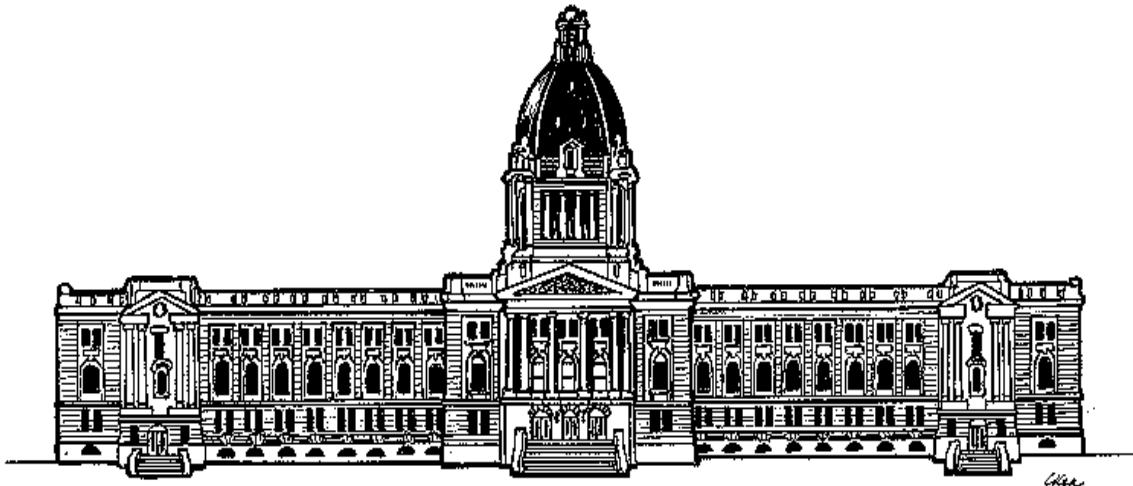




STANDING COMMITTEE ON INTERGOVERNMENTAL AFFAIRS AND INFRASTRUCTURE

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**STANDING COMMITTEE ON INTERGOVERNMENTAL
AFFAIRS AND INFRASTRUCTURE
2005**

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Regina Northeast

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Wood River

Ms. Sandra Morin
Regina Walsh Acres

Hon. Maynard Sonntag
Meadow Lake

Mr. Kim Trew
Regina Coronation Park

[The committee met at 15:00.]

The Chair: — I will call to order the Standing Committee on Intergovernmental Affairs and Infrastructure. The item of business before the committee today will be the consideration of estimates and supplementary estimates for the Department of Highways and Transportation. Before I go to the minister, I would like to draw to the committee's attention that we have three chits today. We have Mr. McCall for Mr. Sonntag, Mr. Borgerson for Ms. Morin, and Mr. Heppner for Ms. Draude. I see the minister here; I'll invite the minister to introduce his officials please.

**General Revenue Fund
Highways and Transportation
Vote 16**

Subvote (HI01)

Hon. Mr. Sonntag: — Thank you very much, Mr. Chair and committee members. I have with me for officials today: seated immediately to my right is John Law, our deputy minister; to my left is George Stamatinos, assistant deputy minister of policy and programs; to the deputy minister's right is Terry Schmidt, assistant deputy minister of operations; and seated just behind us is Cathy Lynn Borbely, acting director, corporate services branch.

The Chair: — Thank you, Mr. Minister. Mr. Minister, if you have an opening statement, we'd entertain that now.

Hon. Mr. Sonntag: — No.

The Chair: — Okay then Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Mr. Minister, welcome to you and your officials. I have a number of areas I want to go into today but I'd like to start with the driver training services that's provided in the province. And I've had a lot of concerns brought forward about the curriculum for drivers' training and their concerns that are people are not receiving the same training as our provinces . . . our neighbouring provinces, Alberta and Manitoba, when they're training for their A1 licence.

And I guess my first question is concerning the screening process of the people that do the testing of people to receive their A1 training. How are they tested? How are they . . . What is their qualifications?

Hon. Mr. Sonntag: — We'd be pleased to answer those questions sometime, but that's not in Highways; that's in SGI [Saskatchewan Government Insurance].

Mr. Weekes: — Yes, okay. Thank you for that. I'll take it up there. Mr. Chair, I'd like to ask the minister concerning the Highway's construction and maintenance plan for the upcoming year. Do you have a plan that . . . Is it made public or will be made public?

