



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

Mr. Gene Makowsky, Chair
Regina Gardiner Park

Mr. Buckley Belanger, Deputy Chair
Athabasca

Mr. Steven Bonk
Moosomin

Mr. Bill Boyd
Kindersley

Ms. Lori Carr
Estevan

Mr. Delbert Kirsch
Batoche

Ms. Laura Ross
Regina Rochdale

[The committee met at 15:03.]

The Chair: — Good afternoon, committee members. Welcome to the Committee on the Economy. It is 3:03 p.m. here on Monday afternoon, and we are considering three bills this afternoon.

**Bill No. 44 — *The Water Security Agency
Amendment Act, 2016***

Clause 1

The Chair: — First among those is Bill No. 44, and the minister in charge, Minister Moe, is here along with his officials. I want to get the full statement here. The Economy Committee is considering, as I mentioned, Bill No. 44, *The Water Security Agency Amendment Act, 2016*, clause 1, short title. So, Minister, I'll leave it to you if you want to have some opening comments, and then we will open it up for examination from the committee.

Hon. Mr. Moe: — Well thank you very much, Mr. Chair, and thank you to the members of the committee for taking time here this afternoon to consider Bill 44, *An Act to amend The Water Security Agency Act*. And it's a pleasure for me to be here with you today and, again, I appreciate your time.

I'm joined this afternoon, to my right, by Susan Ross, the president of the Water Security Agency; to my far right, Sam Ferris, the executive director of environmental and municipal management services with the Water Security Agency. To my immediate left is Doug Johnson, the executive director of special projects. And also I have in the gallery here is Tyler Lynch, my chief of staff from my office here at the Legislative Assembly.

Most of us in this room understand and fully understand the importance of agriculture in the province of Saskatchewan, and I think we can agree it is what this province was built on. Historically, often Saskatchewan farmers have faced water shortages and have faced the issue of not having enough water in certain areas and communities across our province.

But periodically throughout history, and in particularly over the last decade or so, things have turned the other way in many areas, and we've experienced record amounts of rainfall in many areas in the province of Saskatchewan. This has created a situation where many producers are looking to move water off of their property to ensure that land that they previously had in production could remain in production, and it's understandable, as it's a producer's livelihood at stake in many cases.

As many of the committee members will know, our government did what no provincial government has done in the last three and a half decades, and we're creating a suite of legislation, a suite of regulation and policy that supports producers in gaining drainage approvals. We are creating a system for stakeholders to guide a responsible ag water policy, not just today but into the future. Bill 44 is an additional piece that supports and builds on the regulation changes that were made in September of 2015.

Previous legislation, regulation, and policy was complicated to

understand. It was difficult to comply with. It was difficult to enforce and ultimately often created disputes between neighbouring landowners. And the major challenge with previous laws is that anyone who knows anything about agriculture and rural water management can tell you that drainage is not just one quarter section to another, although that's where the discussion often begins. It spans across a network or a watershed, if you will, which is why our approach is focused on permitting networks draining into an adequate outlet.

One of the best examples to date of this is the dry lake project, where a single approval was issued to 73 landowners for more than 18,000 acres of organized and responsibly managed drainage network.

The Water Security Agency is currently working with hundreds of other landowners across the province on an additional 12 projects, 12 organized drainage projects making up more than 160,000 acres.

Bill 44 amends the request for assistance and formal complaint portions of *The Water Security Agency Act* and adds a new section. Bill 44 effectively replaces the formal complaints process with the request for assistance or an RFA. These changes will streamline the process for producers and landowners who have a request for assistance, and also it will help in gaining a drainage approval.

All drainage works in the province will need an approval, and with this new process Water Security Agency directs requests for assistance into that approval process. Upon receiving the request for assistance, Water Security Agency's investigations will determine if a work exists, and secondly, if they are approved. If the works do not have an approval, they will be asked to get one or ultimately to close those works.

The process is now very black and white; before, it was not. It was a lengthy process prior, and it required Water Security Agency often to do an investigation into the damages and make a ruling, of which could take years.

It's important to note that Water Security Agency conducted extensive consultations on the ag water management strategy, and this process included an online forum in which almost 500 individuals and groups across the province participated. During these consultations on the new drainage regulations, multiple stakeholder groups expressed support for increased fines and increased action on problem works.

It's important to note that fines are the last resort to this entire conversation. The goal is to permit networks of responsible rural ag water management. The fines are changing from a maximum of \$10,000 per day to a million dollars per day, but the fines apply to all processes Water Security Agency regulates, not just ag water management.

The courts decide the fine amount, and it's weighted depending on the situation. For instance if a dam was unsafe and Water Security Agency ordered it to be closed and the owner did not close it and it burst and it cost damage in communities, the fine could be in a much higher range.

Under the previous drainage process, the Water Appeal Board was in place to review the decisions of Water Security Agency in relation to whether drainage was causing damages between neighbours. Under this new ag water management strategy, there is no decision or issue to mediate, as it is black and white. There's no decision of issue with respect to damages. If you have a drainage works, the landowner will eventually require a permit. If you don't have an approval, Water Security Agency will ask you to apply for one and ask you to go through the process. The Water Appeal Board isn't needed now with this new approach, as there is no decision to be made.

In saying that, there will be two ag water management boards that will be put forward, and these two boards will be quite different than the previous Water Appeal Board. First, they do not render decisions but will provide input and advice on agricultural drainage.

The first would be a technical board, and this board would focus on the technical components of a drainage project, for instance such as land control, such as the point of adequate outlet and whether or not it is adequate. The new complaint process is based on the existence of works and whether the works are approved. Land control is usually the single largest issue driving a complaint.

The board, this technical board on request would review the location and the adequacy of that outlet. This technical board would also on request review whether the landowner has made a valid claim that he has enough land, land control for the project to proceed. This board would not, however, have powers to overturn an order. It would have technical skills to determine if there are issues which need to be addressed with respect to that case.

Producers in Saskatchewan are some of the most technologically advanced and have been adapting to their environment for decades. We know the agriculture industry is always adapting, and it's always evolving. The second board that we would be appointing would do just that. It would act in an advisory capacity on all aspects of agricultural water management strategy as we move forward. It would include representatives from agricultural, industrial, and conservation groups to review policy matters.

And I'd also like to just point out that this year the Water Security Agency is dedicating significant resources to the implementation of the ag water management strategy here in the province. We've reallocated about \$300,000 to the strategy and added an additional \$1 million. In total Water Security Agency has thirty-nine and a half FTEs [full-time equivalent] and \$1.3 million dedicated to this strategy in this particular year. The strategy is being phased in over time as we focus on these priority networks.

Last month Water Security Agency launched the qualified persons training program. And we saw around 40 participants take this training, and there are plans to increase that over the next number of months.

So now, Mr. Chair, with those brief remarks I would welcome any comments and questions. And I look forward to the discussion over the course of the next short period of time.

The Chair: — Thank you very much, Minister, for that information about the bill you're bringing forward. I should also note for the record, Ms. Sproule is once again here for Mr. Belanger, and I believe Mr. McCall may also join in at some point this afternoon. I will open the floor to any questions the committee members may have. I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Thank you, Mr. Minister and officials, for coming in this afternoon. I guess there's just a few comments or questions I'll have today, and the first one is about these boards. I'm just trying to understand where they're referred to in the new bill or where they're located in the existing Act, or where are they in the regulations? Just where are they referenced, the technical board and the advisory board?

Hon. Mr. Moe: — The regulations for those two boards are being drafted right now.

Ms. Sproule: — And in terms of the appeal board that currently exists, what section of the Act is going . . . Or is that also in the regulations? And how is that going to be . . . Or is it gone from the regulations? I guess, where is the existing appeal board?

