastructure, the highway system. I mean I've got a highway right now that runs east and west that's cut right off. You know the way they can go to Highway 15 is washed out and they don't know when they're going to get that fixed. To get basically to Yorkton and some of them places the truck traffic is routed way around on the highway system. It adds almost an hour on the route. Never mind the . . . And it was the only section of 15 that was just recently built up that was in good shape, and it got washed out. The rest of 15 is still, is in very rough shape at that end of it.

It seemed more, when it was under Rural Development, that it was . . . I was hoping that the department would be focusing more in that direction of . . . I think it was explained to me when it was under Rural Development and Rural Revitalization, it was kind of a go-between from one portfolio to the next. It would have been when the member from Nutana was heading it up. And that's the way she explained it, that she was kind of the, to work with some of the other ministries when it came to dealing with rural Saskatchewan, to help them understand some of the problems out there, whether it be like no cellphone coverage or dealing with that.

I mean she made a very good speech on it. But unfortunately nothing seemed to come along. Because I thought that would have been a nice direction for the department to be moving in

because it seemed like there was a kind of a discord between what happened sometimes in the cities and rural Saskatchewan.

I mean one of them is government-offered free Internet to the inner cities. I mean I've got half my small towns don't even have Internet yet, high-speed Internet that they could pay for. It's not even available to them for business to set up. And that's been a huge problem for some of the businesses that aren't set up in a town that has a school.

Hon. Mr. Wartman: — I think it's very important to understand what I said earlier about how the department has evolved and taken on new responsibilities, not dropped what it was carrying previously. But it also in the work over the years it has found that in order to be really effective in development that it has to be regional development. But that has not meant a neglect or a dropping of the sense of importance around enabling development in rural Saskatchewan. And I think a lot of the work . . . And you see this evidence clearly in the response to recommendations from ACRE [action committee on the rural economy] which have largely been implemented over the last few years, continue to be worked on and implemented.

I think you see also the importance of this area. You mentioned biofuels and you see the importance of this area of work. In fact that to a large extent we're leading. I mean you've got Alberta finally in a situation where they're playing catch-up to Saskatchewan in terms of development. And so I think the department as it has evolved has really paid attention to what it's been learning with and from those rural communities about how to effectively develop.

And I think as I see the funding, we're working at making sure that the funding is right to be able to address those needs. You think of the thousands and thousands of dollars that are going out in small-business loans to help develop the areas. You look at the jobs that are created by those loans.

I think the department clearly is on track for enabling rural development, addressing things like the need for cellphones, for Internet. And certainly has continued that work with other departments whether it's Department of Industry and Resources, whether it's the Crown corporations, SaskTel or SaskEnergy, SaskPower, really worked with them, with SaskWater, to try and make sure that the resources are available. But it's working with the communities themselves and trying to provide them with the resources, expertise as a region to be able to make sure that the development happens.

So the transition and the evolution of this department has not meant a diminishing of support for rural Saskatchewan, but I think the evidence will show quite clearly that it has meant an enhancement of support for rural Saskatchewan as we discover how important regional development is in enabling rural Saskatchewan to develop.

Mr. Brkich: — You're right on some of the points. On the small-business loan, that's been effective, been helping out there. But I think working with the departments, I think your department is lacking in that, wrong.

Numerous issues of SaskEnergy, SaskPower not even be able to . . . Businesses that want to start up looking at as . . . That's the

biggest start-up cost is trying to deal with SaskEnergy wanting to bring in the gas line, the \$20,000. I had a trucking firm want to set up in a small town, Broderick. The first line was, you know, it costs them your minimal. I think it was \$100. They needed an extra line. She's \$5,000 a line, he said. He said, I need three lines, he said, but I can't afford it, you know.

So I think you haven't addressed them problems with the Crowns much. Because when I talk to the, we handle problems like that, it's like no, that's their policy. Geez, we're . . . And I wouldn't even say the same for everybody. Because if you're in rural Saskatchewan, SaskPower, I pay more on my power bill than you do as an urban. Same as my SaskTel bill. If I live on the farm, I pay more than you do in urban Saskatchewan.

They call it reconstruction costs. And I don't know why I would have to pay more on the farm for my SaskPower bill. I thought everything in Saskatchewan was supposed to be equal and fair and the same price wherever you live. But if you live on a farm in rural Saskatchewan, you pay more for your SaskTel bill. You pay more for your SaskPower bill.

There's an extra charge on it just because you live on a farm — plain and simple. Those are, that's just one small issue. Talking about, about when it comes to setting up businesses, that's proven to be kind of a hindrance at that end. Now I don't expect an answer. That's more of a comment back on that. But I think the member from Rosthern had, he'd wanted a couple of minutes of questions. But you can respond to that if you'd like.

Hon. Mr. Wartman: — Well I would just go back to what I said earlier about ACRE, and probably the majority of the ACRE recommendations deal with enabling business development in rural Saskatchewan. Two-thirds of their recommendations have been implemented already. A lot of the work that is going on is to facilitate further and better relationships with Crowns.

But I think always to remember that, you know, there may be some differences in costs between rural and urban Saskatchewan. But there's differences in costs of delivery that are significant as well. And I suspect that a lot of what is provided is not on cost-recovery basis. If it were it would be significantly higher than what it is today.

So it is an issue that the department — not only this department, but I can say as well with Agriculture and Food — when you recognize how important the developments are and what some of the costs are, that we continue to try and work to ameliorate some of those costs and make sure that we'll see the appropriate development in our rural communities.

The Chair: — Okay. Thank you very much. I'll now recognize Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair. Mr. Minister, welcome to your officials this afternoon. Just going to follow-up questions from the supplements that I asked questions before in regards to the snowmobile association, The Snowmobile Act.

In your answers that were given to me regarding the licences in '05-06, I believe there was something like 12,000 memberships

— or not memberships, licences sold. In '06-07, there was 17,700. I believe that figure is correct?

Hon. Mr. Wartman: — 17,273 is what I have. Oh wait a minute — 17,627. So very close, yes.

Mr. Allchurch: — Okay. Now the \$40 is the share of the licence that goes to the snowmobile association. The money then that goes to the snowmobile association is not government money. It's government money that's collected through the licensing and then turned over to the snowmobile association. Is that correct?

Hon. Mr. Wartman: — No. It goes to the snowmobile trail fund. The associations do administer the trail fund, but it goes to the trail fund itself.

Mr. Allchurch: — Pardon me. That's correct. That's what I meant. It goes through the trail fund, but the snowmobile association directs the, or looks after the trail fund.

Hon. Mr. Wartman: — Yes.

Mr. Allchurch: — My last question is, in regards to a year where there is not a lot of snow, and we've had some — in fact we've had quite a few of late — and if I recall back in '03-04 where there was very little snow, the licences at that time were down significantly; probably in the 8 to \$10,000, or 10,000 licences sold.

If we get another year or a few years where there is no snow and the licences drop down to that 8 to 10,000 figure, is the \$40 permit fee from that licence, is that that's all that's going to be paid to the trail fund, or is there a lump sum of \$500,000 that will go to the trail fund administered by the snowmobile association?

Hon. Mr. Wartman: — Any of the funding is strictly flow through.

Mr. Allchurch: — Flow through.

Hon. Mr. Wartman: — Yes.

Mr. Allchurch: — So there's not a magic figure of, say 500,000; if it goes lower than that, the government will pay 500,000. It's just whatever the \$40 is on the licences that go through the trail fund?

Hon. Mr. Wartman: — That's correct.

Mr. Allchurch: — Thank you, Mr. Minister.

The Chair: — Thank you very much. I'll now recognize Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Welcome, Minister, and your officials. Just to follow up on my colleague's questions — my colleague from Arm River-Watrous — concerning economic development.

I've just received a file, a concern from one of my constituents in Perdue, Saskatchewan, and he has a concern with SaskTel.

And his business relies on a high-speed Internet for data transfers between his main computer and Saskatoon and their branches in Lloyd, Outlook, and Perdue. And he says that the two branches in Lloyd and Outlook are okay, but in Perdue, Internet service is slow and almost unusable. And the problem he says is the data line that runs to Perdue, runs through Perdue, and is not willing to hook up a proper T-line that this individual believes is running right in front of their business without charging him a great deal of money.

Again I guess just to reiterate the concerns that businesses have. And number one, just to get the access to proper technology and the huge cost to them. And this is a real concern in many businesses in rural Saskatchewan. Could you comment or help, possibly take this to your colleague who's responsible for SaskTel and see what can be done about not only the cost but the accessibility of this?

Hon. Mr. Wartman: — Thank you. I appreciate the question. And something tells me that the Minister Responsible for SaskTel is all ears and listening very carefully to this. But of course it is . . . Isn't that right, Ms. Higgins? I think it is a very important issue. And we run into it in a variety of different circumstances as we're working on developing rural Saskatchewan.

But I think to start from the position — and this doesn't in any way eliminate what the concerns are — but to start from the position recognizing the tremendous levels of support that we have in the province. We're more heavily wired than any other province and I think from what I've been able to pick up, really any other jurisdiction in North America. And so we do have tremendous service in this sparsely populated province when you consider into every community of 200, and some smaller than that, you've got high-speed Internet access.

You consider the work that is going on in terms of development of wireless and the fact that where wireless centres are going in, you're getting in some cases up to 30 kilometres range on those wireless high-speed set-ups, and SaskTel continues to develop in those areas. I mean this is simply just noting that there is development in process. It takes significant time, but we also clearly recognize what a challenge it is for people who are outside of the range and even to connect if you're some distance out from a community where there is high-speed to get a connection. Costs are high, but at this point all I can say it's one of the areas that departments that are engaged in rural Saskatchewan are concerned about.

We know that in agriculture as well there is a lot of businesses being done over the Internet, and people are looking for high-speed access, and so we know that the need is there. SaskTel I think, from conversations that I have had with people within SaskTel, are working hard to try and make sure that we continue to expand the services to rural Saskatchewan, and I would just say in terms of your particular case that you're speaking of, if you bring that forward we'll put that into the works as we continue to try and encourage and enable further development into rural Saskatchewan. And I know that we'll get good co-operation from the Minister Responsible for SaskTel.

Mr. Weekes: — Thank you very much, Mr. Minister, and I will

follow up with correspondence, and hopefully this can be resolved to the satisfaction of the business in Perdue.

The Chair: — Thank you very much, Mr. Minister. I'd like to thank you and your officials for coming before the committee this afternoon. We very much enjoyed the hour we spent with you.

Seeing as we are now at the hour of 5 o'clock, I would now recess until 7 p.m. where we will once again reconvene with the estimates of the Department of the Environment. So thank you very much committee members, Mr. Minister, and your officials.

[The committee recessed for a period of time.]

**General Revenue Fund
Environment
Vote 26**

Subvote (ER01)

The Chair: — Thank you very much, committee members. It now being 7 p.m., I'd like to call the committee to order. The item of business before us tonight is vote 26, estimates for the Department of the Environment, and we have with us the Minister for the Environment. Could you please introduce your officials for this evening, Mr. Minister.

Hon. Mr. Nilson: — Thank you very much. I'm very pleased to introduce the officials that are with me.

I have Alan Parkinson, the deputy minister; Bob Ruggles who's the assistant deputy minister of lands and forest division; Dave Phillips, assistant deputy minister, conservation division; and Joe Muldoon who's the assistant deputy minister of the environmental management division; Bob Wynes, the executive director of the forest service; Steve Roberts who's the executive director of fire management and forest protection; Ray Deck who's the executive director of human resources; Sam Ferris, the assistant executive director of environmental protection; Lin Gallagher, director of the green policy; Laurel Welsh, director of budget and fiscal planning section; Everett Dorma, executive assistant to the deputy minister; and then from Saskatchewan Watershed Authority, Stuart Kramer, the president; and Doug Johnson who's the director of basin operations. So that's the crew that's here to answer all the questions.

The Chair: — Thank you very much, Mr. Minister. I'd like to indicate before we start this evening that we have a couple of substitutions on the committee. We have Glen Hart going to substitute for Lyle Stewart this evening, and we have Ms. Hoppner substituting for Mr. Kirsch.

I'll open the floor to questions. Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair, and good evening to the minister and your officials. I want to continue asking some questions about the Murdoch Carriere scandal. The first question, is there a continued relationship with your department and Murdoch Carriere?

Hon. Mr. Nilson: — No.

Mr. Weekes: — Is there an open file in your department concerning Murdoch Carriere?

Hon. Mr. Nilson: — Not to my knowledge.

Mr. Weekes: — Next question is concerning Murdoch Carriere's payment, the \$275,000, and the issues around his pension. Is there an ongoing cost to your department funding his pension or any other revenues that may go towards his firing or release from employment?

Hon. Mr. Nilson: — I think the relationship has been terminated by way of the agreement with Mr. Carriere, and there are no further payments. All of the funds were dealt with at that time.

Mr. Weekes: — Thank you, Mr. Minister. I would like to ask some questions on another topic — the Scrap Tire Corporation. I have some information — and correct me if I'm wrong — but I understand that if a business picks up scrap tires, there's a incentive that is paid to that business to pick up the tires. And if the business processes tires, there's an incentive, and also for that processing to make crumb. And if that business recycles that crumb into a product that's called . . . whatever product is, a paving stone or whatever, that there's an incentive. Could you outline the incentives for each of those procedures or business transactions for those businesses.

Hon. Mr. Nilson: — Well let me explain. The Saskatchewan Scrap Tire Corporation is an independent organization run by the retailers in the business. And the relationship that the department has is that they request that we by regulation place a fee on the purchase of new tires, and the fees varies depending whether they're passenger tires or truck tires or farm tires or industrial equipment tires. And that fund goes into a separate . . . or those fees go into a separate fund which is controlled by the board which is run by the industry — both the retailers and the Saskatchewan Motor Club I think is one of the board members — and then they make decisions about how they accomplish the task that they have as a corporation.

And I think the question that you're asking is a question that you would ask to that independent corporation around how they accomplish their job. So I think the question . . . if the question is, what is our role as government in this organization, it's basically to be a liaison and to assist them in setting the fees that are charged when people purchase new tires. But the actual work that they do, they set out their own work plan and organize it based on the things that they decide. But they have a mandate which includes cleaning up the old tires, disposing of ones that are collected by tire dealers when they sell new tires, and so forth.

Mr. Weekes: — Thank you. I guess I want to go back to the point about the incentive rates. So you are unable to supply us with what those incentive rates are for the various processes including picking up, processing, recycling.

Hon. Mr. Nilson: — I mean if the question is, what contracts did they have with individual companies, I don't have that information here. It's a contract negotiated between the Saskatchewan Scrap Corporation and a processor. So for example, there's a processor on the north side of Saskatoon, and

they would have a contract that is an arrangement between those parties. I think there's also another contract with the processor down in Assiniboia. But those are a few steps removed from what we do in the department.

Mr. Weekes: — Yes thank you. But I understand though that there's a common incentive for each process that anyone in the industry would receive for turning a tire into crumb or recycling the crumb into a product and also a incentive for picking up tires. And that's the issue that I'm getting at.

Hon. Mr. Nilson: — Okay. Well I mean if the question is, what do those processors receive per tire, that would be in those contracts which I don't have. I'm not sure if there is another kind of a fee that may be paid to some of the people who collect tires, but that's also one that's totally within their control. They get the global budget of money, and then they set out a plan, and then they follow through on that plan. And it's primarily controlled, as I say, by the industry with some of the consumer reps which includes representatives from the Saskatchewan Motor Club.

Mr. Weekes: — Why I'm asking this question, I've been told that a company that processes tires into crumb gets an incentive. Now if there's a separate company that buys the crumb and produces a product, they would get an incentive, but a company that does both features, both processes only receives one incentive. And that's where I'm going with that. There seems to be a discrepancy or an unfairness if one company is doing both processes.

Mr. Muldoon: — The Scrap Tire Corporation does pay a . . . there's funds that they pay, and it depends on the level of recycling. When those tires are collected, of course there's funds that are paid by the buyer, the . . . [inaudible] . . . corporation. The corporation then they use that money to fund the collection of the tires, and then they also use that money to provide, as you indicated, to provide incentives for basically the recycling of those tires, the reprocessing of those tires.