Hon. Mr. Sonntag: — There's the winter tender schedule and the spring tender schedule, and as they're released . . . The

winter tender schedule's obviously been released with detail already, spring tender as well. Yes, they're both out now with the details included. We can provide those for you.

Mr. Weekes: — Mr. Minister, I'd appreciate that. There's been concerns about the bidding process — particularly the spring tendering process — that it goes on too late and the companies are . . . Well they feel that there's lost construction time because the tendering process goes on too long. What is the cut-off date for the tendering process in the spring? And when, well basically, when are the companies allowed to begin construction?

Mr. Law: — Just to let you know that we have undertaken a few efforts in response to this request that's come from the industry. The member's correct that there has been a general concern about trying to afford as much time as possible to companies to respond and take advantage of the construction season.

The first thing that we did is that we've always tried to manage the relationship between the winter and the spring tender schedules in a way that would allow us to maximize the amount of work that's available to the industry in terms of their knowledge in the winter's tender schedule. So we've actually tried to move more of the work into the winter tender schedule over the course of the last couple of years so that there's a general awareness many months in advance of what the work will be as a result of what's put out in the fall.

The spring tender schedule is always dependent to some extent on the timing of the provincial budget. This year we were able to release that within a week of the budget. There are consultations that do take place with the industry about that and virtually all of our tenders are out by mid-May and so are available to the industry in that time frame.

But as I say, we do as much as we can by way of trying to advance the work in the winter tender schedule so that the industry is aware of that before we get around to the next construction season, and have taken efforts wherever possible that we can maximize the amount that's available there. We're always subject to some extent to the availability of dollars that comes through the budget process so we can't put 100 per cent of it there until we know exactly where our funding is going to land.

Mr. Weekes: — Thank you. This next issue, Mr. Chair, may also fall under SGI, but I'd like the minister to just to comment on it. It's a system that Wheellex, a company that . . . or a system that's been patent by IbeX Resources Corp. And it's concerning the . . . it's a device that prevents accidental loosened wheels from detaching from moving vehicles. And again you can correct me if I'm wrong if this is not your area of to ask these questions, but in any case if it's not, has the minister in your department considered putting this system on your vehicles in Highway department?

Hon. Mr. Sonntag: — The reason I'm just consulting a bit on this is . . . I do have some familiarity with this issue by the way. In actual fact both SGI and the department have some familiarity with the issue and in fact in the Department of

Highways and Transportation, I'm being advised, and was aware by the way that, there's an aggressive process in place . . . safety process in place to ensure that issues that are addressed in this particular model are addressed within our own highway equipment. It wouldn't use the same device, I don't think, but nonetheless it's a safety procedure that we put in place to ensure that we don't have issues with our vehicles.

As it relates to SGI just — this is a little bit beyond the scope of the estimates today — but let me just respond generally by saying, within SGI I am aware that they continue to monitor this. There are fairly mixed reviews about the mechanism that is being proposed — if it's the same one that I think you're talking about, and I think we're talking about the same device here probably — but SGI does continue to look at it.

Mr. Weekes: — Thank you, Mr. Minister. Yes well Wheelx's are a horizontal restraint bar made from spring steel which prevents loosened wheels from detaching from moving vehicles. Then this device steers the wheel back to its original installation point allowing it to continue its regular rotation.

And we've heard many horror stories about wheels coming off and killing citizens on highways, especially I believe it's the 401 in Toronto, but this issue obviously also takes place in Saskatchewan on highways as well.

The company is a Saskatchewan-based company and of course has a patent for this particular device. And not only it's a safety issue that we've talked about, but also it's a huge potential for economic development. But I know the people involved certainly need a government or governments across the country to take up this cause. And it's felt that if a government would bring in laws to insist on some sort of device, this could be or would be one of many that could be applicable to solving this concern.

And it certainly would be a great advantage to this entrepreneur to have the Department of Highways put some of them on their vehicles. I understand that they have some of these vehicles on some SaskPower trucks, and also private businesses have a number of these devices on, actually including one of my own personal ones.

So I thank you for that, Mr. Minister, and I'd just like to emphasize the potential of this device for economic development as well as safety for the motorists on the highways.

Mr. Minister, I'd like to move on to another item. Mr. Chair, to the minister, my office has written you a letter back in February 23 concerning damage that was occurred on August 27, 2004 when construction along Highway No. 45 caused ABC Building Movers to take a detour that was not conducive to moving the house that was being hauled. And I don't know if you're aware of this but there's been no reply and the individual has certainly been getting a hold of me concerning this. And the issue is around the 30-day waiting period to apply for damages.