Hon. Mr. Moe: — So I believe the section of the Act is 84 of *The Water Security Agency Act*, section 84, and that's being repealed. And it'll be replaced in regulation by the addition of an advisory board as well as a technical board.

[15:15]

Ms. Sproule: — Right. Thank you for that. So section 84 is being repealed. There's a new appeal provision being provided. I guess one of the next questions I want to ask then is in relation to the new, or section 3, which is the new section 70.1. And we talked about this a little bit before, but it's the immunity clause. It's the new section 70.1(4) and (5). And I'll just read that into the record. 70.1(4) reads:

No action or proceeding lies or shall be instituted or continued against the Government of Saskatchewan, the corporation, any present or former member of the Executive Council, or any present or former employee of the Government of Saskatchewan or the corporation based on any cause of action arising from, resulting from or incidental to the enactment or application of this section.

And then the next subclause reads, subclause (5):

Every cause of action against the Government of Saskatchewan, the corporation, any present or former member of the Executive Council, or any present or former employee of the Government of Saskatchewan or the corporation arising from, resulting from or incidental to the enactment or application of this section is extinguished.

And this is of course in relation to the clause about pre-'81 drainage works. So I'm just wondering if you could square the circle for the committee in terms of getting rid of the appeal board, allowing appeals to the Court of Queen's Bench regarding orders under the other sections, but you are denying producers the opportunity to take the government to court regarding the new clause 70.1.

I think you will be aware, Mr. Minister, that one of your colleagues, the Minister of Government Relations, has actually instructed committee members to not approve those subclauses, those types of clauses, in the changes to the municipal payments-in-lieu. So I'm just wondering if that's something . . . You know, producers are quite upset about this clause. I think several have raised concerns, and I'm sure you're aware of those concerns. So have you any intention to repeal or instruct the committee to not vote in favour of these two subclauses?

Hon. Mr. Moe: — Okay, so the short answer to your question is no. And I would, with respect to Bill 44, section 70.1 and point number 5, the last couple of phrases in there, I would just point you . . . Well let's go through point number 5:

Every cause of action against the Government of Saskatchewan, the corporation, any present or former member of the Executive Council, or any present or former employee of the Government of Saskatchewan [and this is, this next point is] or the corporation arising from, resulting from or incidental to the enactment or application of this section is extinguished.

That's referring to this section, which is making reference to pre-1981 drainage works. So this section of limiting the cause of action is to do with the changes that we have made as a Government of Saskatchewan for pre-1981 work specifically.

And again the reason that we've made those changes is those pre-1981 works are part of a larger drainage network that would require an approval, and we feel that the pre-1981 drainage works are capable of moving water just in the same fashion that post-1981 drainage works are able to. And we feel if we're going to control and organize the entire network, not just the portion of the network that may have been constructed prior to 1981, that we would repeal that. That was actually repealed in regulations in September of 2015 and is backed up by this section in this particular bill.

Again, you're quite right in noting that there has been some concern among stakeholders in the . . . most particularly at SARM [Saskatchewan Association of Rural Municipalities], but I would say among rural stakeholders across the province. So I think it's important to clarify that that section is relevant and specific to that section and to those pre-1981 works.

Ms. Sproule: — That was precisely my question is, why would you choose to not let farmers sue you for the pre-'81 works, and yet you would allow them to go to the Court of Queen's Bench for anything under section 62, 69, orders under 70.1, 83, or 83.01, as you've outlined in the new section 84 of the Act?

So as you know, Mr. Minister, producers could face significant and maybe even crippling economic losses once the pre-1981 works are being, I always say, pushed back up the hill. But certainly we know hundreds of, maybe thousands of acres of producing farm land are going to be put under water, and it will be a significant economic loss to the producers that are impacted by this pre-1981 decision. So what is it in your deliberations that caused you to deny them the ability to sue the government for that economic loss?

Ms. Ross: — I'll try to answer that question. I'm reading pretty

quickly here, but it looks to me like we're comparing apples and oranges, Ms. Sproule. I believe that under section 83, an order can be made against either pre- or post-1981 works by the Water Security Agency to close an illegal works, for instance, or to alter it. And that order can be appealed under section 84 to the Court of Queen's Bench.

And that is a different matter than section 70.1 in that that precludes a lawsuit arising out of an allegation that there is a loss or damage because the exemption is removed. So I think we got apples and oranges here.

Ms. Sproule: — So why is section 70.1 included in section 84?

Ms. Ross: — Why is it included in section 84? Because you can appeal the order. You just can't bring a lawsuit saying that you're suffering damages from the order.

You can appeal the order, as saying this order shouldn't have been made, for instance the works doesn't exist or they had an approval. If we made a mistake and made an order that was incorrect, you can appeal that to the Court of Queen's Bench, so that's . . . We've captured the ability of people to go to the Queen's Bench and say, your order is wrong, whether it's pre- or post-'81, but we won't allow you to sue for damages because we've removed the exemption. That's what section 70 is attempting to do.

Ms. Sproule: — So I'll go back to my original question then. When farmers are going to have severe and maybe crippling economic losses as a result of the pre-'81 decision to include those drainage works, why was it determined that they wouldn't be able to sue for those losses?

Hon. Mr. Moe: — So the point, or the focus, I guess, at the higher level of what we're trying to do here is when you have some pre-1981 drainage works across the province . . . I have some in the area that I service and worked with them quite closely and, quite frankly, what you end up with is a network of drainage — some of it pre-1981, some of it post-1981, some of it feeding into one another, quite frankly. And the goal of all of this was to permit, as you say, not to back up this water but to permit these good projects where they have ultimately permission, and ultimately they have that outlet where the water can go into. Whether a portion of that network, that broader network is pre-1981 or not, the goal is to look at it all in exactly the same fashion and bring it forward through this new permitting system.

Whether the drainage works was pre-1981 or not never precluded it from, you know, being subject to an investigation for damages under the old system, and there's some that were. I had one in my constituency, quite frankly, that was under that investigation as well, and those individuals now are looking at forming a conservation and development authority to bring all of the stuff into . . . all of the drainage in that particular network into compliance, both the portions of it that were pre-1981 as well as the portions that are post-.

So that was the focus, was to pull the pre-1981 drainage works out and join them with the other portions of the network that were post-, and put those through the process that we have now. I think that's what Ms. Ross was alluding to apples and oranges,

is this removes the liability on the pre-1981 works but remains the opportunities for recourse that someone may have on applying for a new permit and having that work.

But again I do need to stress, and as we go forward all of the, you know, the opportunities, I guess you'd say, are in the details. And we're going to be looking very strongly towards the advisory committee for taking some advice on policy and regulations as we move forward. And if there's anything that I've learned over the last three years, and I think we all know, is — you as well, Ms. Sproule — is that water is a divisive issue. We've consulted on this broadly for years, quite intensively in the last three years. And one thing that I've learned is as we move forward we really need to continue to consult, and we intend on doing that through this advisory board that we're going to strike in the next . . . in the very near future.

Ms. Sproule: — So are you telling me that no farmers will suffer an economic loss because of the pre-1981 drainage works inclusion?

Hon. Mr. Moe: — What I'm telling you is pre-1981 drainage works will be subject to the same permitting process that those post-1981 would be subject to. And I said in many cases, pre-1981 works are a mix in the network of post- and pre-, and as they put those projects forward into the new permitting process, you know, with opportunities to organize and control, which many of them may already have, they will be looked at in the, you know, the very same fashion that a new drainage works would be or a drainage works that was constructed between 1981 and today.

Ms. Sproule: — Thank you for your repeated explanations of the how of the process. I do appreciate that. However the question is, will there be any producers that will be impacted financially by this Act or not?