Depending on the level of reprocessing, that dictates the level of the funding. In some cases when they're just shredded, and I don't have the numbers here, but there are different rates depending on what the level of recycling is taken with respect to those tires.

So yes, it does . . . the idea is to ensure that the monies that are collected when we purchase tires, that those monies are then used to make sure that when those tires are . . . that they're completely recycled. So that incentive changes depending on whether you, you know, put into a final product or whether you just shred the tires.

Mr. Weekes: — So that incentive wouldn't be a . . . I'm assuming would be the same incentive regardless of which company . . . it's not a contractual. It may be a contractual item, but it wouldn't be different from one company to the next.

Mr. Muldoon: — No, those rates that they provide are consistent, again depending on the level of recycling that occurs.

Mr. Weekes: — Could you supply the committee, in the future,

with the breakdown of the fees right across the board — the fees for recycling tires, the incentives, all those pertinent items that go into the recycling of tires and the reprocessing and the recycling and different products that are made? If you could supply those numbers to us in the future, I'd appreciate it.

Hon. Mr. Nilson: — We'll ask the Saskatchewan Scrap Tire Corporation to provide that information because they're the ones that have it.

Mr. Weekes: — Okay thank you. Mr. Minister, you mentioned that they have a mandate to recycle the tires, all the tires in Saskatchewan. I know, I understand there's been a lot of tires in the past number of months or years that have been going to Minnesota, I believe, to be recycled, and the two processors in Saskatchewan hasn't been doing a lot. I'm not sure how much they've been doing.

Does the mandate dictate anything about exporting these tires and trying to add value to these recycling processors in Saskatchewan?

Hon. Mr. Nilson: — Well clearly the goal when this was set up was to clean up the tires that have been disposed across the province and then set up a system so that they wouldn't go into the landfills in the province. And so the goal is also to use the most effective way of recycling this. I know that there had been some particular issues at the recycler in Assiniboia, and they've now I think caught that, getting back more on track, which is good. But the point is to make sure that we process these tires that are being recycled on a regular basis so that we don't end up with large storage depots of them.

Mr. Weekes: — Thank you.

The Chair: — Thank you very much. I'll recognize Ms. Heppner.

Ms. Heppner: — Thank you, Mr. Chair, and thank you, Mr. Minister, for being here tonight, and welcome to your officials as well. I have questions about provincial parks in Saskatchewan. I'll just let you shift over.

Hon. Mr. Nilson: — Go ahead.

Ms. Heppner: — Do you have the number of visitors to the Saskatchewan provincial parks for last year? And I've broken down . . . There's day passes available, three-day passes available. Do you have them broken down by those numbers?

Hon. Mr. Nilson: — The global number we've got is about two and a half million visits in '06-07 which is up approximately 8 per cent from our centennial year in '05-06 which we thought was a real highlight year. So we are quite pleased by the numbers of visitors last year. And we do have a breakdown that can go into almost all the different categories you want. So you had specific questions about day visitors versus . . .

Ms. Heppner: — Yes, I understand that you can get a day pass to go into parks, a three-day pass, and then it's probably extended past three days as well, right?

Hon. Mr. Nilson: — Yes. Plus we have to remember too that

seniors have passes that are free to get in, and so they get a free one for the summer. But have you got the numbers there?

Mr. Ruggles: — Were you interested in the breakdown between the different categories or between different parks? Like categories of . . .

Ms. Heppner: — Categories.

Mr. Phillips: — I have the information broken down park by park which I think is more detailed than you'd like. Here we go. Yes. Daily entry permits in 2006 was 105,856. The three-day entry permit was 18,472. The weekly entry permits, 8,920. And transferable entry permits, that's the seasonal pass, 19,854. Total of 153,102.

Ms. Heppner: — Okay. Thank you. Do you have a dollar figure for the amount paid in park entry fees from last year? And do you have any kind of projection of what you're expecting to receive this year?

Hon. Mr. Nilson: — The revenues from park entry fees was \$2 million in '06-07, which was up 9 per cent from the previous year. That amount includes the 287,000 estimated for the seniors' admission, so we actually accounted for that. And our anticipation for next year, I think the planning is that there are lots of inquiries. Some of the parks are already filled on some of the key weekends and have been since January. So I think the pressures are going to be as great this year. That's why we've announced in the budget a number of improvements to some of the parks and increasing the number of electrified campsites and some other campsites.

Ms. Heppner: — So it's fair to say that an increase of 9, 10 per cent would be expected in the coming year then.

Hon. Mr. Nilson: — The five-year average was about an 8 per cent increase per year, so I think that's what we've been trying to budget around.

Ms. Heppner: — Okay. Have there been any studies, reports done to indicate the economic impact of provincial and regional parks in Saskatchewan?

Mr. Phillips: — Two years ago an analysis was done with a local consulting company of direct expenditures by people visiting the parks, not to the park system but in the surrounding communities. It was \$192 million.

We've done a different kind of analysis in other areas of the department. For example, the economic impacts around hunting, fishing, and that sort of thing. We haven't yet done a comparable analysis for, like the secondary benefits or jobs created for the park system. But approximately \$200 million in direct expenditures outside of what they pay for revenue to enter the park, is our current level.

Ms. Heppner: — Okay. The minister had mentioned that there's plans to increase electrified sites. Is there plans for park expansion overall in Saskatchewan?

Hon. Mr. Nilson: — Well this is one of the, if you remember last year we set out our parks legacy plan and one of the things

that we are in the midst of working at is what kind of a plan over a 10-year, 20-year period would be there. And included in that discussion would be expansion into other parks, other places. We in Saskatchewan are well provided with provincial parks, regional parks, and then a lot of the municipal parks. And so we're always working to make sure that these come, you know, work together.

But there are parts of the province where certain natural features have been identified that we may want to protect in that way. There are other parts that are, where we need to expand the recreation kind of parks that are there. So it's clearly something that's part of the discussion. But right today we don't have any plans for any specific expansions, but we have identified areas where there are good suggestions and ideas about how we might expand.

Ms. Heppner: — My next question is quite detailed and I'm wondering if it's possible to get a hard copy of this information at some point. It's revenue generated from various things in the parks system: entry fees, amounts paid for electrified sites, amounts paid for campfire fees, recreation fees, vehicle entry fees, that sort of thing, for '06-07. And then if you have projections for '07-08. It would be the breakdown. You've already given me I think the total for entry fees, but this would be just a breakdown of where those fees come from.

Hon. Mr. Nilson: — Do you want me to get that for you later or we can . . .

Ms. Heppner: — If you could, please.

Hon. Mr. Nilson: — I think we have a rough idea in the sense that the fees contribute about 50 per cent of the cost of running the park system — 60 per cent, 60 per cent. And so that's how we budget. So when we look at the figures in these years' budget, we're anticipating that 60 per cent of the revenue for the park system would come from all of those items that you mentioned.

Ms. Heppner: — Yes, if you could provide me with a copy of that breakdown that would be fantastic. Thank you.

The Chair: — And would you please provide the entire committee a copy of that breakdown, please.

Hon. Mr. Nilson: — The normal practice is to provide it for the Chair and then we can go that way.

Ms. Heppner: — My next question is on revenue collected from fines. If there is infractions occurring on site, is there fines for violations in parks?

Hon. Mr. Nilson: — I don't know, but all fines are collected by Finance and it's in the General Revenue Fund so we don't see those kind of fees like that.

Ms. Heppner: — You said that 60 per cent of what is spent on the park system is currently coming from fees acquired — entry fees, that sort of thing. Is the current fee structure, the revenues realized, adequate in your estimation or are there plans to raise park fees in the coming years?

Hon. Mr. Nilson: — Well this goes to the heart of a very interesting question about how we deal with parks. I think that the fees right now provide a good balance between overall taxpayer support and the user fees that are there. So we don't anticipate any dramatic change in this whole area.

The important thing is to have the parks in good shape so people enjoy them and use them. And by some of the plans that we have in this year's budget, we're going to be doing many of the things that we know are required. We also have many requests for other improvements and those are all being taken and evaluated, and we'll include them in budgets for future years.

Ms. Heppner: — On land that is used by golf courses in provincial parks, is that land leased to the course owner? And do you have a dollar figure of what kind of revenues are raised from those leases?

Hon. Mr. Nilson: — Most of them, I think all of them are leases that are usually by the golf course operator although there may be some other arrangements. But they are leases. And we I think have some of the information around the golf course. I think it depends on each of the parks as well a bit and what the traffic is to some of these parks. And there is an association of the owners or lessees of these golf course companies most often and they meet regularly with the parks people. And they've raised some concerns depending on what happens in a particular year as to what kind of revenues they have available.

So it looks like we don't have that specific answer here with us tonight, but that's another piece of information. We can give you the amount that comes from the golf course revenues in last year and I'll provide it to the Chair and for all members of the committee.

Ms. Heppner: — I appreciate that. Thank you. I have another question about revenue, this one from cottage fees. What's the current revenue generated from cottage fees and are there any plans to increase the number of cottage spaces on Crown lands or in parks in the future?

Hon. Mr. Nilson: — Yes, I think the cottage fees come up to about just under \$2.1 million a year, and we've just instituted a new way of setting these fees over the last couple of years. And so at this point I think the only increases would be as set out in that formula which we released last spring, like a year ago.

Ms. Heppner: — And were there any plans to increase cottage spaces? Is there any plans to increase the number of cottage spaces allowed on Crown land?

Hon. Mr. Nilson: — That's something that we're always looking at, and there are pressures. We did have some plans of expansion up in the Meadow Lake park, but those were . . . We had to readjust some of those plans. Also I would just point out on your previous question around the fees for cottages, there's a fee that relates to the lot and then there's a fee that relates to the services at a particular park. And because the services are different at each of the parks, that figure is adjusted each year based on a budget which is discussed with the local people. So those fees can go up; sometimes go down but not usually.

Ms. Heppner: — What was the total amount of dollars invested in park infrastructure in '06-07 and what is projected for '07-08?

Hon. Mr. Nilson: — The amount last year was 4 million and this year the amount will be 5.3 million.

Ms. Heppner: — Do you have any figures on the people using the parks in Saskatchewan — out-of-province visitors versus Saskatchewan residents?

Mr. Phillips: — Approximately 80 per cent provincial and 20 per cent out-of-province. And the largest fraction of the 20 per cent out-of-province are visitors from Alberta. It varies park by park as well. On the west side of the province we typically have more Alberta visitation.

Ms. Heppner: — Is that an overall average that's been happening for a number of years? Is the numbers from out-of-province visitors gone up or gone down in recent years?

Mr. Phillips: — The number is going up but the amount of overall visitation is also going up so the proportions are staying roughly similar. Our staff visit trade shows in Alberta, North Dakota, and Manitoba in the winter period and we've been especially promoting in the Alberta market with billboards and staff attendance at RV [recreational vehicle] shows and promotional events.

Ms. Heppner: — Okay, thank you. I'm moving on to a different topic now. On the issue of nuclear energy, I'm just wondering, I haven't come across anything . . . There wasn't anything in the green strategy or any other releases that I've seen lately on the government's position or if you're looking into this. And I'm wondering if the government has done any studies or reviews or received any advice on the feasibility of nuclear energy in Saskatchewan.

Hon. Mr. Nilson: — Well it's not necessarily in the Saskatchewan Environment area. I know that SaskPower evaluates all sources of energy and so they are monitoring this. But this is really a question that would come under the Industry and Resources file where they have the responsibility for the overall energy file. So that's basically where it is. It's something that people are always keeping track of and have all through the decades. And so there are a whole number of issues around nuclear energy, biggest one being in Saskatchewan that our load is not that great for some of the large kind of facilities that are required.

Ms. Heppner: — So any information the government may have received wouldn't have gone through Environment. It would be in the hands of Industry and Resource.

Hon. Mr. Nilson: — That's correct.

Ms. Heppner: — Okay. Well then, I'll move on.

I found a report — it was dated 2003 and it was done for SaskPower — that states at the time the corporation was trying to achieve a 20 per cent reduction to the 6 per cent below 1990 levels in the emissions of greenhouse gases, and that it would only be possible with the offset of purchasing credits. And I'm

wondering if that target of 20 per cent . . . I couldn't find any follow-up information in years past 2003. And I'm wondering, with the purchase of offset credits, if that 20 per cent reduction was realized from SaskPower. And I'm sorry I don't have the report with me.

Hon. Mr. Nilson: — Yes. I don't know the specific answer to that and I'm not quite sure what report. But I know that in Saskatchewan Environment, there wouldn't be anybody that would have that kind of information at all.

Ms. Heppner: — We've received anecdotal reports from residents in rural Saskatchewan who wanted to access the EnerGuide program. And they had concerns because the people who are doing the energy audits have said that they're not leaving urban centres to go out into rural Saskatchewan to do the audits in those homes, which would obviously leave thousands of potential rural residents who want to participate in the EnerGuide program unavailable to access that program. And I'm wondering if you have heard of similar concerns from rural residents and if there's any plans within Environment Saskatchewan to address that situation to make sure these rural residents can also access the program. Because obviously the audit is necessary to apply for funding through the program.

Hon. Mr. Nilson: — Well that's a question. I have heard of some of the concerns, both in urban and rural Saskatchewan, as the deadline came of March 31, 2007 to qualify under the old program. Now with the new program that is coming forward, which is operated . . . I think this is something that we can raise some questions about if you've heard some issues around this.

It's not directly run out of the Environment department. It's worked, I think, primarily with SaskEnergy as a lead along with some other assistance. But a specific question around the ability to actually participate in the program I think is a valid one and that we should raise it and make sure that if the people in rural areas want assistance they can get it the same way as the city, so. But I know this new program just started on April 1 and there are quite a few things that we're still trying to sort out.

Ms. Heppner: — I understand that the companies that do the energy audits are independent, they're independent businesses, and I'm just wondering if there has been any discussions with government officials with the independent auditors. I'm not sure what you could do. You can't obviously force them to do something that they don't want their business to do but I'm wondering if you've had any discussions with these auditors to voice these concerns with them, that rural residents get the same service or . . .

Hon. Mr. Nilson: — I can say that out of Environment we have some funding that goes into that program but the specific questions would be the officials of SaskEnergy and so that would be the place to ask that and they would have the answers as to how the program operates.

Ms. Heppner: — In the green strategy that was released last week it speaks about air quality equipment, monitoring equipment that's going to be purchased. And I was just wondering what are the current air quality standards in Saskatchewan. Do we have them or are those being worked on now?

The Chair: — Thank you very much, Ms. Heppner. Mr. Nilson, as new officials come forward could you introduce each of them. I have been reminded that we are on television and as such they like to indicate who each official is so it's . . . make it very clear to the broadcast services.

Hon. Mr. Nilson: — I have Mr. Sam Ferris with me now who will assist on the air quality issues.

And you are right that we have set aside funds to measure air quality in the province as it relates to a number of issues. One of our prime concerns actually relates to the northwest part of the province and what's happening in the oil sands and so we have some issues over there. And so we will be wanting to set a baseline around air quality but I'll let Mr. Ferris explain what the standards are in Saskatchewan.

Mr. Ferris: — Well the standards for air quality are outlined in The Clean Air Act, the Saskatchewan Act, and it provides numbers for particulate materials, SO₂ [sulphur dioxide], NO_x [nitrogen oxides], various particular parameters. I didn't bring all the particular standards with me tonight.

Saskatchewan has also worked with other provinces and territories to develop what we call Canada-wide standards for particulate matter in ozone. There's also numbers for, like, benzene emissions from glycol dehydrators from pipeline situations. So there's a variety of air quality standards, and we can certainly provide those details to the committee Chair if you wish.

Ms. Heppner: — So the baselines for those have already been set for Saskatchewan.

Mr. Ferris: — Well the standards exist and they're actually right in regulation. And those are expressed through permits for industries when we permit these industries. So yes, the standards exist.

Ms. Heppner: — So the air quality measuring equipment that's going to be purchased, I understand they're being set up at various sites around the province and government will obviously be tracking the information. And what do you do with that information? Like if your air quality in a certain region is off the charts on certain indicators, what are the plans to follow up? Do you track down the polluters then? Or what are we doing with that information once we receive it?

Hon. Mr. Nilson: — Well there are a number of different things. But obviously one, when you find something that's a real problem, you would be tracking down where it comes from and why.

But our goal in this . . . We have a mobile unit that we're going to develop which will build on some of the measurements that we do have in various parts of the province. But the goal is to get a baseline especially so that we can see what it is now versus what it'll be when there's been expansion in industry — for example in the oil sands area or in other parts of the province. We also have, clearly, issues down in the southeast part of the province related to the industry that's down there.

Ms. Heppner: — I understand that there's concerns with the

industry in Alberta, that there's potential or is already happening, acid rain coming into Saskatchewan. And I'm wondering if the air quality standards in Saskatchewan are similar to those in Alberta, and if the two provinces are working together to coordinate, if they aren't already.

Hon. Mr. Nilson: — I think that we have different standards that are set there, but I know that we do work together with their officials. But I can maybe let Mr. Ferris explain some of the national committees that work on these plus some of the things that we do in the Prairie region.

Mr. Ferris: — At present we've worked with Alberta Environment. We've set up a working group with Alberta Environment to discuss issues of concern associated with oil sand expansion. We're looking at establishing more monitoring stations, particularly one near La Loche, Saskatchewan for areas of concern associated with acid rain. Soils in northern Saskatchewan along the western boundary of the province are typically not well buffered. In other words, they don't take excessive acid rain very well so we would expect it's important to monitor for those things. So Environment Canada . . . We've also participated in some of the clean air strategic alliance initiatives out of Alberta as a means to further the interests of protecting Saskatchewan's environment in the North.

Ms. Heppner: — Okay. Thank you for that. I'm going to hand it over.

The Chair: — I'll recognize Mr. McMorris.

Mr. McMorris: — Thank you, Mr. Chair. My questions are going to be centred around Blackstrap and the money that the department has put into Blackstrap. I read the release when that money was put in, and I think it was kind of categorized in three areas. There's roughly around \$50,000 for operations. There was three hundred-and-some thousand dollars for equipment and another \$370,000 for . . . If I could get you to explain what those amounts were and what those amounts were targeted for. And then I'll certainly have more questions as to where we're at or where the operators of Blackstrap, the Schwinghammers, are at with proceeding in getting equipment onto the hill and how it worked in the month and a half that they had for a ski season.

Mr. Phillips: — Total investment to operate the lower portion of the hill between February 9 and, well it was intended to be April 15 but it was actually I think the last day of March that the hill operated until, was \$863,000. The majority of that money was for really two purposes. One was the purchase of replacement equipment. There was something called a magic carpet lift and a paddle tow lift. It was approximately \$400,000. The rest of the money went into some renovation of the existing water system that was there and a contract with a private contractor who operated the hill for that period.

I'm told that the visitation was as good or better than expected. We had hoped that it could run as late as April 15, but mild weather resulted in the hill closing a couple weeks before that.

Mr. McMorris: — I'm going to have more questions on the 400,000 for the magic carpet and the paddle tow, and also that would leave 463,000 for water and getting the hill up and

running.

I was really interested, as well as I believe everybody in the industry were quite interested, when the news conference came and said that — I know the minister had mentioned and I don't want to put words in his mouth — but he thought it would be operating well into April, to the end of April.

Ski hill operators in this province haven't operated on the end of April in any of their memories. They were all quite interested to know how the bottom of Blackstrap was going to operate until April 15 because that really is quite unrealistic. I mean you go out to Assissippi and see the amount of snow that they have built there, and they are closing at the end of March.

I guess my question is, first of all is, where did you get the impression that it would operate until the end of April? Sorry. And I don't want to put words in your mouth, because you said April 15. Where did you come up with the assumption that it would operate until April 15?

Hon. Mr. Nilson: — Well I think that what was set out in our contract was that the fee that we would have would go to April 15, and for every day before then that they didn't operate, there would be a reduction in the contract. So that the description of that day was based on what the contract was. And clearly I've been around Saskatchewan winters for a long time so I understand that there would be real difficulties in skiing in April, but we wanted to cover the contingency if it did last that long. But in actual fact it didn't. And so therefore the contract ended a couple of weeks earlier, and that was reflected by a reduction of . . . in the amount that was paid.

Mr. McMorris: — So I was under the understanding that it was a grant of \$863,000 which would have then taken it to the end of April 15. What was the reduction in the contract because it closed on March 31?

Hon. Mr. Nilson: — I think what you should recognize here, or the public should recognize, is that this is a facility in a provincial park, and it's one that's been operated in the park system for decades. They normally have used a private contractor to do the actual rental of the skis and running of the operation but that the equipment was provided by the parks system.

And this particular year, the chair wasn't able to be operated. But there was a concern that there be still some activity in that park, and the contract was arranged with an operator to run the park. But the park system itself purchased the equipment, and it's owned, and it's part of the park's budget. It's part of the park's equipment. And so it's not a grant to anybody; it's basically just part of the operations of the provincial park system.

Mr. McMorris: — So to run it for the management of the ski hill from February 9 to March 31, what was the amount that was given to the — it was Rick Schwinghammer — to him and his management group to operate the ski hill for that month and two weeks?

Mr. Phillips: — The number I gave you, the 863, I actually have an updated number beyond my briefing note. The number

was \$905,300. The operating agreement, which would be the actual contract with Mr. Schwinghammer, \$351,300. And the reduction per day was a \$2,000 saving per day for each day that the hill wasn't open prior to April 15. And that was 11 days prior, so the total reduction was 22,000.

Mr. McMorris: — So would I be correct then in saying that you could take 22,000 from the 351 so that the real grant, operating grant, was not 351 but was something like 351 minus 22, which I don't do very well in my head.

Mr. Phillips: — I tell you I believe that's correct, but I would want to check that for sure. I'm not sure if it was 351, then 22 off that or if it was 351 with 22 already off.

Mr. McMorris: — Okay. Yes, if you could maybe let me know into the future, that would be great because that would make quite a difference obviously.

It was mentioned that roughly — and these figures are probably rounded but — \$400,000 went to the magic carpet and the paddle tow. Was that all \$400,000 gone to that, or what did they cost? Because again I have talked to people around the province in the industry that have a pretty good idea of what a magic carpet would cost.

Magic carpets are new. There's nothing new about a paddle tow in the province, but magic carpets are relatively new. I assume that they were both bought brand new. Could you maybe give me a little bit of a breakdown on where that is at.

Mr. Phillips: — Total cost for equipment was \$429,000. I don't think I have the breakdown between the magic carpet and the paddle tow. One was approximately 150 so the other would have been, you know, the other 250,000.

One of the tricks with this was that the manufacturer needs to do the installation, and the equipment was brought in from Europe in the case of the, I believe it was, the magic carpet. So it was brought in on short notice to meet an early February opening date.

Mr. McMorris: — That leads to just a whole pile of questions. But was there any work done by the department to know what it would cost to install a paddle tow and a magic carpet in July when there is no frost in the ground as opposed to trying to install both of these setups in January, February, and what the increase in cost was for a paddle tow and a magic carpet installed in January, February from a manufacturer from Europe which comes through a dealer in British Columbia? I would be very interested to know if the department did any sort of a project study on what it would have cost if it would have been July, August installation as opposed to January, February.

Hon. Mr. Nilson: — Well I think the answer to that is that no, they didn't do that. The goal was an attempt to see if the other facilities would work in the fall. And they were being inspected, and those inspections took place I think around the end of September, early October. And it was clear that the chair and the other lifts were not operable. So at that point then there was a request to look and see what other things were available, and this is what was available, and it was installed in January.

I mean ideally for everybody to refurbish that hill we would do it over a three- or four-year period where you could do evaluation of these various things. But it was important to keep the ski hill in operation for this year for at least some of the activities, and this is what was possible.

Mr. McMorris: — Was the ski hill in operation last year?

Hon. Mr. Nilson: — Yes it was.

Mr. McMorris: — The chair lift was operating last year?

Hon. Mr. Nilson: — Yes it was.

Mr. McMorris: — And this is the first year then it didn't open at the time when most ski hills would have opened in December.

Hon. Mr. Nilson: — That's because the inspection in the, I think it was, September said that it wasn't possible to run it.

Mr. McMorris: — And so that's when the department then decided we better throw some money at it and try and get it operational for the month and three weeks, two weeks.

Hon. Mr. Nilson: — That's right. To make sure that there would be some activity that would continue the long tradition at that park.

Mr. McMorris: — So the government has invested 429,000 roughly into a magic carpet and a paddle tow that services the bottom of the hill. What is the plan then going forward for the chair lift?

Hon. Mr. Nilson: — Well the chair lift is, I think, being evaluated right now and looked at — well what kind of things can be done to repair it or whether there should be a new one placed in that facility. But all of these are being looked at, various options, whether there should be requests for proposals — a private operator would come in and take over the whole thing — or whether it would be, continue to be done as a provincial park activity.

Mr. McMorris: — This is into the future. Is the department then seriously looking at either repairing the old chair lift . . . but probably after being around that chair lift a little bit myself . . . And I'm no engineer, but I've seen the chair lift. And I've been on the chair lift and I've seen, you know, in the summer how it's rusted terribly. Is the department then looking at purchasing a new chair lift for that hill? Or is it going to just look at servicing the bottom half of the hill?

Hon. Mr. Nilson: — I think that that is why we are looking at all the options on this particular one, which would include seeing whether there is a long-term private operator that would operate this facility and then go and look at putting capital in to replace all the equipment.

One of the issues for the park system is that this is a park that's close to Saskatoon, and there are many people who expect that there be some activity there. And so we, this year as a temporary measure, we've ended up doing what we've done. But for the longer term we would be looking at some other

proposals. And that's what we're right in the midst of doing right now.

Mr. McMorris: — Just a statement on the . . . \$429,000 for those two lifts is just really, really high. That's a very, very high price to install two lifts that only service a small portion of the hill — such a small portion of the hill that the hill cannot do instructors' courses on the hill simply because it doesn't have enough drop. We spent \$400,000 on a very short lift because, I mean, the instructors would love to do instructor . . . From around the province, the association would love to do instructor courses in that area because they don't have any instructors in that area that are certified. But they can't do the instructors' courses on the hill because the run is so short.

So it's an extremely large amount — \$429,000. Talking to the industry folk that put up their own lifts, would fall over backwards at looking at that price for installation of two lifts. I just want to put that on the record.

Hon. Mr. Nilson: — Can I maybe clarify, this includes other equipment. I think there's also a snow groomer that's there which is we think somewhere around \$80,000. So that puts your price, I think, substantially less than what you were using in your calculation. But we'll look, because I think there were probably some other things that were purchased in that situation as well.

Mr. McMorris: — Well I'd be interested to know what the other purchases are because I'm just operating with what I've been told here, of two lifts at 429. Now if there's more that's fine, then that knocks down the price of the lifts.

But again I know there's a huge issue in installing because cement . . . there needs to be cement counterbalance for all of this and putting in cement in January or February, any contractor knows that the prices will be three or four times the amount of doing it in July and August. But you explained the timing issue of it.

Just so that I can keep it straight then, I was told that we have \$905,000 into the ski hill. We have roughly \$129,000 into the equipment — such as the magic carpet, the paddle and perhaps a snow groomer. That leaves . . .

Hon. Mr. Nilson: — 400.

Mr. McMorris: — What did I . . . Sorry, 429. That leaves \$476,000 left that goes to . . . Goes to what? Because I was told that 351 goes to the running of the ski hill. I'm just trying to get in my mind where all this money is going.

Mr. Phillips: — There were some assets on the hill owned by another party that we needed to rent for the season, so a rental agreement and operating expenses there was \$55,000. The lift inspections were \$10,000. There were some repairs necessary to the hill and now I'm not sure if that's contouring or what was required. The estimate on that was \$50,000. And \$10,000 for operator huts — huts, h-u-t-s. I understand that to be the shelter, the shelters that the operators would stand in as they're attending the bottoms of the lifts, I'm not sure.

Mr. McMorris: — That's interesting for a magic carpet and a

paddle tow, but I know there's huts for chairs. I didn't know, the magic carpet, that there'd be a hut because it's usually not a very long distance, but anyway. Huts roughly about 10,000, did you say?

Mr. Phillips: — Yes.

Mr. McMorris: — And contouring, roughly about 50,000. So that . . . Again I'm just trying to add this up. So that's 120,000. And then 350 goes to . . . I'm trying to add up the \$905,000 that was put into Blackstrap. And we've got the equipment at 429 and you've given me expenses of roughly about 120,000. And just where does the rest of the 900,000 go then?

Mr. Phillips: — Yes, we'll just start at the top and work down.

Mr. McMorris: — Sure.

Mr. Phillips: — Operating agreement three fifty-one, three hundred — 351,300; rental agreement operating expenses . . .

Mr. McMorris: — This is on top of the of 351?

Mr. Phillips: — Yes, it is. Yes, it is.

Mr. McMorris: — Can I ask then what is the \$351,000 given to? Who is it given to and what does it cover?

Mr. Phillips: — It would be to Mr. Schwinghammer and it would be for the site preparation — for overseeing the, you know, the placement of the lifts as they went in, for making the snow, and for operating the site during the time it was open.

Mr. McMorris: — So 351 was for site preparation which 50,000 was — on top of that — was for contouring the hill.

Mr. Phillips: — Hill repairs.

Mr. McMorris: — Hill repairs. Do you have any idea what that meant? It means . . . Because I mean if the hill was operating last year — I don't know what would have happened through the summer — what would hill repairs be if it was operating last winter?

Mr. Phillips: — I understand there were some difficulties with the waterlines that feed the snow guns and some repair work needed to be done on the snow guns as well. I suspect that that's probably what hill repairs mean.

Mr. McMorris: — Okay.

Mr. Phillips: — Then further down on the list: 429,000 for equipment, operator huts \$10,000, lift inspections \$10,000, and hill repairs \$50,000 as an estimate.

Mr. McMorris: — Okay. I'd be interested to know . . . There's \$50,000 given for building rental and again being at that facility. So that \$50,000 just goes into building rental. Next year . . . The government doesn't own those buildings now. They rented it for the six, seven weeks. They rented the buildings for seven weeks for \$50,000.

Hon. Mr. Nilson: — Well I think what you're asking for, a

very detailed accounting. I think what I should do is give you a more detailed accounting that breaks these down because that particular amount relates to building rental and other operating expenses. So we have a very sort of gross budget here as opposed to the kind of specific questions that you're asking.

We don't have that information with us this evening. So if it's fine with the Chair, I'll provide a letter to the Chair that you can have which breaks down these different amounts and gives you a better picture. Obviously people are just doing the accounting since April 1 now, so gathering in these costs.

The Chair: — Thank you very much. We would very much appreciate that accounting.

Mr. McMorris: — Yes, I would appreciate it. I'd appreciate a pretty detailed breakdown because I've got \$351,000 given to an operator for seven weeks operation. I know of ski hills that operate with absolutely no money given to them and operate all year and operate at a profit.

This Rick Schwinghammer was given \$351,000 along with all the rental of the equipment . . . purchase of all the equipment. This \$351,000, from what I understand, is simply to run the ski hill for six weeks, seven weeks.

Hon. Mr. Nilson: — No. I think you missed the point. He was also the person who went to the ski hill, started the preparation work. He got things ready to bring all this equipment in, supervise the installation of the equipment that people brought in there, and then ran the ski hill on top of that.

So that's why I think that it's not a very fruitful exercise this evening to go and leap from the figures that are here to some of the questions that you're raising. So I think we'll provide the further information, and then you can ask some more questions.

Mr. McMorris: — Well I'll be very interested to see that. I don't know how . . . I mean, it works out that he is getting \$50,000 a week to oversee the equipment being put in that was purchased at an inflated price. Now I mean, when you buy a magic carpet and a paddle tow for \$429,000, I would hope that was completely installed. And he would go out there and open the gate so they could go in and install it; he's getting \$50,000 a week at that.