Hon. Mr. Moe: — I guess the question would be even broader than that, is there'll be some producers that have had challenges under the previous Act, *The Water Security Agency Act* — this is a bill to amend it — that have had challenges with the complaints that we've had. And I'll just grab me my complaints numbers that we've had in the years past.

We started this past year with 335 complaints. This was at the beginning of, as of March . . . Just let me get my dates here. It started with 335 complaints. There was 125 new files that were added, for a total of 455 drainage files at the end of that particular year. We are now down to 142, so we've decreased the number of complaints substantially, and that's by implementing the regulations that were introduced in September of 2015. So we feel that there's been adequate . . . There's been, I think, in many cases, people that have been impacted by the existing regulations that we've had.

[15:30]

And we didn't come to this point of introducing Bill 44 or introducing the regulation packages in September of 2015 because we thought we didn't have enough to do. We came to this point, you know, because we have been asked to update and, quite frankly, bring some of the drainage regulations here in the province of Saskatchewan into a, you know, a realm that

would actually work, where individuals could get permits for their drainage works. And in many cases that you reference with pre-1981 works and networks across the province, much like the Dry Lake project, they'll have the opportunity to permit those projects so that they can ensure that they're able to move that water, not just this year but for years into the future through that permitting process.

If you're asking me, in some cases are there projects that won't be able to move ahead or may have to be brought back to natural spill points? Quite likely, and that's the case in the past as well. Just this past year there's 82 works that were closed of those 455 that we had in front of us. So it's quite likely that there's some drainage works that (a) should not have been constructed, (b) do not have permission, (c) are challenged with the outlet that they have. So there's works that have been closed in the past.

What we're working towards is to have a simple set of legislation, regulation, and policy here in the province of Saskatchewan so that individuals can join together in their specific areas and their networks to implement that in their area. Up until today, I would say the legislation, regulation, and the policy that we've had around ag drainage in the province of Saskatchewan has been obscure and grey at best.

Ms. Sproule: — I think the answer to the question was yes, if I understand your rather lengthy and off-topic explanation that you've just shared once again with committee, Mr. Minister. But we really are looking for information here in terms of the questions that we're posing and would prefer a more direct answer if at all possible. I mean, you have a tendency to go off and do explanations about things that aren't part of the question. And I know you're proud of the work you're doing, but I really would appreciate if you could just focus more on the question itself. That will help us get through this more quickly, and I know there are other bills that are being brought up today.

So if I understand correctly, you say there is a potential that the pre-1981 drainage works that will be inspected — and people need to apply, I guess, for licensing now — there is a likelihood of producers having land taken out of production if they're not able to get the licence for that pre-1981 drainage work which could go back to 1920 or 1930. Is that correct?

Hon. Mr. Moe: — The drainage networks that we're dealing that point, have to do with these 142 previous complaints that we have in front of us. Whether or not some of those are pre-1981, I'm not sure.

As I said, of the 455, we closed 82 of those works this past year. And so it stands to reason that through the course of the next short while that we'll have a number of permits that will be issued, as we have here. There's a number of approvals that have been issued out of here. But it also stands to issue that where there are drainage networks that aren't able to work together, aren't able to gain land control, aren't able through the C & D [conservation and development] system or the watershed associations that they have and the tools that they have, that those approvals may not be put forward. And in those cases, those ditches, whether they're pre-1981 or post-1981, would eventually need to go back to a natural spill point.

You know, I just reference a question that came the other day with respect to some of the powers that the conservation development authorities have with respect to gaining access by way of majority onto some of the easements and some of the projects that they have. That's age-old, decades old legislation in this province that has proved to be pretty valuable, and I think you'll see it prove to be quite valuable in the way of organizing and permitting, which is the goal, of pre-1981 networks and all of those networks that are associated with them.

Ms. Sproule: — Mr. Chair, I'm going to turn the questions over to my colleague.

The Chair: — Mr. Belanger.

Mr. Belanger: — Thank you very much, Mr. Chair, and welcome to the minister and to his officials. First of all at the outset, I want to say that this is probably one of the more crucial tests of any government as it relates to the illegal drainage on agricultural lands. I had the distinct pleasure of accompanying my colleague, the member from Saskatoon Nutana, on several trips dealing with the . . . not only related to the illegal drainage of agricultural land, but of course to couple that with the moisture levels of several years ago. We took tours of areas east of Yorkton around the Humboldt area, and we're beginning to see that this is a significant challenge right across the board.

I just wanted to get clarification from the minister when he made reference to the 400-and-some complaints or files that they're working with. What would you determine the total number of acres involved in this 434 cases that you've been dealing with, and how would you determine the number of really serious issues? When I'm saying serious, I am talking of the larger producers actually going to court and fighting this through courts because there's smaller claims that you're dealing with and of course larger, more pressing ones.

So I wouldn't mind clarification on (a) the number of acres involved, and a breakdown of each case, if you will, just in summary of which are larger cases and which ones that are smaller concerns.

Hon. Mr. Moe: — So I would just with respect to the . . . We started last year off with 335 cases. We had 120 new files come in for a total of 455 accumulated throughout that year. We now have 142 that are currently under review. So we made great strides under the new regulations in addressing and assessing many of those cases, in particular relative to coming into the year under the old system with the 335 caseload backlog.

Of the 455 cases, I would assume, and this would just be an assumption, that it would be a complaint of one individual against one neighbour. And so we would take that as roughly one quarter section complaining against another quarter section. So 450 complaints would give you roughly 910 quarter sections, you know, just to rough it out, but which speaks to the challenge and speaks to the comments that came up throughout the consultation. Although these smaller claims, they start with a claim of a neighbour against a neighbour or potentially a neighbour against multiple neighbours, they're actually indicative of a larger challenge, and that is the entire network of drainage. And it's like, you know, a spiderweb coming in to

main channels and ultimately into our river systems.

And that's what we need to work on, is those watershed networks and permitting those in a controlled and organized fashion. And that's what the Dry Lake project was, and it takes some effort. You need a number of people in a room to work together, not only on the construction and how you pay for that construction and finance it, but how you operate it and have an operating plan and a governance plan into the future. This is not new to the province, but we need more of it.

And it's happened, although fairly commonly actually, through conservation and development authorities across the province where they have an actual governance body, where they charge a small fee. I know one up in . . . A conservation development authority in the area where I live increased their rates slightly this past year. They're still quite affordable when you consider they have access to that main channel to actually move their water in a controlled and organized fashion.

So you've struck on exactly what the challenge was. And exactly what came up throughout the consultations is, how do you go from that complaint of person A against person B, and how do you move that to permitting that entire network? And that's the challenge that we still deal with. We have ways to do it. You know, what happens when not everyone's on board? What happens when, you know, everybody's on board but a few? And what happens when you don't have an adequate outlet? And all these questions. And we've worked our way through consultation through a number of them to get to where we've made the regulations last year to try to streamline things so that we could even do the Dry Lake project, which wasn't possible under the previous regulations.

But we have a lot farther to go, and that's why we put a lot of faith and a lot of . . . [inaudible] . . . in this advisory board as we move forward, is how do we get from these complaints, from person A to person B on that quarter section to the larger 5, 10, 12,000-acre networks and permitting those in a controlled and organized fashion so they protect the people downstream and preserve and permit their opportunity to move water for ag reasons, for moving it out of communities, whatever that may be?

Mr. Belanger: — Yes, there's no question that on the two- or three-day trip we took that we certainly saw — and that was the basis of my questions — we certainly saw the magnitude of the problem.

Yes, it is neighbour against neighbour, but one of the examples I would use is the issues around Humboldt, you know. And we were just, I was just floored with the amount of water in the one particular section that we visited, and that you had, part of the problem is there is an illegal drainage process undertaken. But there's also . . . Highways had built some kind of berm or highway that prevented the lake from actually draining out, and it kind of backfilled.