Now I really would be looking forward to a detailed breakdown of what \$351,000 got us for seven weeks, as well as what \$50,000 got us for rental of buildings that we have absolutely no ownership of. And next year we'll have to put another \$50,000 in, I guess. Hopefully the huts are there that the government owns now. The lift permits are for a year . . . [inaudible] . . . another 10,000 next year.

What I'm trying to say is that we're into this for \$905,000 and we virtually have nothing except a couple of very small lifts on a ski hill.

Hon. Mr. Nilson: — Well I think that some of the information that you've stated is not entirely accurate. This particular project started in December because that was when the preparation had to start. And there were some other previous work, I think done in evaluating what would be necessary; that

actually happened earlier in the fall. So it's unfair to characterize it the way that you have. And I think that you will have more information when we provide more of the detail as we have suggested we'll do to the committee. And then it would be appropriate maybe to make some of the comments that you have based on accurate material.

Mr. McMorris: — Just one last question. Of the \$350,000 and the \$400,000 for the lifts and the rental and everything else, at the end of the day when the ski hill is to start up next December, when they start making snow hopefully in November, what will the operating agreement be? If you got 350,000 for . . . Let's say it started December 1. You said December. Okay that's fine. Is he looking then to have a payment again from the government to keep the ski hill operating next year? Was this a one-time payment?

Hon. Mr. Nilson: — This was a contract that expired on April 15 or sooner if the ski hill didn't operate that long. So it's over. We're now evaluating all the different options here and looking at what kind of a plan would be there for the next number of decades.

And so that what we have is some assets which we purchased which have value for another operator or even possibly another hill, but we hope it's for this particular facility. And that that's the plan here, is that we would do a temporary operation for this year to keep the ability for some of the people to operate on the ski hill, but that clearly we want to develop a long-term plan which would include a long-term operator.

The Chair: — Thank you very much, Mr. McMorris, and Minister Nilson. I'd like to thank you on behalf of the committee and your officials for coming before the committee tonight. I'm sure we'll have an opportunity to ask further questions at a later date, and we will look forward to the information that you will be providing the committee.

With that we'll take a three or four minute recess as we bring in officials for the Department of Agriculture. Thank you.

[The committee recessed for a period of time.]

**General Revenue Fund
Agriculture and Food
Vote 1**

Subvote (AG01)

The Chair: — Thank you very much committee members. I'd like to call the committee to order. We have with us this evening the Department of Agriculture for estimates. Mr. Minister, would you please introduce your officials and if you have any opening remarks, please feel free to make them.

Hon. Mr. Wartman: — Thank you very much. I'd like to introduce first, Deputy Minister Harvey Brooks who is seated on my right, and to my left is Associate Deputy Minister Hal Cushon. And starting behind me on my right is Stan Benjamin. Stan is the general manager for Saskatchewan Crop Insurance Corporation. Next to Stan is Assistant Deputy Minister Jacquie Gibney, and next to Jacquie is Karen Aulie, who is the director of corporate services branch. And on the end in the desk right

behind us is Al Syhlonyk, who is the director of lands branch. Back in the next row seated on this side is Dave Boehm, who is director of the policy branch, and just about directly behind me on the chairs is Tom Schwartz, who is manager of financial programs branch.

The Chair: — Thank you very much, Mr. Minister. Do you have any opening remarks or would you like to open the floor for questions?

Hon. Mr. Wartman: — No, I'd just like to open the floor for questions. Thank you very much.

The Chair: — Thank you very much. I'll recognize Mr. Bjornerud.

Mr. Bjornerud: — Thank you, Mr. Chair. And welcome, Mr. Minister, and welcome to your officials, and thank them for coming out tonight to help us get some answers on some questions.

Because it just happened recently, would you give us a breakdown of what happened in Winnipeg at the meeting with the provincial ministers and I believe the federal minister? Was he there for one day and so on?

Hon. Mr. Wartman: — Okay. Basically at this meeting it's . . . we did a review of where we're going. Looked at the program that the federal government has brought forward on business risk management, particularly their addition to the CAIS [Canadian agricultural income stabilization] program which is on the first 15 per cent of the CAIS program. There is now to be developed a NISA-like [Net Income Stabilization Account] savings program. There will be differences in that, in that it will not have as rigorous triggers as were there for NISA. It will be structured so that there will not be the ability to accumulate capital in the way that the former NISA program did.

And as far as we can see, the information that we've got on this, I think it will be appealing to farmers. It will help the program become more bankable. Cash will be available. The discussion around triggers I think is an important one so that farmers will know how they're able to access the cash at times of need. And those things are going to be worked out in the time in front of us.

The other two elements, there are \$400 million which is a payment going out based on eligible net sales. And again, little details still even despite our meeting there. It is a recognition that there are increasing costs of production, and it's a way of trying to address some of those. And there will be \$100 million per year added for ongoing to the programs to try and deal with those increased costs to productions.

With the NISA-type savings program, the federal government, as I think most people are aware, put in \$600 million to kick-start the program. On a go-forward basis it is expected that it will be cost neutral to us but that it will be jointly shared federal-provincial.

We also talked about and are certainly working on the agriculture policy framework II. There is hearings coming up on the APF [agriculture policy framework] II. And we will be

really trying to design a program that will be responsive to the needs of agriculture across the country. And that's all I can really say on that one.

On disaster program — which certainly has been in our minds as we've looked at concerns in the southwest and the northeast of the province — we have really been working to try and get a timely program in place. At the last previous federal-provincial-territorial ministers' meeting, we looked at a framework agreement on disaster. At this point there is no funding formula on it and we haven't, kind of, taken the whole program through at the fed-prov level and gained approval for it, but we have a pretty good sense of how this will be applied for disasters. The issue of funding certainly was a difficult area. The provincial governments are unanimous in agreement that the federal government should be funding the majority of the costs for a disaster program.

We have offered, as you will know, to cover off 10 per cent if we could get agreement for a 90/10 split, and would even offer that on an unprejudiced basis just to try and meet more immediate needs as we try and work out long-term disaster numbers. At this point the federal minister has just said he has no permission to do anything other than 60/40 and so we're asking all of the ministers, federal and provincial, to be prepared at our June meeting to have the authority to be able to make a decision on an alternative funding.

We're looking at a number of different formulae that, you know, we could put an example forward, the funding program that's used for municipalities where the province pays the first dollar per capita. On the next \$2 per capita it's split 50/50, federal-provincial. On the third tranche of money, which would be another \$2 per capita, it's split 25 province/75 federal government. And all the rest of the costs for whatever the disaster might be are split on a 90/10 basis.

So that's one of the formulae that will be considered as a result of the discussions at our meeting where the officials, and I think the assistant deputy minister, Hal Cushon, will be working with federal and other provincial officials to try and come up with a number of formulae that might be acceptable, and hopefully we will have a decision point at the June meeting. I think all of us in the room here would have liked to have seen a decision point at this meeting but I would say other than ourselves not many were prepared to actually go in and make a decision. So we're hoping we'll see decisions there.

We're also dealing with specified risk material programming, SRM programming. The funding has been announced on that. The program is announced for the major slaughter processing facilities. The date is August 1, is it?

A Member: — July 12.

Hon. Mr. Wartman: — Oh sorry, July 12. July 12 deadline that they have to have their specified risk material program in place and operating for the provincial and health facilities, health inspected facilities. They have a deadline that will be the end of the year, December 31 — that's right — of 2007. So they've got a little more time to work out the program.

Certainly concerns are raised in this area that with the demands

in Canada, which I think to a large extent are market driven, we want to make sure that we can eliminate as quickly as possible BSE [bovine spongiform encephalopathy]. And I think with this program we move from a 30- to 40-year elimination period to about a 10-year elimination period. And I think from a market point of view that's very important. But the other element of this is that we also . . . When we look at what's happening in the United States, where you've got virtually the same type of issues dealing with disease, they are not following as extensive a program as what we are in Canada. And therefore there will be some competitive disadvantage for Canadian producers potentially because of the demand of our long list in the SRM program.

We're also looking at regulatory review and just trying to make sure that in the regulatory review that our regulations are best able to facilitate agriculture and its development in the country.

And finally WTO [World Trade Organization] was an issue that certainly is of concern to us. We had last July attended the WTO in Geneva where in fact the hope for any kind of agreement on this Doha round was almost dashed. There's been a lot of work going on between Europe and the United States, particularly over these last months, and there is some hope Europe has moved on its position on the WTO.

We think that with the changes to what they will cut in terms of their programming, that its potential, the potential is there to get agreement. They don't have unanimity across the European Union. France is still quite in transition. But we also were made aware that the US [United States] has not really put forward any concessions yet. And if they do not we could be looking at an extended period before there's any kind of agreement on agriculture, and that is a real concern because agriculture is basically the block to any of the rest of the decisions being made around trade and WTO.

So right now the US farm Bill, they're restructuring it and, you know, they're working hard to try and protect a number of the programs that they've had in place, their domestic support programs. And that is a concern. If they were able to roll their loan deficiency program and — what's the other one? — their counter-cyclical payments, if they were to be able to protect those, roll them into blue box or into amber box, it would have an impact on the talks as well.

So our hope is that we'll see movement in the United States. We know that it will impact producers in Canada. The one area that, you know . . . We've heard the federal government say they're very strongly supportive of the supply-managed industry. A little bit of concern because they know very well that at WTO supply management is clearly one of the targets of some of the other countries.

And you know, we're looking for some kind of a balanced approach here because Saskatchewan is largely a trading province, and we want to see more market access. And it means that for some areas of supply management they might have to be able to compromise a little bit.

And I would say that the federal government knows full well that supply management will have to change. And our concern is that by uncategorically saying that they're, you know, behind

supply management, that those in the supply management area might have a false sense of security. And I think there needs to be some preparation done. And I think this was some of the tone of our discussion there as well. But there certainly will be changes in Canada.

One of the other areas that I think, you know, we always need to remind ourselves about when we're talking about the WTO, and particularly this Doha round, is that the object was to bring some of the least developed countries into the realm of trading, and unfortunately at this point that hasn't been accomplished either. The US again was not prepared to move on cotton and sugar, which are two of the main products that least developed countries would want changes made so that they can get into the markets. And at this point there was not enough movement to make a difference to those countries.

So those would be the key areas at the WTO that we expect there'll be impact, an impact on Canada and on Saskatchewan. We also know that there is still pressure around state trading enterprises which Canadian Wheat Board comes under and . . . so that the board could be under pressure at the WTO as well as some of the internal pressures it's under.

And concerns for us of course there — and I'm not sure they're shared all the way around the table — but concerns for us there are that all the best analysis that we can get, independent and department analysis, would tell us that if we lose the board, the board loses its monopoly, we could see negative economic impact in the province of somewhere between 250 and \$350 million annually. And that would show up in our programming where there were losses and . . . Pretty hard to watch that kind of support program be eroded when there is no analysis that shows a clear benefit to eliminating it.

So those are where the pressures are. Those are some of the areas that we are working on, and I know that we'll get updates at our meeting in June. And just to summarize, I think we will have the details — I hope we will have all the details by then — on the savings program at the front of CAIS, and that we'll have a better sense of how costs will line up on our business risk management program and on the disaster program.

The Chair: — Thank you very much, Mr. Minister. And, Mr. Bjornerud, do you have another question?

Mr. Bjornerud: — A few more now after that. Mr. Minister, thank you for that. That was a lot of information. But it did create some questions that I had, and if you could maybe . . . You know, I may have missed some there; there was some good information. Did I understand that the NISA program is part of, is going to still be part of the CAIS program though?

Hon. Mr. Wartman: — You know, I think to be aware that, and to try and put this forward as the federal government is trying to position it. They're talking about a new suite of business risk management programs. There will be a margin-based component and there will be a savings component. It's not really NISA. It's just like, you know . . . It's not really CAIS because there's a change or two made. But we'll have a margin-based component that will be very similar — identical — to CAIS and we'll have a savings program on the front of it, which changes the overall program. So if they

want to change the name, that's okay. So we'll have a suite of programs. . . . Producer savings account is what they're calling it, rather than a net income stabilization account.

Mr. Bjornerud: — To me, that is one of the worst names that they could name a program. Because that was the problem the public had the last time with the NISA program. Because some accounts built up, and in some cases through pretty good management by farmers out there who had looked after their accounts instead of bleeding it off all the time like some of us had to do. They built it up. And I think that's where a lot of the backlash came. You know, these accounts were getting very big.

But it worries me that a lot of farmers — and I think you've heard this too — are kind of optimistic about this NISA program because they certainly didn't like AIDA or CFIP [Canadian farm income program] or CAIS alone anyway especially. But now I would have concerns if NISA is tied through the CAIS program that it may end up being watered down and be nothing more than another glorified program that . . . all we need is a new name and away we go again.

Hon. Mr. Wartman: — We've talked about, you know, whether there's going to be a substantial difference in the program. And I mean the reality is that there was no new program brought forward. And part of that is around the fact that, I mean, first of all the federal government didn't bring anything . . . no new plan forward.

And the provincial ministers are saying, well you know, there's a margin-based program here, that really a lot of money has flowed out to farmers. It has the ability to really identify where there is more or less need. And it has flaws, and we all know what those are in terms of timing, in terms of bankability.

But, I mean, any program that we have, we now have to be very, very cognizant of making sure that it's WTO green. If it's not, we'll pay big time for it. And so the program parameters always are under scrutiny to make sure that it will be WTO green.

And so the savings program. . . It's what was formerly the first 15 per cent of CAIS will be allotted for this savings program. It will not be structured around the margin base. There's nothing in what we have heard about it to this point that would lead me to believe that. Would you agree with that, Harvey?

Mr. Brooks: — Yes.

Hon. Mr. Wartman: — And so I think what we'll see there is that it will operate somewhat independently of CAIS — although it is that first 15 per cent — and it will have its own set of rules about what triggers . . . You know, given that there are still hundreds of millions of dollars in NISA accounts, and it was very, very hard to justify putting more money into agriculture programs when there was that much visible in one of the programs that was partially government funded anyway.

Part of the reality of this new producer savings account will be that large amounts of capital will not be allowed to accumulate there. It will have to be withdrawn at certain points. But on the other hand you won't have the same kind of rigorous triggers

that were there for NISA, so that you may see something on your operation that by investing in that you might see a reduction in costs, might help with an efficiency, and so that would be a potential trigger. So we think that it might allow greater cash flow.

And again I have to just be really clear with members that because of the fact that it was announced very publicly, but there was no detail — the officials didn't have detail and certainly even at this meeting we didn't get a lot more detail although it's being worked on — so we're still left wondering exactly how it's going to work, but it isn't directly tied to the margin-based portion of the program.

Mr. Bjornerud: — That's good to hear. And I guess as you . . . You know as well as I do that one of the main concerns that farmers had with the other programs was they were so slow reacting that you could be bankrupt and on to another life before your money kicked in — that actually should have come within the first year . . . was two and, you know, we've even heard cases of three. I'm sure we've both heard that.

So there was a lot of flaws to the program and I believe still is to a degree. I guess we'll have to see how, when they come down with the rules, how that works. And I realize they made the announcement but there was no details and evidently still not a lot.

The NISA part, is that cost shared too by the province?

Hon. Mr. Wartman: — The first \$600 million is fully federal.

Mr. Bjornerud: — Okay.

Hon. Mr. Wartman: — And from that point on it is my understanding that it will be cost shared and cost shared still on the same basis that the federal government insists on, 60/40.

Mr. Bjornerud: — So it's a one-time \$600 million by the feds and then from that point on it's cost shared 60/40?

Hon. Mr. Wartman: — Sorry. The discussion now, just in terms of the other funding, but on the first \$600 million, that's fully federally funded. Ongoing for the support for that program, it will be 60/40. The question that was asked is what about the other \$400 million — but that's more like some of the ad hoc payments that have been made based on net eligible sales. We don't know when or how it's going to flow, if there will be a specific focus of that, whether it will be grains and oilseeds, or whether it'll be more focused on some other areas. Unclear at this point.