So that was the basis of my question. Like how many of these cases are actually neighbour against neighbour involving a quarter section, and how much of it is the massive issues around, like a good example I would say, the Humboldt experience that we had? Because we don't think it's just illegal

drainage that's creating the issue around Humboldt at the time, that there's other things that people wanted to see done. And we met with a number of producers on that trip. And it was actually . . . like I was just blown away at the incredible vast problem we have with water management overall.

So I just wanted to get clarification from you. How much of the 400-and-some cases that you're dealing with would actually be, in percentage terms, neighbour against neighbour on a quarter section of land in a smaller drainage problem versus what we saw in Humboldt where we've had different ministries of the government actually clash in the ideals and actually complicate the issue? And Humboldt is a good example of, you know, of that.

Hon. Mr. Moe: — There's a couple statements that stuck out with me in the question. And you know, one was the magnitude of the problem in certain areas. We've had, you know, a decade at least in many areas of very, very wet weather and, you know, the fill and spill has taken affect in many areas. But you're right, in other areas there's been, you know, substantial works. And through arguably not very concise water regulations and rules here in the province, there's been substantial work done around the province and understandably so. I mean, people are trying to move water off of their property that they previously farmed, and they're trying to preserve that opportunity to farm.

Which speaks to the reason, and we heard this throughout consultants or consultations, you know, the efforts that need to be made on bringing in, you know, laws around agricultural drainage that make it achievable but also control and organize it to mitigate those impacts downstream, but to ensure that people have the opportunity to move that water for, you know, agricultural purposes. In many cases we're moving it out of, you know, our rural communities around the province.

[15:45]

And you know, to your point, in some of the works that have occurred that are moving water into areas that are full, quite frankly, or overfull in many cases, I think you may be referring to one particular area in the Humboldt area that I toured as well. But in that particular case and others around that area, much of what you're referring to is pre-1981 works. And we're working with individuals in that area, quite frankly, on the formation or the preliminary steps of the formation of C & Ds because there are these, in many cases, main arteries that are pre-1981 works, and they have since other works that have fed into them. And we need to permit them all as a network under the terms that we have here.

There's more work to do on this. You know, there's more work to do on eventually, you know, where we did on infilling. How do we involve our conservation groups in some of the holdback areas and potential for some wetlands in those holdback areas? So there's a lot more work to do, and Bill 44 is a step. The regulations in September of 2015 were an initial step. Bill 44 supports those regulations, and I would expect that there'd be more regulation and policy initiatives that would come forward in the months and years ahead. And this will be a long process.

Mr. Belanger: — Yes, there's no question as a result of the tour that I certainly got a grasp of what was specific to

Humboldt. Certainly what we saw on that trip was reeve against reeve, you know, RM [rural municipality] against RM. And Lake Lenore I think is the tourist spot. There's some beautiful cabins along the lake. But there was a road that was rebuilt and culverts were not added, so it backed up more of some water. So it wasn't pre-1981 that complicated the issue. It was recent construction that didn't allow drainage to occur naturally. And then there was defensive mechanisms on the other side of the equation where people didn't want some of that drainage coming into a fresh water lake. And there was just, it was really, quite frankly, a massive fight that was to occur.

Because we travelled a lot of places those two or three days and we met with a lot of producers. And the net effect of our trip there is that there are certain things that the province did that they should not have done. I think we travelled the one area where they rebuilt the road three times, I think. Yes, I think it was three times the road was rebuilt because they didn't deal with the drainage properly and it washed out a road. So they ended up spending almost \$2 million on a road that cost 600,000 to, you know, to build up simply because water came along and drained it away as well, so that the upstream issues weren't dealt with, and yet there's money expended on the downstream challenge of keeping that one road open.

But needless to say, we met with a lot of producers and they were quite angry. We saw RM against RM. We've seen some counterproductive activity happening between . . . as an example, I would use is Highways versus SaskWater. So all these issues really came to the forefront in Humboldt and again, like, we took the visit and a tour just a couple of years ago, but I was just really floored by the extent and magnitude of the problem.

So obviously, when you look at the punitive effects of the bill here today, the focus is on the producer when, in my opinion, a grander and greater vision around water management is very necessary. We know that the Southeast is inundated with water every year. We know that Manitoba complains about the amount of drainage we ship, you know, to their area. And yet we see these problems continue year after year after year.

So I'll close on this comment. That was why the question certainly revolved around how many acres are we dealing with here. How many landowners? Who is actually creating some of the problems? And as you go down this path, the more and more you research it, the more and more you find out that it's not just the producers that should be penalized, but there could be actually a cause for an argument that one department should be penalizing the other department of government because they're adding to the problems around water drainage.

So if that was the case, is part of the effort by the government to really begin to, not necessarily overrule, but keep in line some of the other departments that are actually adding to the problem around drainage, such as Highways in this instance? And how would you as a minister begin to figure out the balance between, say for example, illegal drainage versus draining the water, the unneeded water into a river stream? Is there any kind of environmental consequence for that? Like, how would you balance all these things?

Hon. Mr. Moe: — So I'll address a few things here. First of all,

with going into last year, 335 formal complaints and then having 120 bringing us up to 455 for that year, those are formal complaints. Prior to that . . . and this addresses the acreage piece a little bit, and I think probably, maybe provides some scope for the challenge that we have here. Those are formal complaints that we have under the old system.

Prior to being a formal complaint, if someone was to ask for what's called a request for assistance from Water Security Agency, and say person B is putting water on my property without permission, we would have what's called a request for assistance, and Water Security Agency would go out, under our own resources, and have a look at things and make a recommendation with respect to those two individuals and ask them to work together to resolve this type of thing. In some cases it can be resolved.

In many others it can't. And I think that speaks to their involvement of two people looking at their two quarter sections but being part of a much larger network, and water may be coming from upstream or may not be moving downstream, leading to the challenge between those two individuals. And that may also be true with respect sometime, to adjoining RMs, and lead to some of the friction and challenges that we see there. At the end of the day under the new system, if we're going to move water, we will have to work together to acquire the permits or those works are not going to exist through the tools that we have.

A little bit on with respect to highways, and in particular around Humboldt and I think you said . . . Is it Lake Lenore? But first of all, Highways is not to impede water when water is flowing up and through a highway. When they work on the highway or build, construct a new highway, that water should be flowing unimpeded. And the same holds true for rural municipalities. And we've seen in many cases, I know in our area, where we've replaced some bridges with culverts and they get tremendously large to, one, to remove the appropriate amount of water, but also to often earn fish-bearing creeks, and we need some appropriate flow there to allow our fish to move around.

But I think specific to the case that you're referring to in Lake Lenore and the culverts that were closed on that particular road and backed up, that was due to an order from the federal government with respect to saline water moving into Lake Lenore. And that order was made actually on the basis of illegal drainage going into those particular lakes. So that's an order that I think, if I'm not mistaken, was made in 2010. I think Water Security Agency had 24 hours to comply with that particular order, and that's the reason for that.

Again I've been out in that area. There's some pre-1981 works, some post-1981 works, and it's an example of where again now we have a challenged adequate outlet and it makes the effort a little more challenging in moving that water, you know, to that adequate outlet. There's a number of individuals that I think would work together, and we need to continue to work with them to figure out where that water can ultimately end up without it being compromised by salinity. But that was done by an order by the federal government on the Water Security Agency.

Just one other comment in your question with respect to

rebuilding roads across the province and having adequate controls and measures in place so that we don't continue to keep taking the road out. And it was likely rebuilt under the provincial disaster assistance program, which has parameters both provincial and federal in its nature on what can be rebuilt and what would be paid for through that program for uninsurable losses.

In the case of rural municipalities, and again I can speak to roads in our area that have been washed out more than once as well, which I think speaks to the whole effort that we're trying to get to here. And Bill 44 doesn't get us there; it gets us another step in the way.

But the whole issue to control and be able to mitigate those damages downstream by controlling when the water will flow and how much will flow through, you know, a source of . . . a continuum of gated networks. Some may start at the farm gate. Some may be working with neighbours on holding water back in certain and particular areas, but very much with the idea in mind of being able to control how much water will flow and when that water will flow, to mitigate that damage downstream. And that damage may be in the way of a road in a neighbouring RM or otherwise.

Mr. Belanger: — Thanks so much. I just want make one final observation and thank my colleague for sharing some of her time with me on this particular bill because this certainly has a lot of ramifications.

One of the observation I would make is that as you look at the allocation to your budget from year to year, it's basically flatlined. And given the financial reality of where are we at today that I don't suspect you're going to see a dramatic increase in your budget in the coming years. Based on that assumption, which I think is a strong assumption, that I think basically the focus of this bill is punitive to the producers as the only step that is being taken.

And this is where I think a lot of people would get angry and say, well this is only a short-sighted, small step against the producers. It doesn't really address the water management issue as a whole. And that's exactly where I think a lot of people are asking for action on, primarily because it's a global problem. I'd just simply say today that it is going to be a dramatic challenge very quickly.

And yes, your bill talks about punitive measures against the producers, but quite frankly, I think there's got to be a grand, a grand strategy and plan to deal with water conservation, water management, a water distribution system throughout the whole province. It's been lacking. And that's why I think typically you're getting a lot of frustration from a lot of people, in particular producers, as it pertains to this bill because they don't see the bigger picture being addressed, whereas a grand provincial water strategy's required. So on that note, I'm not sure if you have any comments, but thanks for your time and thanks for your answers.

The Chair: — I'll allow the minister to respond if he so wishes.

Hon. Mr. Moe: — Yes, I would just say . . . [inaudible] . . . are financial constraints that we have, you know, across

government, and Water Security Agency is no exception to that.

But to your point and your comment about ramifications, we are well aware of that and aware of the ramifications, potential ramifications, if this isn't done properly and appropriately. And not to say it'll be done perfectly, but the effort is to draw the line so that it can be done better than it was in the past. And there may be times where we have to back up and relook at things, but we will do that through close consultation, quite likely, with that advisory board and others.

What we are shifting . . . This is a shift for ag producers in the province as well to actually, first of all, have the opportunity to permit their works, to secure them, being able to move that water into the future, and to have an active part through qualified people in working together on those networks, which is different. It's a monumental change.

But there's also a change happening at Water Security Agency where we're shifting from an organization that quite often in the past would be spending our time doing, you know, damage impact assessments and things of that nature under the old system, to actually trying to — and this is the shift that we're going through — attempting to streamline our approval process, not to lessen the approvals metrics that are required but to streamline that process to make it . . . ensure that it's simple for people to understand what they need to get together in order to apply for a permit and ultimately be successful with that. Aquatic habitat protection permits, somewhat jointly between Environment and Water Security Agency as well are . . . Those are all part of streamlining the process to allow organized and controlled water management in the province.

[16:00]

And there's a monumental shift that's happening at the farm gate, if you will, with ag producers, but there's also quite a shift that's occurring within Water Security Agency as well.

The Chair: — Thank you for that, Minister Moe. Are there any other questions from the committee for the minister? Ms. Sproule.

Ms. Sproule: — When do you expect the regulations to be in place?

Hon. Mr. Moe: — So the actual regulations will be in place over the course of the next couple of months. We're going to be moving on appointments of associations for, in particular, the advisory board sooner than that to start to assemble them, as we have some work, I think, that we'd like to put in front of them with respect to some of the policy development as we move forward sooner than that. So the regulations will be ready as soon as possible, which we look at the next couple or few months. But the advisory board, we're going to move on identifying those associations sooner than that.

Ms. Sproule: — What new or additional resources will be allocated to working on compliance of the pre-1981 ditches?

Hon. Mr. Moe: — In the existing budget, we added \$1.3 million to work specifically towards the broader initiative of policy development as well as compliance and work in

particular areas on the ag water management strategy.

What we've chosen to do in the absence of an advisory board putting forward a different plan, but what we've chosen to do, and I think it shows, is we've chosen to deal with those areas where there's the greatest conflict, where the complaints are or where the requests for assistance are, the formal complaints, if you will. And we've dealt with . . . We focused on those with those extra resources and all of our resources that we have, quite frankly. And I think that's starting to show some success as we went into last year with 335 files, had 120 added, and came out of the year with 142 formal complaints in front of us. So those resources are starting to resolve some of those files, and those are the most contentious areas.

I've had questions from individuals that we should potentially focus some of our efforts, if you will, on pre-1981 works. I'd have no problem with that. And if the advisory board felt that was a more important focus or a focus to go to after we get even the number of formal complaints lower yet, I don't think that would be an issue to apply the existing resources that we have, again understanding that we're shifting resources as I said, within Water Security Agency from areas of doing assessment of impacts to working with watershed or networks on permitting their appropriate networks.

So whether we go to pre-1981s as a priority next or whether we continue to whittle away at the complaints in front of us or some other, you know, area of importance comes up as identified by the advisory committee as we move forward, you know, we'd be open to looking at that.

Ms. Sproule: — Certainly I hope you'll be doing more than whittling away at the problem. It's a serious problem.

You often speak of the magnitude of the issue and, as you're aware, in the 1930s, there was a huge issue of great magnitude affecting the Prairies, and that was the drought. In those days, PFRA [Prairie Farm Rehabilitation Administration] was established to help with that issue. There was a lot of federal dollars that went into that. What sort of federal dollars are you negotiating with the federal government in order to help with the magnitude of the issue?

Hon. Mr. Moe: — There's a number of funds that we have had conversations with the federal government on with respect, in one way, shape, or form, with respect to our ag water management strategy on behalf of producers in the province. The first is through Agriculture: we've been in consultation with the federal government through GF2 [Growing Forward 2] funding and the potential for that potentially into GF3 [Growing Forward 3], if that should show, transpire.

We have dollars that we've accessed with respect to mapping in the past and hope to continue to access through the disaster mitigation, a federal disaster mitigation program, as well as looking at green infrastructure funds through the federal government for a few projects across the province and working closely with individual watershed associations and groupings of individuals there as well as province wide.

And then lastly but not leastly, as some of the parameters come out with respect to the potential for some participation in

something like an infrastructure bank as well which has been discussed at the federal level, but the GF2, the disaster mitigation for some of the mapping and planning dollars as well as the green infrastructure, green infrastructure funding. Sorry, there was one other one, but it was also under GF2 that we were looking at accessing specific to one watershed in the province.

Ms. Sproule: — Thank you. I think, as you know, Mr. Minister, PDAP [provincial disaster assistance program] funds are not available to the Quill lakes folks who have lost land over years because it's not seen as an emergency. And I believe the GF2 funding was severely limited when GF2 came around. So I'm hoping that you are actually doing some advocacy with the federal government to ensure that the urgency of this is put forward to the federal government.

But my final question today is regarding SARM. You undertook at SARM to consider amendments to this Act. Certainly I think the producers and the rural officials, the elected officials in rural areas are looking for leadership in that area. I take it from the way the bill is being presented today, there's no intentions to make any amendments to the bill. Is that correct?

Hon. Mr. Moe: — That's correct. We did have a good response on both sides with respect to the offer to . . . If there was challenges around the wording specific to the bill, I asked specifically to amend that wording and send it to us. And there was some concerns displayed, some support as well from a number of RMs, but some concerns generally centring around, I would say, the changes in the fines and the changes in the Water Appeal Board, the changes to the Water Appeal Board moving forward.