And the same with the \$100 million. It'll be maybe just an amount added to the overall BRM [business risk management] programs.

Mr. Bjornerud: — Thank you. Still on the NISA part, is it matching by the producer then? Does the producer have to put X number of dollars into this program after the 600 million?

Hon. Mr. Wartman: — It's my understanding it'll be funded the same, on the same proportions that CAIS was funded. Is that . . .

Mr. Bjornerud: — Okay, and that would be according to net eligible sales I presume and things like that?

Hon. Mr. Wartman: — As Associate Deputy Minister Cushon lines it out, it's the producer puts in \$1 to the program and it will be matched 60 cents by the federal government, 40 cents by the provincial government. And that's on the first 15 per cent.

Mr. Bjornerud: — The 400 million that you were talking about — and you may have answered this and I apologize if you have — the one time payout here that we're getting right away, is that cost shared or is that just a straight federal . . .

Hon. Mr. Wartman: — It's like some of the other ad hoc payments that the federal government's done. And so our proportion in Saskatchewan, Hal?

Mr. Cushon: — Be around 25 per cent, plus or minus.

Hon. Mr. Wartman: — So be about 25 per cent, about 100.

Mr. Bjornerud: — That's of the 400 million?

Hon. Mr. Wartman: — Yes.

Mr. Bjornerud: — 25 per cent is put up by the province?

Hon. Mr. Wartman: — No, 25 per cent will come to Saskatchewan.

Mr. Bjornerud: — Oh I'm sorry. Yes.

Hon. Mr. Wartman: — In most of the ad hoc programs, that's kind of the proportion that we would estimate.

Mr. Bjornerud: — So at about \$100 million for Saskatchewan?

Hon. Mr. Wartman: — Yes.

Mr. Bjornerud: — Okay. Good. And I think you maybe answered this already too, but is there anything in place yet when we come to the disaster program that we're looking at? Like what would constitute a disaster?

I see tonight on the news and you may have saw, Mr. Minister, yourself too that the flooding has started in the Northeast up there and actually coming down farther than maybe we had expected. But is there any components put to this together that might be in time to address this issue up there?

Hon. Mr. Wartman: — You've heard the federal minister talk about agreement on a disaster framework. In my initial review of the immediate federal-provincial-territorial meeting, I noted that though we have generally said, you know, this framework looks good, looks like what we could live with, we don't have, we haven't officially gone through and made the full agreement on it. And I'm not sure at this point that I'm at liberty to talk a whole lot about what was laid out. I don't think that that would be particularly fair to the process. But to note that two specific areas would be drought and flooding that were named as items that would, under the framework, qualify as disaster.

And I think one of the other areas that we would be obliged to agree to is that there has to be joint federal-provincial agreement and that it would most likely be — and I don't want to step too far in this — but it would be most likely structured so that you wouldn't get the kind of, you know, I said yes and he said no and because I think that generally tends to be non-productive. Sometimes it, you get some dollars out, but we're looking for a program where there is agreement. And so anyway it's still unclear. I don't know.

Yes, I think Harvey Brooks mentions what I think is one of the key points in the discussion. And that is that with programs in place like our production insurance and CAIS, in designing a disaster program you don't want to double-cover areas. And so if an area is covered by production insurance or some other insurance or if the losses would be primarily covered by CAIS, then they would probably be excluded from disaster coverage. And again, because there are no details, I can only say that those are very, very important considerations that will be made in our final deliberation.

Mr. Bjornerud: — Okay. I don't know if the farmers in the Northeast are going to understand now how they qualify. If they have crop insurance what I'm hearing . . . And I understand what you're saying here. If you're covered already you're certainly not going to duplicate that and we wouldn't if we were government either. I understand what you're doing there.

But I guess my question goes back — and maybe you're not able to answer it because the details aren't out — but I guess what constitutes a disaster then separate and above CAIS, crop insurance, and the other programs that we already have in place? You know, and I'm not . . .

Hon. Mr. Wartman: — And I can't give you any more detail because it's just simply not . . .

Mr. Bjornerud: — Yes, okay. And I guess that's what I was asking. I understand that, that we're not that far along.

Hon. Mr. Wartman: — I could add a couple of elements and that would be of course diseases that would come along — BSE would be an example, avian influenza — where they're, would be outside the programs that we might cover.

Mr. Bjornerud: — I understand. I guess what I'm hearing here is that probably flood or drought probably wouldn't fall under the disaster program because there are other avenues you can be covered, between crop insurance, CAIS, which we know is slow reacting of course but it's there.

Hon. Mr. Wartman: — Without overstepping the bounds I can say there may be triggers in a drought situation or a flooding situation that might qualify for a disaster. But by and large the program, business risk management programs that are in place would be expected to cover most of the needs. And I also strongly suspect from discussions that have taken place that if a farmer doesn't have coverage, if they have not enrolled in the business risk management programs, they would likely not be eligible for any kind of further disaster payments.

Mr. Bjornerud: — I think that's fair probably in the long run. And I guess what we're hearing then is, like where we were last

year with the 15 and the \$10 an acre probably won't be happening in the end, no matter how bad they flood up at Porcupine and that area, or the drought in the Southwest.

Hon. Mr. Wartman: — The federal government has basically said that they're going to keep their \$15 per acre program in place for this year, but you have to be in crop insurance to be able to get it.

And in terms of application for drought areas, again I can't say a whole lot about it because of the limits of what we've been able to get to in our discussions at this point. But first stop would definitely be business risk management programs. And if there is a clear need outside of those, then we would try and find a way.

And so you'll be aware of the things that we have done. We don't have something outside of crop insurance and CAIS [Canadian agricultural income stabilization] today. And so what we as a provincial government have done, recognizing the issues in the Southwest, is to put \$1 million through the PFRA [Prairie Farm Rehabilitation Administration] program to try and facilitate the need for water retention and water production problems and issues in southern southwestern Saskatchewan.

That will apply to the 34 municipalities that were, it'll apply first to the 34 municipalities that were named as drought disasters, and it will also be open to others that face drought and have water program in place with the PFRA.

Mr. Bjornerud: — Well the difference between the 15 and the \$10 an acre from last year is that last year I don't think you had to be in crop insurance to qualify. This year you have to be.

Hon. Mr. Wartman: — Yes, under the federal program. There's no provincial program. As I did indicate to the folks from the Southwest, that was a one-time ad hoc program. Our anticipation was that we would have had the discussions and decisions around disaster, but at this point it's our expectation that the \$15 that the federal government is providing, and our insurance and CAIS programs, are what will provide for the needs.

On the other side of that, we expect that . . . And I know the Minister for Corrections and Public Safety and the minister for intergovernmental both were up in the Northeast recently looking at what the damages are. And of course there will be significant provincial money expended to help deal with some of the infrastructure problems that are caused by flooding.

Mr. Bjornerud: — Thank you. Just a comment that you touched on before when you were talking about the Canadian Wheat Board. You were talking about a loss of \$250 million. And I guess I've heard this number thrown around a number of times. In fact I've even heard as high as 600 million loss because if we lose the wheat board completely. Where does that number come from?

Hon. Mr. Wartman: — . . . first of all is a CWB [Canadian Wheat Board] study. And I can give you the detailed numbers if you want on that. But it's a CWB study. It was corroborated by independent academic studies as well. And there have been no studies with any credibility that have ever shown anything other

than these numbers.

And so when we're looking at the Saskatchewan portion, the actual number, as I say, between 250 and 350. The actual number's broken down by the . . . The studies would be somewhere between 265 and 328 million. And it's available on the CWB website. But again to note that it's not just the internal study of the CWB, but it has been corroborated by several academic studies as well.

Mr. Bjornerud: — Well I find that somewhat interesting because, I mean, I farmed for quite a few years — and I know the others here have too — and I've never seen the Canadian Wheat Board have competition before. So I think it will be interesting when they do, which I guess they will very shortly if they're still going to handle barley. And I would, you know, I guess we can study this by all the academics you can find in the world, but until we see the reality of what the wheat board actually does when it has competition, we won't know. Mr. Minister . . .

Hon. Mr. Wartman: — Oh sorry. If I might just say that I think one of the high, high risks, given the fact that I mean there . . . From my perspective, we want to do, I want to see the very best analysis that we can get. I've asked the federal minister if there is other analysis available. There is not. And the high risk that I speak of is that if in fact, you know, on a bet when you don't see the cards, you have the potential to lose this and never be able to recover the benefit. Which is in fact the case if you drop the CWB. It's gone — period — it's done.

So it just seems a little odd that you would have people, on a speculation without any kind of corroborating evidence, without any kind of study — academic or otherwise — just simply wanting to bet that maybe in fact it will be better if we don't have this single-desk selling of wheat and barley.

And you know as the world turns, there's a probability that there might be some benefit. But I mean I don't think I could responsibly do my job without seeking the very best evidence to try and make decisions and that's what we have tried to do. And as I say, I've asked the proponents of getting rid of the board, significantly changing it, can you give us some evidence that would show that you're moving down the right track? And it's simply not there.

Mr. Bjornerud: — Well I don't know, Mr. Minister — 62 per cent of the farmers wanted some alternative and I think that's what they're going to get with barley and . . .

Hon. Mr. Wartman: — That's a matter of interpretation, my friend.

Mr. Bjornerud: — Well you can interpret it any way you want. There was 62 per cent that they didn't want to keep the wheat board as it was today with the monopoly. So I guess you can take the other two questions and . . .

Hon. Mr. Wartman: — That's true. I don't argue that. When I say it's, there's some interpretation around that, and part of that is if you've looked at the wheat board's document moving forward that there is really a lot of, I think, program that looks at alternative ways of marketing, really to try and maximize the

returns to producers and maximize the options. And so when you're talking about it, are you talking about the kind of sea change that the current federal government is advocating, or are we talking about being able to have marketing options through the board structure?

And I think that, I mean part of the problem is that you, in this very volatile situation, you've got a question that is fuzzy enough that it can be interpreted however people would choose to interpret it. And the main body that understands how the board operates is the board itself and the elected directors, and a gag order was placed on them. So they couldn't engage in the discussion.

I'm not talking about redoing the whole issue, I'm only saying that if you look at it and you look at what's actually been happening in terms of some of the options today that are there, that it is a matter of interpretation.

Mr. Bjornerud: — Well maybe I give the farmers a little more credit than the minister does, but I think I don't know of one farmer that didn't understand the question and answered accordingly. So I don't think the question was as skewed as maybe we're being led to believe.

I always had a problem with Canadian Wheat Board when they lost the oats from under the wheat board's being able to sell oats, I never saw anywhere at any time where administrative costs ever dropped for the Canadian Wheat Board. It never happened. I'm going to be very interested to watch now when barley is taken out from under the wheat board's monopoly, what's going to happen to the administration with Canadian Wheat Board, because according to that they're selling wheat and some barley now, so their costs should be far less.

And I think it's going to be interesting, Mr. Minister, to see what the costs — which we all know the farmers are the ones that pick the tab up here for the Canadian Wheat Board — and I also know that the administration costs for the Canadian Wheat Board are very, very high, so it's going to be very interesting to see what happens now if the Canadian Wheat Board sharpens its pen a little bit.

Hon. Mr. Wartman: — Well I think that is true. There are administrative costs, but I think the member might well be advised to look at the basis, the difference between the wheat board and some of the other grain marketing companies. I think administration is relatively thin, but I think you also would have to note that for any organization you have to have a core operation. And if you're having to market in a variety of different places you've got, your administration has to be in place. Because I don't talk about oats when I go somewhere, I still might be spending, having to make the same trip to talk about wheat. I might have to be expending the same amount. So I wouldn't look for dramatic changes. I expect there will be some changes in costing. But then again you're also going to see corresponding losses in revenues.

Mr. Bjornerud: — Well of course if you look back in the last 20 years there's been a lot more specialty crops come in, such as lentils and, you know, all the other specialty crops that we have out there. So the number of bushels of wheat that the Canadian Wheat Board has marketed are far below where they

used to be, and yet we're paying more than we did before for administrative costs, so I guess that was always one of my pet peeves.

Mr. Minister, you were talking about WTO here and I find this interesting and I've read a lot of things that you had said, talked about there, but you talked about supply management a little bit. Is the federal government willing to put some of supply management on the table if it needs to be or is this our idea of what should happen but the federal government doesn't agree with it?

Hon. Mr. Wartman: — I think the key issue there is because of the hard stance on supply management, that Canada is not willing to negotiate the parameters around supply management — and I'll just directly paraphrase Canada's chief agriculture negotiator, Steve Verheul — then we're not allowed in to the discussions around the table for all of the other issues.

And I think that is probably for us in this province, as major exporters, one of the major concerns. Basically what happens is we don't get the kind of what I think are very, very strong skills and talents of our chief negotiator engaged to help get us the best deal on the market access side when he's not invited to these tables. And that could be a big loss for us.

So from a trading perspective from this province, it's a big concern. You'll well know that we don't have a lot to lose, I mean, with supply management in this province. That said, we have been supportive of our supply managed farmers and what we're looking for is a more balanced approach.

And we certainly engaged in discussion with the SM5 [Supply Management Five] in Hong Kong and we have — I don't know if you're aware — we have a minister's advisory committee on the WTO where SM5 are represented as well. And we really engaged in, I think, very thorough discussions about the kind of position that we could take forward. And a lot of good work done by a broad spectrum of producers which included representatives of CAFTA [Canadian Agri-Foods Trade Alliance].

And so I just think we've had good, solid discussions here. But because of that very hard position of the federal government — no negotiations on supply management — it could end up being very costly to Canada. I'll ask Harvey to address one other aspect of this to emphasize it a bit, please.

Mr. Brooks: — One of the concerns that we have with respect to the way the WTO negotiations are progressing now is that because Canada may not be in a lot of the venues where intense negotiations are taking place, it may be that if an agreement is reached and presented to all the countries for signature that there may be aspects of the agreement that could have been massaged along the way by Canada's intervention, that we haven't had an opportunity to be a part of, and therefore less appealing to us when it comes to signing the agreement even though the overall agreement might be something that still is in Canada's interest to accept — and therefore, you know, less advantageous to potentially many of our sectors. And we're interested in making sure that we have that input prior to the agreement coming to us in more or less final form.

Mr. Bjornerud: — Good. Thank you, Mr. Brooks. And I guess once again we probably agree on this that we're caught by the numbers in the East and the population will dictate because of votes and that's the way it's going to work. But I agree with the minister. I think supply management's worked well for us to this point, but if we need to bend at some point for the good of our exporting commodities, we have to do that.

And I would be very disappointed if the federal government, especially being that they're also western-based now . . . If we don't get it now we probably never will, I guess is what I'm saying. So, Mr. Chair, I'd just like to take a break and give my colleague an opportunity to ask some questions.

The Chair: — Thank you very much. I'll recognize Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Welcome, Mr. Minister, and your officials. Just going back to supply management. You'd mentioned before that you felt the federal government — correct me if I'm wrong — but I believe you indicated that in private they were leaving the impression that they weren't going to support supply management. Publicly they are, privately they're not and you're saying that it's leaving, possibly leaving the supply management industry kind of out in the lurch.

Mr. Brooks: — I think the situation is somewhat the same for the federal government, that they understand their official position does in fact leave their negotiator in a situation where he's not able to be as effective a negotiator as he might otherwise be if he was attending or invited to more of the key meetings. And therefore the federal government is aware that should an agreement arise in more or less final form that they haven't had input into it, that there may be implications for supply management that the federal government at this point in time is not anticipating and not willing to put forward on the negotiating table but that in fact become very difficult to deal with once a negotiation is brought forward. So I think that they're recognizing the very real risk that is occurring at this point in time and just recognizing that, you know, with the industries involved.

Mr. Weekes: — So you're saying that the federal government isn't at the table because of their intransigency over supply management like the WTO.

Hon. Mr. Wartman: — Basically that is right because they are at this point, for whatever their reasons might be — and I mean I've got my suspicions as to what those might be — but for whatever their reasons might be, they are standing firm. They are not prepared to negotiate on supply management.