Ms. Sproule: — Could you table with the committee the RMs that supported not changing the bill?

Hon. Mr. Moe: — I think we can. Sorry, do you want the actual letters or the RMs?

Ms. Sproule: — A list of the RMs would be sufficient.

Hon. Mr. Moe: — I have no problem with it, but I would just want to double-check with SARM because the offer that I had was to channel those particular RMs through the SARM office which then forwarded it to the minister's office. If SARM is all right with that, I'd most definitely table it.

Ms. Sproule: — All right. Thank you, Mr. Chair, Mr. Minister, officials for those questions. I have no further questions on Bill 44.

The Chair: — Thank you, Ms. Sproule. Are there any other questions for the minister? Seeing none, we thank the minister and the officials for appearing this afternoon.

We will quickly vote off the . . . Sorry we'll vote the clauses, not the estimates, the clauses this afternoon. There's 13 of them so, committee members, here we go on Bill 44. We're going to vote on clause 1, short title. Is that agreed by the committee?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 13 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Water Security Agency Amendment Act, 2016*.

Is that agreed by the committee?

Some Hon. Members: — Agreed.

The Chair: — That's carried. I'd ask a member to move that we report Bill No. 44, *The Water Security Agency Amendment Act, 2016* without amendment. Mr. Bonk has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried. Again thank you, Mr. Minister, and your officials for being here this afternoon. We will quickly move . . . I see Mr. Harrison's here ready to go. We will move on to Bill 62 and 61 as quickly as possible.

Bill No. 62 — *The Labour-sponsored Venture Capital Corporations Amendment Act, 2017*

Clause 1

The Chair: — Well here we are for the next bill under consideration. It's 4:14 p.m. and we have Minister Harrison here with his officials where we're considering, as I mentioned earlier, Bill No. 62, *The Labour-sponsored Venture Capital Corporations Amendment Act, 2017*, clause 1, short title. Mr. McCall is here substituting for Mr. Belanger. All other committee members are here. Mr. Minister, if you have any opening statements about this particular bill, please do so now.

[16:15]

Hon. Mr. Harrison: — Sure. Well thank you very much, Mr. Chair. Thank you, committee, for being here this afternoon. I have with me on my left Laurie Pushor, deputy minister, and on my right, Cullen Stewart, who's our acting director of strategic policy initiatives.

So we are here for a labour-sponsored venture capital corporations Act. And I want to start by saying our government recognizes that labour-sponsored venture capital funds have provided small- and medium-sized businesses in the province with capital funding they need to remain successful. Funds have played and will continue to play an important role in our economy. We have consulted with both SaskWorks Venture Inc. and Golden Opportunities Fund Inc. about these amendments.

These amendments to the Act will reduce the provincial tax credit from 20 per cent to 17.5 per cent for 2018 and subsequent tax years. The individual tax credit amount will go from \$1,000 to \$875 annually for individual taxpayers who invest the maximum \$5,000 annually. Mr. Chair, the program cap will

change from 80 million per year to \$70 million per year. The annual fund cap will be reduced from 40 million annually to 35 million annually.

Currently the Minister of the Economy is responsible for issuing tax credits. It meant the ministry had to print and mail approximately 25,000 tax credits a year to investors. This amendment will transfer that responsibility and cost to SaskWorks Venture Fund Inc. and Golden Opportunities Fund. The amendments to the Act will ensure the long-term sustainability and success of the funds.

While I have the opportunity, I'd like to inform committee members that a few House amendments will be introduced today as well, and I believe members have been made aware of the proposed House amendments. The amendments will be introduced to ensure consistency throughout the bill regarding the change to the tax credit rate. And with that, Mr. Chair, I am happy to take questions.

The Chair: — Thank you, Mr. Harrison. I open up the floor to questions from the committee about Bill 62. I recognize Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair, Mr. Minister, officials, and welcome to the consideration of Bill 62. And I guess off the top, I'd certainly concur with the minister as to the importance of labour-sponsored venture capital funds and indeed venture capital sources, period.

In terms of the changes that are made here with the thresholds and the different taxpayer rates, I guess if the minister could describe to the committee the analysis that's gone into moving from 20 per cent to 17.5 per cent, for starters.

Hon. Mr. Harrison: — Right. No, well I appreciate that, and as is well known, you know, the government has a challenging fiscal environment to work in. And we were . . . you know, worked with the funds as a way of reducing a deferred revenue to the province. So this will recoup about \$12 million of deferred revenue per year, with these changes.

You know, as I said, we landed on the 17.5 per cent number on account of discussions that we had with the funds as to . . . You know, I would say there was a very clear understanding on the part . . . And there are only two funds that are subject to this statute. I would say that there was an understanding as to the policy objective of the government and very much a willingness on the part of the funds to work with government to realize the objective we had as far as our fiscal challenge.

So we worked with them, and that was the suggestion that we landed on — both agreed that the best way of moving forward would be a reduction to 17.5 per cent from 20 and a lowering of the overall cap from 80 to 70 — 35 for each fund.

Mr. McCall: — In terms of the rates and in terms of the cap, has there been any sort of consideration given to what that means in terms of foregone economic activity?

Hon. Mr. Harrison: — Well you know, I think that both funds are going to continue to make investments. You know, one of the funds didn't meet that cap goal in previous years, and there

have been years where there have been fluctuations. So you know, both of the funds are very committed to investing in the province. The target is 75 per cent or greater. I think there's been significantly higher investment within the province by both funds, over the years, than that.

But you know, I think that there's going to continue to be obviously significant investment into the province from the funds, and you know, we would expect that they'd continue to be a positive vehicle for investment and for those in the province to invest through and in.

Mr. McCall: — In terms of other Canadian jurisdictions that employ labour-sponsored venture capital funds, what's the minister or officials' understanding of where this place is, Saskatchewan, on the question of competition?

Hon. Mr. Harrison: — Sure. No, good question. The federal government of course went from 20 per cent to 15 per cent on their fund already, or on their portion of labour-sponsored ven cap [venture capital] already. And I would say that there are several provinces that have it at 15 as well. So, you know, having a 17.5 per cent rate would be more than competitive with a lot of jurisdictions, even though we went from 20 down to 17.5.

Mr. McCall: — Thanks for that. Manitoba and Alberta, any sense of what their regimes are? Are they both in the 15 per cent group?

Hon. Mr. Harrison: — Yes. I think that both of them are 15, although we can confirm that. Just off the top of my head, I think they're both 15 though.

Mr. McCall: — I'd appreciate that, and thank you. In terms of the tax expenditure associated with this item, what is, just for the record, what's the amount for this coming budget year?

Hon. Mr. Harrison: — Yes, good question. The program as it was prior to budget, and this won't be going into place until the 2018 tax year, but was about \$16 million a year as it existed, deferred, foregone tax revenue. It'll be now \$12 million in deferred or foregone. So this will be a gain to the treasury of \$4 million.

Mr. McCall: — Mr. Chair, not to disappoint or anything, but that would conclude my questions for this particular bill. And I thank the minister and officials and invite my colleague to do what he needs to do around amendments.

The Chair: — Well thank you very much for those questions, Mr. McCall. Are there any other questions from committee members? Seeing none, we will move to voting these clauses for Bill No. 62. So, committee members, on to clause 1, short title. Are we agreed on that clause?

Some Hon. Members: — Agreed.

The Chair: — Agreed. That's carried.

[Clause 1 agreed to.]

[Clause 2 agreed to.]

Clause 3

The Chair: — Clause 3. I recognize Mr. Bonk.