Looking at the pressures that are there, and I mean recognizing as well that the SM5 are well represented on the sidelines and around the negotiations in Geneva — they have representatives there — they're probably aware that there will need to be some changes. There will have to be changes in tariffs and tariff quotas. They will be impacted.

What our concern is, is that we're going to be handed a deal that our negotiator has not had the opportunity to help shape, and it could end up being more costly to us on a number of

fronts.

I think if we could urge — and we've sought to do that to some extent — we would urge the federal government to modify its position on supply management to some extent that would more accurately reflect where the analysis of WTO would tell us they'll probably end up. And that, I think, might be more fair to those who are engaged in supply management today. It would be a rather politically untenable position. It would not be a position that would create much joy in the supply-managed farmers in Quebec and Ontario nor anywhere else, but we're talking huge numbers.

Mr. Weekes: — So you're feeling that the, or what you're saying is you feel the federal government is going to make those compromises at the last hour.

Hon. Mr. Wartman: — Exactly the opposite. Because I think they're, because of the position that has been articulated to this point, I don't think they're going to have the option. I think they'll be handed a deal. We as Canada will be handed a deal, rather than having our negotiator at the table actually being able to help shape the deal. And I think that's a concern — well I know it's a concern for all of us.

But it's a very, very awkward position to be in for the federal government, given their current situation, to try and push for some changes in the supply management area so that they can go to the table and be prepared to negotiate some elements of our supply management agreement which would mean probably making changes to tariffs, to overquoted tariffs. And it would impact our supply management industry. They'd probably have to make some changes in terms of how pricing is done.

And I mean, we can see this coming at us from a number of ways. You know, we're trying to look at what can be protected within the parameters of the green box and the amber box in the WTO. We'll probably only get about 4 per cent coverage in the amber box. That's not enough to fully account for supply management and another program that we need to have, like production insurance, included in the amber box. So I think it creates some real risks for us.

And Mr. Brooks raises what I think is a very important clarification as well and that is that I think I could be misunderstood without clarifying this. And that is that the chief negotiator for agriculture is engaged on a number of items. Agriculture is such a broad portfolio. He is engaged in a lot of discussion around a variety of areas. But it's the key areas around market access where we're excluded because of the position on supply management. And for us as traders — and not just Saskatchewan, but across the country — where so much of our balance of trade is around agriculture, we need to be at the table around market access. It's those areas — market access, supply management — where we'll just be handed a deal and I think there's huge risks there.

Mr. Weekes: — Thank you. I'd like to go back to the risk management programs, the new announcement from the federal government. I believe I heard you say that the new NISA — if we want to call it the new NISA — would not affect the new CAIS. Is that what you're saying as far as a payment? Because I mean there would, ultimately there'd be money coming out of

NISA that would become income that would affect CAIS, I'm assuming. You seem to leave the impression that there'd be no connection between the two.

Hon. Mr. Wartman: — They're expecting the program to be cost neutral. But because there is so little information on it at this point, we . . . I mean I just simply couldn't and wouldn't speculate on whether, if they trigger a payment out of the producer's savings account, whether . . . [inaudible interjection] . . . Yes, that's what the official title for it is. If they trigger a payment out of that, I can't speculate as to whether that would be counted as income for CAIS purposes. It's just not clear. It may get an exclusion, and we don't know that yet. But that will be the kind of work that the officials will be engaging in prior to our meeting on the end of June.

Mr. Weekes: — That's fair enough. Thank you for that. Again the next question may fall under the same category of future negotiations. But the producer savings account, how do you envision that being, what criteria would trigger funding? The amounts that would be eligible to be put in the plan and based on just the previous year's business or a five-year average or could you elaborate on that?

Hon. Mr. Wartman: — Again we don't know what would trigger a payment. There was some speculation, some discussion on some elements of that at the meeting in Winnipeg, but we don't know. It's not decided at this point.

What we were told in terms of objectives, and this will again will be the work that the committee's doing, but in terms of objectives they wanted less rigorous triggers than were there in NISA and they wanted as one of the principles that there would be no large accumulations as there had been, as there were under the NISA. And still currently, until those accounts are emptied, there's still hundreds of millions in those accounts. And so all we have at this point is discussion around objectives for the triggers but we couldn't say any more than that.

Mr. Weekes: — So at your conferences, your meeting with the provinces' and federal government's officials, is it a negotiation? Or what is actually going on behind the scenes? And what is your government's position on those types of issues?

Hon. Mr. Wartman: — I'll ask Hal to address that.

Mr. Cushon: — Clearly there's a whole series of questions about, first of all, of determining how the contributions will actually come in. You know the intent. I think it's going to be similar to the old NISA program. It'll be based on eligible net sales so we'll use the eligible net sales formula. And the idea is there'll be a contribution rate that is sort of the equivalent to the cost of that first 15 per cent of CAIS, you know, on average for the federal government and for each province. And so then the money will go into the producer's savings account.

The one difference that we already know will happen is there won't be two separate accounts like there was before. There was one held by the federal government and then there was another held by the financial institution. The intent right now is they'll all be held by the financial institution. So you should be able to go to your local bank and set this up and both the

government money and the farmer's money will go into that. And then we have to determine, you know, what are the triggers and how you can access that out. And as the minister said, there seemed to be a lot of support around the ministerial table, more flexible triggers but also don't let the accounts build up.

Mr. Weekes: — I understand what you're saying. Net eligible sales, now the old NISA was based on that. Was it a year to year? What I'm getting at is, if this is a somewhat new plan, how is the original amounts going to go into the new program? How are they going to be determined? In the past it would have been net eligible sales for just that one year or was it over an average?

Mr. Cushon: — No, it was one year and I think the intent is it'll be the same. And so the program will start in 2007. And so, you know, at least the way I think we envisaged it, at least what we understand from the federal officials is you'll calculate your eligible net sales for 2007 and then you'll have a contribution that you'll get from the federal government or a producer will make and get it matched from the federal government, provincial government, you know, sometime in 2008, and then, you know, again you can also do a trigger to get it out. And then it just rolls each year. So there'll be a 2008 stabilization year or, you know, year that you'll use to determine your net eligible sales, sort of like proceed a year at a time.

Mr. Weekes: — It wouldn't start in 2006 as far as the calculation; you're saying it would be 2007 net eligible sales?

Mr. Cushon: — Well I don't think it's totally determined. Again I think we're sort of notionally going on the basis that CAIS will still be fully functional for 2006. And so 2007 I think is the first year where you can take out that top 15 per cent and target it into this new producer savings account. So we think that's how it's going to work but again this will be subject to the negotiations and discussions that would go on among all the provinces and the federal government.

Mr. Weekes: — I see. To move on to a different topic, SRMs. In the supplementary estimates we discussed this issue. Do you have any more information upon how it's going to work? My questions concern about the movement of deads on a ranch from one quarter to the next or off the farm, questions concerning abattoirs moving deads or by-products, waste products and where they should go and who should pay for it. Same thing with veterinary clinics. Where do the waste products go and how is all of that going to work? Do you have any more information on those regulations?

Mr. Brooks: — Since we appeared at Public Accounts the regulations for the Canada-Saskatchewan specified risk materials program have been announced, and the funding that is available for people in Saskatchewan to adjust to the new rules has been outlined. So that is more clarity to the industry in terms of what they have available to adjust to the program.

Some of the rules that you are referring to of course are CFIA [Canadian Food Inspection Agency] rules and they are in charge of determining how that will occur. They've laid out many rules and have done so for quite some time. They indicate that in order to transport a specified risk materials one will need an approved transportation plan and be certified for that, unless

it's on-premises disposal.

So if one is transporting SRMs, let's say from an abattoir to a rendering plant, but then you'll need a certificate from CFIA to do that.

For the many very specific issues that deal with SRMs and the implications they can have for people that would deal with them on a very occasional basis, let's say, or instances that are sure to arise but obviously the rules weren't developed with them in mind, they are providing some guidance to the industry. I think that there's still some of those rules that are still being crafted and that even when the terminations are given, some of the participants are worried about liability.

You know, if they happen to have specified risk materials on their property I think that they understand that there is liability if they don't dispose of them in the officially recognized fashion and that a lot of people will be looking to manage the risk by avoiding contact with SRMs in general. So in the case of veterinarians, it may be that they will prefer to do an on-farm visit rather than have cattle that are close to or in very severe need of attention come into the vet clinic, that they may choose to go out and visit it on the farm where, in the case of a death, the SRMs can be disposed of on-site.

But having said that, there are still some areas that have to be clarified by CFIA. And we are certainly aware that that's not a good situation for those stakeholders that are actually seeking clarity at this point in time. And we are working with them and with CFIA to try and get some of those answers sorted out.

Mr. Weekes: — Specifically the items that have come to my attention are deads on a ranch. And under the rules, the way I understand it right now, is they're not supposed to be transferred from one quarter to another without getting a permit. And that wouldn't make sense on an individual ranch, to be disposed of or buried.

And the same thing . . . There seems to be inequality in the situations of abattoirs. One abattoir might be even in the town or city limits where they don't have a land base to dispose of waste material, where an abattoir out in the country that may be a part-time farmer and live on a quarter or section of land and he has the land base to dispose of those items. And there would be a discrepancy or inequality because of the rules between those two operations. That's the two main areas that come to mind that are concerns.

Mr. Brooks: — It's clear, I think, from the CFIA rules that with regards to your first example where the ranch has two contiguous properties, and he can move the material from one property to another and cross the road for that. If it's discontinuous, it becomes a more difficult matter. And then he would, I guess, apply for blanket certificate from the CFIA to allow him to do that on a regular basis should the need arise.

With regards to the incidence of on-site disposal, that's only allowed in areas that have the land to do that. And that wouldn't be the case for those that are located in urban municipalities. So yes, it does cause a difference in how the costs would be incurred.

And having said that, those that are in an on-farm or a rural location where they have the capacity to dispose of the specified risk materials on-site, they still will incur the costs of ensuring that they have the proper disposal facility there in the sense that they have a pit and it meets all the guidelines that are required to have a, you know, a dumping area, fencing, and such.

Mr. Weekes: — Will there be regional sites that producers can take their dead animals or waste to that will be part of this regulations that are coming into effect? I mean, there's obviously the rendering plants that would use the material, but that may not be practical. Is there going to be regional sites that are going to be set up and going to be regulated that producers can take the material to as well as deads to dump?

Mr. Brooks: — We are working with municipal landfills at the current time and other landfills to try and see if there is interest in developing this type of process. There's other regional concepts that we would be willing to explore, whether that's regional biodigesters that are set up either, you know, not necessarily associated with a landfill. It could be associated with a large central producer that's interested in providing a service for himself and the industry in the general area. So we are certainly going to entertain those. The regulations allow for capital items in that area.

The Chair: — Thank you very much, committee members. At this time we will take a five-minute recess, and we will reconvene the committee in approximately five minutes.

[The committee recessed for a period of time.]

The Chair: — Thank you very much, committee members. I would now like to call the committee back to order. We have once again before us estimates for the Department of Agriculture and Food, vote 1. I'll ask Mr. Hart if he has any questions at this time.

Mr. Hart: — Thank you, Mr. Chair. Minister, I'm looking at the news release of last Thursday where your government launched its green strategy, and I just see one small line about the farm component of this strategy. It deals with the farm energy audit program. Is that all there is as far as the overall green strategy for agriculture, and if that's all it is, could you expand on that energy audit program?

Hon. Mr. Wartman: — This is mainly a Department of Environment program. We will be working with them to look at the parameters around, you know, what will be applied, what will the impact be on residences, on other farm buildings. But I think it's important to note that within the broader green strategy — and it's not articulated in the news release because I was looking at new program — but we've also had very, very and continue to have very good response to our environmental farm plan programs.

We've seen good uptake, people doing the planning and then engaging in things like putting land to forage crops, to hay, and looking after light soil areas, repairing areas as a part of their environmental farm planning. So within the green strategy, there are a number of things that we could reference, program within agriculture, that would certainly be a part of the strategy, but not articulated in Department of Environment's release on

last Thursday.

Mr. Hart: — So the farm energy audit program, that's a Department of Environment program. Did your department have some input on this? And if you did — I see your deputy minister's indicating that perhaps you did have some — perhaps you could explain how that program is going to work.

Mr. Brooks: — So we did have a representative that sat on the green strategy team and was very knowledgeable and able to help us put forward a proposal in this area. The final details haven't been worked out at this point. But the general concept is, is that there would be services provided to producers to examine the sort of energy parameters around their home residence, all other heated farm buildings and machinery, to get them to understand their energy use and those areas where they may be able to save on energy in a cost-effective way in all aspects of their farming operation.

Mr. Hart: — So specifically, Mr. Brooks, the \$400,000 that is indicated, what is that money targeted for?

Mr. Brooks: — That's for the energy audits of the farms.

Mr. Hart: — The energy audits of the farms. You mentioned farm residences. I would assume that farm residence would qualify for the EnerGuide program the same as, or whatever the new acronym is for it, the same as an urban residence. So I'm guessing then that this funding is for farm buildings. And you mentioned energy audits with equipment use; I wonder could you expand on that a bit more.

Mr. Brooks: — We're still developing the program, but when the audit takes place, we would assume that when the auditor visits, they would do as much as they could with the one on-site visit which would extend to the residence. We're still trying to work out the interrelationship between that and EnerGuide for Houses. But yes, as we would also envisage it extending to equipment, and trying to get a good profile on the energy usage of the farm.

Mr. Hart: — Well I guess we'll just have to wait and see how that program rolls out and so on. I know most producers are very conscious of energy use, particularly at the current prices. You know, when they fill their farm fuel tanks or pay their monthly statement, it makes them very aware that they should be very energy efficient.

Minister, dealing with this area of environment and agriculture, one of the programs that has been put forward or concepts, I guess, that has been put forward by a number of farm groups in our province in the last year is the alternative land use and payment for ecological goods and services. Other provinces, particularly Manitoba as you know, have funded a pilot program that's funding both from the public and private sectors — as I understand it, a two-year pilot program — to explore that concept. And I understand back in, I believe 2005 it was, now you may . . . where all first ministers of Agriculture signed a memorandum of understanding that they would go down that road and explore this concept.

Yet we're seeing farm organizations, when they were trying to set up a pilot project here in Saskatchewan, really ran into a

brick wall with your government as far as accessing funds and any other type of help to get this pilot project off the ground. I wonder if you would care to comment and explain your government's position on this issue.

Hon. Mr. Wartman: — Certainly. The pilot project in Manitoba is one that all of the provinces are looking at referencing for information — the analysis of the effectiveness of the program, cost parameters of the program. We are looking at this basically as a pilot program that should inform all of us as we move forward.

At the same time, certainly within the department, various branches are looking at the impact. When we look historically, we have seen programs that have been provided that would enable best practice, but we have supported that best practice with dollars at times. But they are one-time dollars. Some of the elements that are being explored in the ecological goods and services would be annual payments. And when we look at the pilot project in Manitoba we can see, and this is just in one municipality, costs of over, I think it's over \$630 million per year.

And so there's a significant cost transfer or cash transfer around the program . . . [inaudible interjection] . . . What is it? Six hundred . . . What did I say?

A Member: — Million.

Hon. Mr. Wartman: — No, sorry. Thousand . . . [inaudible interjection] . . . Yes, that would be . . . Yes. Manitoba can cough that up because of their payments under equalization, you know. No, it's six hundred and thirty-some thousand, is it? Yes. Sorry about that.

I mean, I think that we can learn some good things from this project, but we can also look at what we have done in the past and how effective it's been in encouraging best practice. Particularly in areas of risk as I'd mentioned earlier — light soil areas where you want to re-establish either native prairie or you want to establish good forage crops, riparian areas — you want to make sure that you're using best practices there.

And we have over a number of years provided the one-time funding there, and it's been effective. I think of all of the provinces, the proportion of land that we have been able to convert — light lands, etc., at-risk lands that we've been able to convert — is significantly larger than any other. I think it's about half of what's happened in the nation has been done, more than half what's happened in the nation has been done in Saskatchewan.

So I mean there are a number of dimensions to this whole issue of ecological goods and services as well. When we look at support funding within Europe, you can see that they've moved to the whole farm payment. Part of that is looking at what farms do provide as considered public goods. And it also changes how those farms and payments would be assessed in terms of the WTO impact. These programs tend to be in a green box area which means they're fine under the WTO. And so all of this is being assessed.

And when the farm groups here came and wanted to establish a

pilot project in Saskatchewan, we simply said, well we're doing analysis here and we're — as most of the other provinces are doing — we're closely observing what's happening on the Manitoba pilot project. And I think from . . . and correct me if I'm wrong but it seems to me in our discussions at federal-provincial-territorial meetings that this was basically the direction that we were taking, was that we would, we would all look to this pilot project in Manitoba as a model, a reference model, where we would gain understanding.

And so we're not, we're not saying it's not going to happen, but we are saying that we want to make sure that we do, do best analysis. I mean certainly questions are raised about, should you pay somebody for doing best practices. Maybe, because then you have to do the analysis: how much is for the private benefit, how much is for the public good, and all of those assessments are going on. And I just at this point say there's I think a lot for us to learn here, but we're not ready to jump in with both feet at this point.

Mr. Hart: — Well, Minister, I don't think the farm organizations that are taking the lead on this issue are suggesting that we implement a province-wide program that would pay farmers for ecological goods and services. In fact they are saying the opposite. They're saying before we go down that route, if in fact we do go down that route, we should have a number of pilot projects across this nation.

And it's their feeling that Saskatchewan is diverse and unique enough that it should have its own pilot project so that we can do an analysis of this concept within the province to learn from it, to see if one, if it has merit and it is workable; that it is something that we could look in the future to develop a province and a nation-wide program, but also on the flip side of the coin to see perhaps if there are inherent flaws in the concept that renders it unworkable. But their arguments are, and I think I have to agree with them, that we need to have these projects here, and we need to . . . so that we can analyze and understand them in a Saskatchewan environment.

And it just seems to me a bit ironic that Saskatchewan, with the largest percentage of farmland in all of the country, wouldn't want to take a leadership role in this. And so therefore I would certainly urge you to reconsider.

I mean nobody's saying that we should implement a province-wide or a nation-wide program at this point in time because there are far too many unanswered questions, and we need to have a number of these pilot projects around the country including Saskatchewan so a good analysis can be done on it.

Hon. Mr. Wartman: — I appreciate the points that you are making, Mr. Hart, and they are the points that the farm groups made when they were coming to us as proponents of a potential pilot project. But the reality is that we have two pilot projects in Canada. We have one in PEI [Prince Edward Island], and we have one in Manitoba. And federal and provincial ministers basically agreed that we would not duplicate what's going on in those projects until they were completed.

We wanted to use those projects as the pilots so that we could learn from them. And basically that's where we are today. When the conclusions of those pilot projects are reached, we

will certainly seek the best information that there is there, and we'll work with that.

And at the same time, as I indicated earlier, we are doing ongoing analysis and really trying to get a good sense of what impacts might be here. Are there divergences between here and what's being experienced in Manitoba and PEI? I mean I think to a large extent those divergences and differences can be accurately projected.

And so it's not like our eyes are closed to it. It's just the pilot projects are going on. We are learning from them. And I expect that we'll take the best information that is available and, hopefully I think, see some changes in the kind of programming that we do that will be responsive to what the needs are.

Mr. Hart: — Well I guess producers and producer organizations are . . . they look back in recent history, and they see some of the adverse affects of programs that are developed in other parts of the country and then applied and tried to make . . . made to fit to Saskatchewan conditions.

And I'm thinking of, you know, the AIDA program and CFIP [Canadian farm income program] and so on and to some extent CAIS — which are all sort of a different version of the same concept which really those programs were developed for industries like the hog industry in central Canada and a number of those industries, but really are a difficult fit for our diverse nature of our agriculture in this province. And what their, you know, what the concern of producers is is that we don't want to see a reoccurrence of that process. And as you mentioned earlier, you know, the Manitoba project is funded to around the \$600,000 mark and it's a two-year program. And the argument is that I'm hearing from the producer groups is in terms of government spending and private spending, it's not a lot of dollars.

And I certainly have to admit I'm not an expert in the area to know all the nuances of the differences between Manitoba and Saskatchewan but those people who have done a lot of work in this area say there are enough differences that they would feel that it would be tremendously valuable to have our own pilot project.

So what I would urge . . . The Manitoba project this year will be in its last year of operation. Once the analysis is done and if it's determined that there is a need for additional pilot projects, I would urge you to — in this province — to seriously consider looking at these sorts of things because I believe we're entered into an era where we have a moulding or a merging of agriculture and the environment.

At one time agriculture was perceived, and I think in many cases wrongly so, as an enemy of the environment or at least not co-operative with the environmental aspects. But I think that the era that we are in now I think it's a natural fit and we need to have policies in this province and in this country that make that happen. And so therefore as I said I would urge that we in the future look, go down that road.

Hon. Mr. Wartman: — It's important to note, and Mr. Cushon reminded me that when the groups were coming we were also saying to them that, you know, you don't want to duplicate any

pilot project that is going on. But if you have a significantly or substantially different pilot project that you'd like to engage in, bring it forward and you know we'll take a look at it. So I mean I think it's important to note that we certainly have not been closed to the idea, but there's no point in duplicating a program. And so at this point there's been nothing of substance different that was brought forward and so we think that using that program there we will gain some real good insights.

And I think you're also right, and I appreciate the point that you make in terms of the connection in agriculture with care for the environment. I mean I think of some of the ranchers and farmers whose lives have been dedicated to caring for the environment and to being good stewards. I think of some of the new developments that will help, I mean that we'll see synergies in terms of our production processing that will certainly be much more environmentally responsible that what we've seen in the past.

We've seen communities work together to try and make sure that as we're getting developments that we're caring for the watershed, for example, as the Spirit Creek group has done around hog development. So I think you're right. There are clearly connections, and I think the public and certainly I think the industry is more and more aware of those connections and are building towards an even better, more responsible industry.

Mr. Hart: — Well, Minister, what I would add to your comments and the comments I made earlier, and I would like to refer to some of your earlier comments where you talked about whether it's proper or good public policy to be funding best management practices on an ongoing basis and those sorts of comments. I think the argument that is being put forward under the payment for ecological goods and services is that over time, landowners and producers have sustained all the cost of providing these services to society, whether it be wildlife habitat or riparian management and those sorts of things.

I realize that we have the environmental farm plan and the farm stewardship program which pays for some one-time costs, which I think certainly is a good initiative. But producers, if we use wildlife habitat as an example, if they're maintaining these areas of wildlife habitat on their farms, they're having to work around them. They're incurring extra costs on an annual basis. And the proponents of the concept — which I think, you know, rightly so — are saying maybe it's time that society at least share in some of those costs because society as a whole is benefiting from the things that they are doing. And I think that's a concept that we need to explore and move down.

Also they are telling me that it doesn't necessarily mean that we have to see a significant increase in public dollars. It's perhaps a realigning and a shifting of that. And I think there's real value in there. We need to look at getting away from — I think now I can speak with two hats here, producer and elected representative — I think we need to get away from these ad hoc payments that are addressing crisis situations which at the end of the day we know there are many questions asked as to how much we've really accomplished, and move towards longer-term policies and programs where there is some real benefit and perhaps minimizes the need for these emergency and ad hoc payments.

Hon. Mr. Wartman: — You'll be pleased to know that — and I mean this seriously — I think you'll be pleased to know that we're also funding research at the U of S [University of Saskatchewan] around the whole area of private and public benefits related to ecological goods and services. I mean, we want to understand this area and how it might be a significant area in the future. And so we're putting funding in. We're looking into the research. We're looking at the pilot project, assessing that. And as you'll know we've also . . . And you indicated that you understood that we do have through the environmental farm plan things in practice right now that we are funding. And so I think there's a general trend in this direction which is very positive.

Mr. Hart: — Thank you, Minister. The next area I'd like to discuss is connected to the environment in agriculture and that's that whole area of biofuels. It's a subject and issue that we've been talking about for a while now.

We are seeing some advances and some increases in production here in Saskatchewan, particularly in ethanol. The only biodiesel project or plant that I know of is a small one in Foam Lake. But what seems to be missing to really get this whole industry off the ground, and particularly with producer involvement, is programs that aren't there that would allow producers to attain an ownership position in the ethanol and biodiesel industries.

The US has been quite successful in this area. But that just didn't happen. It was by design. It was designed by their federal government and their state governments. There was federal programs in place and there was state programs in place that enabled producers to take an ownership position in these processing plants. That's what's lacking here in Saskatchewan and I know the federal government has made some announcements in this area. To date, I don't know if we have many details. And I would appreciate the minister's comments on this whole area and some indication of what he is doing to move this issue along, to enable producers to become, to move up that value-added chain.

Hon. Mr. Wartman: — Well I really appreciate the question and I know this is primarily an issue for rural economic and co-operative development, and if the member had been here earlier this afternoon he could've asked that minister and I know would've got an astounding answer, full of information and insight.

But it is of course an area that is of huge concern to us in agriculture and we've seen I think some really tremendous developments in this area to date. Certainly we're out in front of most of the other provinces. Ontario's had a long history in ethanol in particular. But here we have through various programs now enabled the development of several new ethanol facilities. We have, I mean, basically a company that has just come in looking at the climate here and said, we're going to produce ethanol — not sought any kind of support. So we've got Terra Grains building out in Belle Plaine.

We've heard some very, very strong comments from producers, good strong comments from producers about the base contract funding that's available for delivering grains there. I think we're seeing generally a positive upward impact on prices today

that analysts will tell us is largely connected to the production of biofuels.

The other area we've seen the expansion of the canola crushing facilities in Nipawin, Clavet, and the two announced for Yorkton. Though they're not directly at this point announcing anything around biofuels, the potential is there for a significant biodiesel production. And in terms of programming from the province that there is work going on, I can say that much that I know that there is work going on in terms of developing programming, but I can't say anything further about that at this point.

I can say that we also have some really what I think are exciting developments for producers. And I'm not sure whether I've talked to the member but I look at some of the work that's gone on by Peacock Industries, for example, just north of Saskatoon with another potential biodiesel fuel, but it comes from mustard. And what they have done there is they've developed a nematocide from mustard and this has proven particularly effective on nematodes but they're right now engaged in an analysis and testing on the range of application, where it might be used as pesticide — could it be as a bio-pesticide applicable for organic crops?

I mean there's just really some tremendous developments there but the plus side of that is, I mean a second plus side of that is that you've got a high-end product in the nematocide and on the other side you've got another high-end product is the oil which is similar in quality to canola oil but has a higher cetane level. And so we'll see some — I think if this proves out and may well do so in the very near future — we'll again see another shift in cropping. There'll be significant demand for mustard production across the province as well.

So I think some very strong developments that will benefit producers but in terms of some of the kinds of supports that we've seen in the United States for producer involvement, most of those directly funded by the federal government in the US, those I can only say that we're at this point we're working on. At this point I can also say that it certainly hasn't seemed to be an impediment in terms of development of biofuels production yet.

And, you know, take a look at one other announcement that was put forward by the federal government. They were talking about \$180 million towards what is roughly a \$500 million project for groundbreaking technology in cellulose production of ethanol that could well go into the Birch Hills area. And again, significant benefit to producers. I've heard estimates in the 30 to \$50 million a year range benefit to the region if in fact that goes forward. So a number of areas of production.

I can see Alberta's trying to play catch-up right now. They've announced a very large development funded by, largely funded by US-sourced dollars. But I mean I just think that there's so much on the horizon in this area. And I can tell you that we've done a lot of work. We've been out in front on much of the development. And we're certainly going to try and make sure and we have I think in — and again I think the member's aware of this — but in all of our discussions with the federal government and the other provinces, we've certainly been encouraging development in a way that will provide best return,

best opportunity for our farmers.

Mr. Hart: — Well, Minister, you mentioned a number of exciting things that are happening out there and there are . . . I mean the Terra Grains plant here at Belle Plaine as you mentioned, the Yorkton crush plants. But the fact is that there's very little of producer ownership in any of those projects. And this is what the concern is out in the country where there are a number of community groups that are trying to get something happening in their area, whether it be an ethanol plant; there's, I think, one or two groups that are looking towards developing biodiesel plants.

But the biggest stumbling block that they have is raising the investment capital. And we've seen this in the past in value-added in rural Saskatchewan and particularly with agriculture. The profitability of primary production doesn't allow that many producers to come up with those significant dollars to buy a share into the value-added plants. And in the US they realized that, and they put programs in place. And you're right. The majority of the funding and the initiatives came at the federal level and we need to have that here in Canada.

But the state governments also did play in a fairly significant role — in the top-up exactly, but it completed the package that made it happen. And both levels of government in the US decided that it should happen. I mean they have their reasons, and we don't have some of those same reasons.

But if we're looking at seizing an opportunity to build some stability at the primary production level, the opportunity was there. It may still be there. But this industry is moving very quickly. It's maturing. You mentioned this megaprojects that are being announced in Alberta. The industry will get built. The ethanol and the biofuel industries will get built. The question is: will the producer — primary producers — be part of that or will they merely have another driveway that they can take their, drive their trucks up to deliver the canolas and the feed wheats if that's for using in grain-based ethanol?

And currently the prices have improved. They're back to sort of the bottom end of the range that we used to have, but we don't know how long that will stay that way. We have tremendous production capability in this province and in western Canada. And the producers will produce.

And unfortunately in the primary production area what's good for your individual farm is not necessarily good for the industry. In other words, when prices are strong you maximize production and everybody does that and we find ourselves in overproduction, which results in low prices. So then when prices are low, well you see increased production because you need to generate those additional dollars so you need to produce more tonnes, bushels, units of production, to generate the dollars to cover the fixed costs.

So it's a vicious cycle and we need to break that cycle. And the biofuels industry offered at least a partial solution to that. And it is my fear that we are letting this opportunity slip away.

And as I said earlier, we need to see action at the federal level. We have some announcements but we haven't really got any

details on that. And there are community groups made up of community members, including producers, who are really frustrated at this time and are about ready to throw up their hands and say, well if we're not going to get a bit of a hand up with this, we just can't accomplish it.

And I would strongly urge you and your government to do as much as you can but also urge the federal government and work with the federal government to get something happening in this area, and happening very quickly.

Hon. Mr. Wartman: — I appreciate the direction and the sense of support for primary producers that you're indicating there. I do want to mirror to some extent and raise some questions for you and ask you some questions as well, because as I indicated earlier, we have as a province — Minister Serby and myself in particular — have been really, at the federal and federal-provincial tables, advocating for a program that would parallel the American program, that would put the base, the same federal base as the US government had in, and allow us to do top-up appropriate to our area.

One of the points that was raised by Minister Strahl at the last biofuels meeting that Minister Serby had called, which I ended up attending, very clearly he said, well we can't afford to do what they're doing in the United States because it's building a false economy. And he said, do you think — and I put this question out for you and well to think about and to try and answer because it's one that's posed for us — do you think you can justify putting funding into a project that provides an 80 per cent return on investment?

And you look at some of these projects that have been built in the US. They've been completely paid off within, you know, we're talking hundreds of millions of dollar projects that are completely paid off within two years and then providing more returns to those who built them. And so the question was, is there any way that we could justify taking public dollars to build a false economy and have that kind of return coming to those who are engaged in the industry?

What we're trying to assess and why I say I can't give you a lot of detail first of all because we're not clear on the detail of the base funding from the federal government but trying to figure out what we can structure and justify as public expenditure at a time when . . . I mean you know, let's take a look at one of the areas. Let's take a look at the area of biodiesel, an area that has, I think, significant promise as I've talked about.

But you also have to be aware that you've got a petroleum industry that has very strong roots and significant dollars to be able to develop and do research and put together a program that will work primarily for the petroleum industry.