Mr. Bonk: — Mr. Chair, I propose we vote down clause 3 because I plan to move new clause 3 after all the clauses have been read.

The Chair: — Okay. So based on that, clause 3, is that agreed?

Some Hon. Members: — No.

The Chair: — No, clause 3 has been voted down. That is defeated.

[Clause 3 not agreed to.]

[Clauses 4 and 5 agreed to.]

The Chair: — And once again I recognize Mr. Bonk.

Clause 3

Mr. Bonk: — I'd like to move new clause 3 of the printed bill:

Section 12 amended**3(1) Subsection 12(3) is repealed and the following substituted:**

(3) If an individual claims a tax credit for the taxation year only pursuant to subsection (1):

(a) the maximum allowable amount of the tax credit for the 2017 and previous taxation years is equal to the lesser of:

(i) 20% of the total acquisition cost to the eligible investor, or to the registered retirement savings plan if the sole beneficiary of the plan is an eligible investor, of the eligible equity shares described in subsection (1); and

(ii) \$1,000;

(b) the maximum allowable amount of the tax credit for taxation years after 2017 is equal to the lesser of:

(i) 17.5% of the total acquisition cost to the eligible investor, or to the registered retirement savings plan if the sole beneficiary of the plan is an eligible investor, of the eligible equity shares described in subsection (1); and

(ii) \$875”.

(2) Subsection 12(4) is amended:

(a) in clause (c) in the portion preceding subclause (i) by adding “and before 2018” after “after 2008”; and

(b) by adding the following clause after (c):

“(d) the maximum allowable amount of the tax credit for the taxation years after 2017 is equal to the lesser of:

(i) 17.5% of the total acquisition cost to the individual, or the registered retirement savings plan of which the individual is the sole beneficiary, in acquiring the shares with respect to which a labour-sponsored funds tax credit that meets the requirements of subsection (2) is given in the taxation year; and

(ii) \$875”.

(3) Subsection 12(6) is repealed and the following substituted:

“(6) The maximum tax credit that may be allowed pursuant to subsection (5):

(a) for the 2017 and previous taxation years is 1,000; and

(b) for taxation years after 2017 is \$875”.

(4) Subsection 12(8) is repealed and the following substituted:

“(8) A Type A corporation shall provide an individual who is allowed a tax credit pursuant to the section with documentation of the tax credit in a form prescribed by the minister.

“(9) The minister shall provide an individual who is allowed a tax credit pursuant to this section with respect to a Type B corporation with documentation of the tax credit in a form prescribed by the minister”.

The Chair: — So Mr. Bonk has moved a rather lengthy new clause 3. Do committee members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — That is carried. Is the new clause 3 agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 3 agreed to.]

The Chair: — All right. Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Labour-sponsored Venture Capital Corporations Amendment Act, 2017*.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So I'd ask a member to move that we report Bill No. 62, *The Labour-sponsored Venture Capital*

Corporations Amendment Act, 2017 with amendment. Ms. Carr has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for your help with that, committee members.

Bill No. 61 — *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*

Clause 1

The Chair: — And we are now moving on quickly here with consideration of Bill 61, the Saskatchewan commercial innovation incentive Act, clause 1, short title. Mr. Minister, the floor is yours to talk about this bill.

Hon. Mr. Harrison: — Sure. Thank you very much, Mr. Chair. Thank you, committee members. Officials with me, same as the last: Deputy Minister Laurie Pushor, and Cullen Stewart, our acting director of strategic policy initiatives. And Cullen, I should note for the record, has done a tremendous amount of work on this piece of policy and on this bill, so I appreciate that.

So this is *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*, and I might refer to this as SCII in the context of my opening remarks, which is what we've been referring to it as internally.

This patent box incentive is the first of its kind in North America. It will offer eligible corporations a reduction of the provincial corporate income tax rate of 6 per cent on qualifying income for a period of 10 years. To be eligible, corporations will need to have qualifying intellectual property that is commercially developed in Saskatchewan. Eligible corporations will be able to extend the benefit period to 15 years if the majority of the related research and development has been conducted in the province.

The types of intellectual property eligible include patents, plant breeders' rights, trade secrets, and copyright in areas such as computer programs and algorithms. Qualification will be determined using criteria outlined in the incentive's established scientific and economic eligibility test. The National Research Council industrial research assistance program, better known as IRAP, will be a program partner to assess the scientific eligibility applications.

[16:30]

I want to note that extensive consultations went into the design of this new incentive. Officials consulted with innovation-focused companies, industry associations, legal experts, local innovation institutions, and organizations, as well as small and medium-sized enterprises across the province.

The incentive will improve Saskatchewan's investment climate across all innovation sectors by bringing more commercialized intellectual property to local, national, and international markets from our province and promote commercially focused research and development activity. Application for the scientific eligibility test will be conducted online through the Ministry of

the Economy.

We're hopeful the SCII [Saskatchewan Commercial Innovation Incentive] will create new jobs, create more opportunities to secure foreign direct investment, and attract entrepreneurial talent to our province. This will position our province as a world-class destination for companies looking to bring new innovations to market. It will help diversify and strengthen our economy, advancing a number of our government's priorities listed in the plan for growth.

The SCII will be open to applications in the summer of this year — we're hoping by the end of June; that's what our target is — and be effective as of January 1, 2017. My officials and I would be pleased to answer any questions the committee might have. Thank you very much.

The Chair: — Thank you. And we will turn it over to the committee to see if there are any questions for the minister about Bill 61. I recognize Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. Mr. Minister, officials, again good to join you for discussion of this piece of legislation.

I guess, first off, can the minister or officials describe how this differs from the — I'm reliably informed this by the good people at Gowling — how this differs from the Quebec patent box regime?

Hon. Mr. Harrison: — We've tracked it down. That is a good question because Quebec is the only other jurisdiction with a patent box. Their program is limited by sector and eligible IP [intellectual property], and necessitates high local R & D [research and development] requirements for firms to qualify. And I'm going to ask Cullen actually maybe to speak to the details around how it is different.

Mr. Stewart: — Sure. So the Quebec incentive is only applicable for the manufacturing and processing sectors. It's open only to patents and product patents, in specific, and it requires local R & D to be eligible. And their program is . . . The tax incentive is formulated through a formula that is quite complicated in many ways, but is reflective of the fact that they collect their own taxes. And theirs is designed very specifically to mirror the United Kingdom's patent box program in that respect.

Mr. McCall: — So is it a fair characterization that it's more narrow in scope in terms of being limited, as you account, to the manufacturing and processing sector of the Quebec economy? Is it fair to characterize it as more narrow in scope?

Mr. Stewart: — Yes, it is fair to characterize it, both within the sector but also the types of eligible IP is more narrow as well. So in both accounts, it's more narrow.

Mr. McCall: — And again for the record, the sectors which are applicable in Saskatchewan are . . . I'll leave it to the minister. And again, I guess I'd be interested to get into the question of the more stringent local R & D requirements in Quebec versus how that's accounted for in Saskatchewan. But sector by sector, different kinds of IP, and again, the whole question of what

accounts for local R & D, if you could give us some discussion of that.

Hon. Mr. Harrison: — Right. I can speak to, I mean, it's kind of a . . . It is much more broader in this province and much more open to companies that are doing innovative work.

So there's kind of the two prongs of the test: the economic eligibility test and then the scientific. So the scientific request, we've entered into the partnership with NRCan [Natural Resources Canada] through their IRAP program. And they have very significant resources right across the country to be able to identify and determine the scientific eligibility of whatever project it may be. They have 250-plus folks that work on these sorts of matters.

So the scientific test is specifically that the innovation has no equivalent in the Canadian marketplace, or is an exceptional advance on the current state of the art in Canada, or it can be considered a new benchmark of the state of the art in Canada, or has unique features and benefits that offer exceptional differentiation from current competitive offerings in the Canadian marketplace and are sufficiently unique that the potential exists to create significant competitive advantage in existing market niches or define new market spaces.

So all that to say that, you know, it has to be innovative, and that is going to be determined in an unbiased third party process by the professionals at the IRAP program, administered by NRCan. And they've been very reasonable and very good to work with, I would say as well, as far as being, you know, reasonable as far as the very good partnership we've had. And they've been excited about taking on this partnership also. So we appreciate that. So you have to pass that hurdle. IRAP has to say yes, this is innovative by those three criteria.

And then you have to have the economic requirement. So the requirement there is that there's five benchmarks, and you have to meet two of them. And the benchmarks are, you have to have two out of these five in addition to the scientific: (1) creation and maintenance of 10 new jobs; (2) a minimum investment of \$10 million in directly associated capital expenditures; (3) 3.5 million in qualifying provincial corporate income tax paid, that would be without reference to the SCII; (4) \$3 million in new R & D expenditures; and (5) other economic benefits as pre-approved by the minister, provided the eligible corporation has not been captured by the other four benchmarks.

So you know, what we're going for are, you know, companies that are genuinely innovative, as determined by a neutral third party, and also that are going to have genuine economic impacts here in the province. So you have to meet those criteria, at which point you would be issued a certificate that you're eligible for the tax credit.

Mr. McCall: — Thank you for that, Mr. Minister. I'm just staying with the Quebec comparator for a moment. I believe they've booked the cost of their program at \$135 million over the next five years, about \$26 million a year. What is the Saskatchewan program booked at?

Hon. Mr. Harrison: — No, that's a very good question. And the way this is set up, very explicitly and narrowly I would even

say, is that, you know, this is a new-growth tax incentive. So we're not going . . . We're requiring entities to set up new companies in order to take advantage of the SCII, so it wouldn't be, it wouldn't be a rebate off of taxes that are being paid by anybody right now. So there would have to be genuinely new economic activity being generated for a rebate to be earned.

So because of that, we haven't booked a total within the fiscal framework because it's not an additional cost to the treasury. It would be only on new economic activity that wouldn't have otherwise occurred.

So you know, I'm hopeful that there is going to be take-up. You know, I'm not going to oversell and say there's going to be, you know, a thousand companies that are going to take advantage of this. I'm hopeful that we're going to have, you know, a half a dozen that are going to be able to take advantage of this, at least in the early days. You know, there might be growth in the program into the future and, you know, I'm not precluding either, adjustments that might need to be made either, to make the program more attractive.

We've been pretty conservative about making sure that we have pretty stringent criteria for companies to take advantage. So you know, we're going to see how it goes in early days and perhaps make adjustments but, you know, again, not predicting that there are going to be dozens and dozens of companies taking advantage. I'm hopeful that in the short term we're going to have — well, in the next year or so — that we'll have five or six, and we'll be able to evaluate at that point how the program is working.

Mr. McCall: — I guess again, you know, we've just come out of estimates. We're still in the budget period and certainly estimates are a good way to, you know, set targets and meet them or not. And that's what we all get judged against in this business.

So am I understanding the minister correctly, the initial year will be used as a bit of a shakeout in terms of what expenditure is involved, and can we expect a booked amount for the tax expenditure involved for the next budget?

Hon. Mr. Harrison: — Yes. I mean, absolutely. I mean, we're going to be able to report to this committee through estimates as to any tax expenditures that would result as a consequence of the program, you know. And like I said, I'm not going to overestimate, but the committee will absolutely be apprised as to the status of the program.

Mr. McCall: — Okay. Well we'll await that further intel with great interest. In terms of one other criticism that the measure comes up for is that it, sometimes the means by which tax avoidance . . . It's a way to pursue a tax avoidance strategy either by re-profiling existing IP or existing innovation, or shifting the way that the location of that activity takes place. And again, I can anticipate some of the minister's answers in terms of the five points in the economic test certainly, but can the minister describe for the committee the steps that are being taken with this particular initiative to not aid and abet tax avoidance?

Hon. Mr. Harrison: — Yes, a good question. And you know,

we went to significant lengths to ensure that we have the appropriate safeguards and we have the appropriate criteria in place so that we are really only catching and incenting new and innovative sort of economic activity that would not have occurred but for this, definitely that wouldn't have occurred anyways as a part of whatever company was working on project X, Y, or Z. And that's why we require a new company to be set up, and also that, you know, we have some pretty conservative criteria as to ensuring only, you know, certain activities are going to be caught by it.

[16:45]

You know, probably if we were getting . . . You know, I've heard some feedback and a bit of thoughts that perhaps this is too narrow, that we're not going to be able to have companies that are possibly going to be doing innovative work caught by this. But we definitely erred on the side of making sure that we have criteria that are stringent. And, Cullen, I'm not sure if you maybe want to speak a bit to that too because I know that that was in consideration in your design of the program.

Mr. Stewart: — Yes. So as you mentioned, the economic benefits benchmarks ensure that there is economic activity occurring in the province that's directly associated with the eligible corporation's commercialization of the eligible intellectual property. Also the eligible corporation can only be involved in activities pertaining to the commercialization of eligible intellectual property. So that also helps ensure for taxation, auditing purposes, things like transfer pricing can be closely monitored and assessed.

And on top of that, the scientific eligibility test is, it's quite a high threshold and requires a company to be bringing new items into the market. So in terms of being able to transfer something into a new corporation, it would have to be new to the market. So in that sense it doesn't really apply.

Mr. McCall: — Great points. Thanks for that. In terms of the question of trade compatibility of the patent box, certainly the British experience got them into some conflict with Germany. And I guess, what lessons are demonstrable here in this legislation, in terms of guarding against bringing Saskatchewan into trade conflict through something like CETA [Canada-European Union Comprehensive Economic and Trade Agreement] should that ever come along, or even in the Canada free trade agreement?

Can the minister or officials describe the different consideration that's been given around the German-UK [United Kingdom] experience and then trade implications more generally?

Hon. Mr. Harrison: — Right, and a good question as well. I mean the EU [European Union] have different rules as to how their interpretation of trade issues would be adjudicated, determined, and would arise as well. Their rules are different. But I would say though that those examples definitely informed us in the context of being aware that these issues are out there and exist and that we needed to be very cognizant of those roles, and we were.

We are very, very comfortable with the trade compatibility under CFTA [Canadian Free Trade Agreement], under NWP

[New West Partnership]. Justice and the trade policy branch of Intergovernmental Affairs were very involved in making sure that all elements of the program were vetted through that lens. And we're very comfortable that we have no issue on our hands with respect to that.

Mr. McCall: — Okay. Mr. Chair, that concludes my questions for this piece of legislation at this time. Just say thanks to minister and officials for the discussion here this afternoon.

The Chair: — Thank you very much, Mr. McCall. I would echo those comments. Thank you to the minister and officials for being here this afternoon.

Committee members, we have some work to do in terms of voting on the clauses for Bill 61. There are 28 of them, so with your participation, we will get started on that.

With the first one, as usual, is no. 1, short title. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 28 inclusive agreed to.]

The Chair: — Her Majesty by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Saskatchewan commercial innovation incentive Act.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Now I'd ask a member to move that we report Bill No. 61, The Saskatchewan commercial innovation incentive Act without amendment. Mr. Bonk has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried. That concludes our business for this afternoon's meeting. Once again, I thank the minister and officials for appearing before the committee, if I hadn't already done so — I appreciate that — to examine these two bills.

It is now time for a motion of adjournment, an adjournment motion. Ms. Ross has so moved. Is that agreed?

Some Hon. Members: — Agreed.

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

[The committee adjourned at 16:52.]