And so when you look at what they're doing and you see this process of hydrocracking — which I don't know whether the member's heard of. Okay, hydrocracking basically is a refining process where you can use oils, fats of a variety of different kinds and produce a renewable distillate fuel. And certainly in . . . Renewable Fuels Association has kind of gone along and said, yes this would make good sense.

Well if you've got a much more cost efficient process and a

process that is really much more — the petroleum companies who are lending, selling, marketing fuel across the country — that they're much more interested in than in opting into biodiesel operations, it raises some real questions about whether or not you can put public funding into and how much public funding you might put into that process.

But if you've got people who really believe in the projects and the process — and there's lots of good reasons to do that — then we do have currently in place some support funding for development of business plans. We've got funding in place as a province for development of ANGENs [agricultural new generation co-operative], new gen co-ops, and ways of providing some support. But that whole question . . . And so I'd ask the member to consider, what kind of grants and loans might be made available? At what level? And when you consider what the challenges broadly are in the industry, you really have to ask, like as the federal minister pressed us, can we justify using public dollars to build a false economy?

And so when we're looking . . . And I can tell you clearly that we're wrestling with all of these issues. We see the positives in this industry. But we also see that there are groups of producers, some of them who have other forms of income and some of those very, very significant, but there are groups of producers who are going together and who are building plants. And again I would reference Terra Grains. There is a group there that has said, we're going to build it; we're going to make this happen. And they're doing it. And there are producers who are invested there.

And so as we're moving forward, as we're trying to make sure that we're being the best stewards of public dollars and that we're also providing in, as you indicated, that need for trying to do some kind of offsets to that ebb and flow of agriculture income, we're trying very thoughtfully — aware of what the risks are — to put together a program that will be meaningful and that will provide a good opportunity for primary producers and communities that want to get together and build but that will not be so high risk that it could be threatened in very short order by another renewable fuel development.

You know, you want people to get their return. We could provide support and they could invest significant amounts of capital, but if some of the perceived risks are there and real, they could lose the capital too. So we're, as I say, we're trying to evaluate, as we get more information on the federal program, how that will work. We're trying to make sure that as we're going forward we're well aware of what the risks and challenges and the new research and development is. And we're trying to make sure . . . And I mean as I say, we've been advocating from the very beginning to try and make sure that producers have the opportunity and supports, justifiable supports, to move forward. So loans, loans guarantees, grants — all of those need to be considered. But the parameters also need, one needs to be very, very thoughtful about how those are developed.

Mr. Hart: — Well, Minister, you asked some questions about the affordability of US-style programs in this area and whether it can be justified as far as wise expenditures of public dollars and all those sorts of questions. And those are valid questions.

And you know, I mean, I certainly don't have the answers to those and neither do the producers. But what they are saying is that they need to know in a timely fashion as to what is out there, if in fact there is anything that will be coming, you know, down the pike to help attain that ownership position, whatever that may be.

We've seen in the past with farm programs that here in Canada we've never been able to match the American programs. In fact it's been argued that we don't need to match them. I mean that's a whole other debate and that sort of thing. And we could, you know . . .

Hon. Mr. Wartman: — Let me tell you, if I can, because I hear where you're going on this. And I think that one of things that it's important to note is that remember what we did in terms of our preliminary ethanol development. We carved out a portion for the smaller operations because those generally tend to be the integrated facilities where farmers have had opportunity to buy in.

But in what we're proposing and pushing with the federal government in terms of overall programming, one of the things that we are saying is that: carve out a section. You're putting in a mandate; carve out a section as we did here as a deliberate economic choice. Carve out a portion and say 25 per cent of the mandate allocated should specifically be for plants owned by primary producers. And you know, I think that farmers and community groups who own these plants should have an opportunity. And so if we can get them to agree they're going to put a mandate in place, can they carve out a portion? Because the potential — call it a threat — but the potential for the petroleum companies to do a renewable distillate that could take up, I mean particularly given some of the questions in terms of efficiency costs, could take up probably the whole mandate. And so carve out a portion.

Mr. Hart: — Well I mean if this is where we need to go then that's perhaps what we should be doing. That is for people such as for governments that have the resources of research and access to all the information to determine those in consultation with producer organizations and so on. But I guess the point that I would like to make is that — and this is what community groups and producer organizations are saying — we've been dealing with this issue for quite some time and we need a decision. Whatever the decision is, we need to have it.

Now I mean I guess they would like . . . The producer groups would say, well we just won't let, you know, let governments make all the decisions. We want to have a voice and this is what we think should be done. But the bottom line is it's time for a decision so that everyone knows what the rules of the game are and then we could get on with doing what we need to do, whether it's a community group building an ethanol plant or biodiesel plant or looking at the rules of the game and saying, no, this isn't for us; we better back away from it.

But there's so much uncertainty out there and there's a number of these projects that are in limbo because we . . . Take the Shaunavon project that's been on the books for five years.

Hon. Mr. Wartman: — Sorry. If I might say, I've been really liberal in allowing — and I don't like to say that loosely — but

I've been really liberal in allowing the Minister Responsible for Regional Economic and Co-operative Development to speak here and expecting at any moment that the Chair would rein him in and call on the Minister of Agriculture to speak again. And so I think we need to make sure there's a division.

And I think that if you would ask me in terms of Agriculture what we're doing, there are a whole number of things that we're doing to try and make this happen as well in terms of some of the research that we're doing in terms of co-product. We've developed a new feed centre up at the University of Saskatchewan. Largely that is going to be focusing on the by-products and how do we get the most highly nutritious feeds available.

I mean there are a whole lot of areas where the Department of Agriculture has been taking steps so the producers will get a maximum benefit out of these. We're working with feedlot developments as well that I think are very important as we move forward. So I would, knowing that the chairman is about to rein that other guy in, I would ask that you try and focus on the Agriculture side of it, please.

Mr. Hart: — Well I certainly appreciate the chairman's indulgence in allowing these line of questions and, you know . . . And just state that I realize that in government you need to, perhaps you may or may not need to make these divisions. But the biofuels industry, from a producer's viewpoint, is part of agriculture. Or at least it can be a large part, a significant part of agriculture. But I certainly appreciate the dual role that you were playing here tonight in answering these questions.

And just finally I would like to re-emphasize that it is time for decisions in these areas, both at the provincial level and at the federal level. Absolutely. The federal government needs to take a leadership role in this as the US federal government did, but also the provinces certainly have a role to play. And in Saskatchewan your government has a role to play and we need to get moving on this. We need to have answers. Whatever those answers are, we need to have those answers.

The Chair: — Thank you very much. I'll recognize Mr. Bjerneud.

Mr. Bjerneud: — Thank you, Mr. Chair. Now we'll get back to Agriculture. Mr. Minister, I don't really want to extend question period today but I want to go back to what we were talking about in question period and the example I brought forward to you about the farmer that farms on both sides — Manitoba and Saskatchewan side. And I'm just going to repeat the numbers because I know in question period we sometimes, in the heat of battle it's hard to hear and understand the numbers, and I sure want to get these through to you.

In Saskatchewan the premium . . . And we're talking canola; the first example I'll give you is canola on the Saskatchewan side. The crop insurance premium for this farmer is 12.51 an acre and his guarantee is 147.90 — 12.51 an acre premium, 147.90 coverage. On his Manitoba side, and this is right across the road, his premium is \$11.11 but his coverage is 224.19. That's canola.

Let's go to hard red spring wheat. His premium per acre in

Saskatchewan is 8.24 and his coverage is 83.70. Let's go to Manitoba. His premium is 4.85, just a little more than half, and his coverage is 103.60. His coverage is more but he's paying almost half.

And I guess the point I was trying to get to you, Mr. Minister, and you maybe understood that, but . . . is the farmers that we're having call us this spring — and I don't think we've ever had as many calling us as are right now — is that they feel this isn't a fair playing field and that they're paying far too much compared to what their Manitoba counterparts are. And I think when they compare it to Alberta, then the difference in the distance between is even far worse. Mr. Minister, would you comment on that tonight?

Hon. Mr. Wartman: — Because of the fact that you're looking at one farmer covered under two programs where we don't have a history of the usage of the programs on either side of the border, recognizing that, you know, even within miles you can have differences in land quality — there are a number of factors there — I will ask Stan Benjamin who is our general manager of Crop Insurance Corporation to address the details of this.

But I also want to note, as I did not go into the numbers in the House today, I spoke very generally about some of the issues that make for differences in a program which is common across the country. And one of the significant differences, you noted that frost and drought don't stop at the border. Unfortunately we get more than our fair share on this side of the border, and they do seem to stop there overall.

So that in 2002 when we faced drought in Saskatchewan, our loss ratio was at 43 per cent compared to a 6 per cent loss ratio in Manitoba. Our average loss ratio in Saskatchewan between 2000 and 2005 is 19 per cent in Saskatchewan and 9 per cent in Manitoba. You know if they're . . . I mean I think they're a fully black soil region throughout Manitoba. And so the differences in soil, the differences in environmental impact on production — those are significant factors.

We have today a debt of about \$367 million in our program in Saskatchewan due to the payouts that I referenced in the House today, and Manitoba has a surplus. They do not carry that kind of a debt. And so you'll see some of that difference showing up in terms of the premiums as I indicated.

But with regard to the specifics, I'll ask Mr. Benjamin to address that please.

Mr. Benjamin: — Yes. Stan Benjamin. I'm the general manager of Saskatchewan Crop Insurance.

On the premium side, the differences would be related to . . . because premiums are calculated on a risk-area basis. And so even though the land is touching on the border, there is a larger area included on both sides. And it would be the experience on what's happening in that risk area, not just on the individual quarters of land.

The other significant would be, as the minister stated, the difference between the load that is applied to Saskatchewan premium rates on a provincial basis for the recovery of the debt. And because Manitoba . . . I believe they're still in a surplus. It

actually creates what I call a negative load. In other words the base premium rate can be reduced because it doesn't have to be loaded as much as we do as for payment of debt.

And then the third factor is the individual experience. In Saskatchewan we have what we call a discount surcharge which depends on what happens on your farm, and so I expect that this person has a contract on both sides. And how the discount is applied and what they claimed and what premium they paid on each contract would have an effect. So that can explain the premium difference.

On the coverage side, coverage is made up of two parameters. One is the price per bushel, and there are a couple of factors there. One is the price should be fairly close, except in . . . and the province must insure at the standard grade. And so there may be a difference in what grade it's covered at as far as the price. And then probably the biggest factors again on the individual side, the individual coverage that calculation that is used on the farm on both sides of the border so . . .

Mr. Bjornerud: — Thank you, Mr. Benjamin. And I understand what you're saying with the experience discount and that — been there, done that. I know what you're saying.

I guess the point I was trying to get across is when our farmers on this side of the border hear and see examples like this, they wonder how they can even afford to take out crop insurance and take part in the program. And their counterparts, for whatever reason, across the border — in fact within a matter of 99 feet across the road allowance — it's just a whole different world. And that was the point I was trying to make through to you, Mr. Minister, today is I think one of the reasons we're getting so many complaints.

Mr. Minister, you'd given us some numbers today in question period about the amount the government has put into crop insurance, and I can't find those numbers anywhere. You talked about how many million the province has put in, in 2003 and so on.

I've got the annual report here for . . . This is 2003 and the producers put in eighty-five million nine hundred and some thousand dollars. The province put in 84 million, and the federal government put in 64 million. Now we contrast that to 2005-2006 annual report. The premiums for the farmers in the province have jumped to \$105 million. The Government of Canada, the federal government has put in 103 million, but the province of Saskatchewan has dropped a way down to 68 million.

It was my understanding that the federal government and the province each put 30 per cent in and the producer put in 40 per cent, now after the change from thirty-three and one-third for each one. Am I not understanding these numbers right or . . . Do you follow where I'm going with this?

Hon. Mr. Wartman: — I don't have the sheet that I had with me in the House; I'm sorry. But what it was reflecting was the . . . I mean there is . . . You'll know how the payments are structured. The producer puts in their portion — 40 per cent. The province and the federal government put in the other 60 per cent; divided 60 per cent federal government, 40 per cent for the

province. And what I read off the sheet that I had in the House was the province's portion of the payments over those years.

Mr. Bjornerud: — Well thank you, Mr. Minister. But I'm wondering like, am I not correct in saying that the province puts in 30 per cent, the federal government puts in 30 per cent, and the producer puts in 40 per cent?

Hon. Mr. Wartman: — The producer puts in 40 per cent. The federal government puts in 60 per cent of the next . . . like the . . . The farmer puts in 40 per cent; there's 60 per cent left. Of that 60 per cent the federal government puts in 60 per cent and the province puts in 40 per cent.

Mr. Bjornerud: — Okay, and that's just changed in the last year to that?

Hon. Mr. Wartman: — Since the APF agreement.

Mr. Bjornerud: — Pardon?

Hon. Mr. Wartman: — Since the APF agreement, the APF . . .

Mr. Bjornerud: — Okay. Because I was having a hard time understanding how we went from 2003, where the province put in 84 million and the federal government put in 64 million and the premiums for the producers were 85 million, and all of a sudden, whoops, with the whole pendulum has swung here.

And I guess the member for Last Mountain-Touchwood and we were talking before, where some of our producers are saying, if we are actually are farmers, we're paying the 70 per cent premium and had the 80 per cent coverage, we'd be getting back very close to Manitoba. In fact not identically, we'd still be a bit lower, but we'd be getting back to that number.

And I guess I've got my point across, Mr. Minister; you've heard what we're saying here, that farmers are really not happy with where we're at on this even though I understand what you're saying is we're trying to recover losses from before.

Mr. Minister, we're running out of time here. We've had another concern brought to us, and this is crop insurance too. We've had some producers come to us and . . . and I'm not sure if every producer is receiving these sheets. But what they ask for here is a credit documentation, bank line information, input supply line. And then it goes on to say, credit card — Agri, Visa, MasterCard — and specify and give the number and so on.

Can I ask why crop insurance would need these numbers such as MasterCard and that from a farmer? And I have two letters here, and I've had other calls where it's happened. I thought maybe to start with they were farmers in arrears, and maybe there was some justification for this. I'm wondering why we would need to know what their credit card numbers are.

Hon. Mr. Wartman: — I'll ask Mr. Benjamin to address that.

Mr. Benjamin: — These are for people that are applying for contracts. And in order to be eligible for a contract, you must show legal, financial, and operational independence. And there has been a bit of confusion. We actually, what we want to know

. . . and these questions have been asked before but not in this format. So we are requiring more documentation. We don't want to know, you know, the balance of the credit card or anything like that. We just want some evidence that there is an independence on the financial, operational, and legal aspect of it.

So the process, the information has not changed, but we have been instructed by the federal government that we must have more documentation to make sure that we are giving only operators of the land, insurance. And so I know there was a bit of confusion at the start. I did have a conference call with our managers in the offices to clarify, and I think we have talked to most of the people that had a concern.

Mr. Bjornerud: — So if I'm understanding you right, what we're saying is if it's, say, a situation like a father-son, or brothers . . . the one situation here that was brought to my attention is a father-son, but they have two separate yards. They have two separate sets of bins. The grain is totally separate. And I guess they were having a hard time understanding why they would have to go through these hoops, so that's why I'm bringing it to your attention what the problems that we've had come forward.

Mr. Benjamin: — I guess if I could add something. If we didn't do this process and we didn't collect the documentation, and somewhere along the line somebody came back and said, well this, under the rules of the agreement with the federal government, this does not qualify as a contract, then the funding changes. The federal government will only contribute 20 per cent, and so it's a little bit more documentation, and yes there was a bit of confusion.

Mr. Bjornerud: — Okay. Thank you, Mr. Minister and Mr. Chair. I guess seeing we are at the time, thank you and thank your officials for the answers they have given us tonight.

The Chair: — Thank you very much, committee members, and Mr. Minister and your officials. We're now at that time of the evening where we will adjourn for the evening. But before we do that I'd like to thank you for your attendance tonight and your prompt answering of questions in both your roles as the Minister of Agriculture and the Minister of Regional Economic Development, so thank you very much, Mr. Minister. And I'll now stand this meeting adjourned.

[The committee adjourned at 22:27.]