Everything was done properly except went over this 30 days, and because it missed the deadline there's no damages going to be paid. And it seems that it's quite unfair that 30 days, quite frankly, isn't a very long time for someone to apply for

damages when an instance like this has happened. And if the minister has a response to this gentleman's concerns and the letter that I wrote, I'd appreciate it.

Hon. Mr. Sonntag: — We'll certainly undertake to get you a response. I just understand . . . I'm familiar with the issue by the way. Thank you. We didn't get the concern brought to our office until into April, so we'll . . . Nonetheless, it's being looked into right now and we'll make sure that you get a response.

Mr. Weekes: — Mr. Chair, as I stated before I wrote you a letter on February 23, 2005 concerning this issue.

Hon. Mr. Sonntag: — I'll undertake to make sure you get a response.

Mr. Weekes: — Thank you. Now, Mr. Chair, I'd like to move on to some other areas. Is the department looking into any other technological innovations beyond crumb rubber asphalt?

Mr. Schmidt: — We're always interested in new innovations and new technologies on ways that we can build roads better, and cheaper, and more efficiently. And in addition to the rubber crumb asphalt technology, we have been doing some work as well with the industry on foamed asphalt technology is another technology we're exploring for pavement, so that's one we are pursuing and taking some research with the industry on as well.

Mr. Weekes: — Thank you, Mr. Minister, for your adviser's comments. Another area, has the province considered building some highways as public/private partnership roads in the future?

Hon. Mr. Sonntag: — I think it's fair to say that that opportunity has been looked at and I don't think we want to close the door on that. If there's opportunities to build infrastructure that couldn't otherwise be built it's something that, I think it's an option that we would want to keep open. So far there's not been any real opportunities in that regard yet that we've found that would have worked well for the province or for the department.

Mr. Weekes: — Thank you, Mr. Chair. I'd just like to point out a construction that's going on in Alberta. The Government of Alberta issued a request for bids on a construction of 11 kilometres of highway in and around or near Edmonton, with six lanes between Highway 2 and the 50th Street, and four lanes between 50th Street and the highway, near the . . . 24 separate bridge constructions including five interchanges with no traffic lights.

And, Mr. Chair, this was a private-public partnership, a P3 [public-private partnership] between the province, the city of Edmonton, and the Access Roads Edmonton Limited. And Access Roads Edmonton Limited was chosen to design, finance, build, and maintain the road. Access Roads Edmonton represents members from Alberta's engineering and road building and maintenance industries.

And it was a 30-year deal that they agreed on that is worth \$493 million in current dollars. And, Mr. Chair, the province of Alberta has estimated it would cost approximately \$947 million

if it were to be delivered through conventional means. But there's some huge advantage.

First of all the benefits of this P3 approach are that the road would be built sooner to a full-freeway specifications — no stoplights; capital costs are fixed and the province is protected from inflation; the province is insulated from risks such as weather delays, difficult ground conditions, construction defects; and that the road would be built on time and on budget and there would be penalties for lateness and the contractor is responsible for all cost overruns. And there is an extended warranty of 30 years on the work. So the cost, the initial cost would be the only cost to the government and they would have a 30-year warranty on the highways.

And that was my intent of the question, has the government considered an approach like this that has taken place in Alberta with the construction of this highway?

And if I may also point out that it's not a toll highway either; it's without any tolls . . . [inaudible] . . . that proposal, yes, with that type of construction.

Hon. Mr. Sonntag: — I think we are aware of it. I mean, to say that we've considered it, I think probably the answer is no, we've not specifically considered a proposal like that. I think we're always, I mean if there would be partnerships that would work properly and make sense for us here in Saskatchewan, I don't think we'd want to categorically say that we're not going to entertain it.

But I think generally the answer is so far we've not gone down that — if you pardon the pun — we've not gone down that road very far.

Mr. Weekes: — Mr. Chair, so it would be fair to say that you haven't done a cost analysis comparing P3 roads and the current type of road construction?

Mr. Law: — We are actually giving some consideration right now to that model and looking at a couple of specific circumstances. We have not, as was the case in Alberta, received an explicit proposal for construction of any of the work that we've put out through our tenders.

As you'd be aware, in Alberta they have some significant demands in terms of the infrastructure requirements in certain areas of their province that they're struggling to keep up with. And this is a model that they believe will allow them to move more expeditiously and so it's certainly one that's of interest to us in understanding how they're able to manage it.

There hasn't been a lot of that kind of work on the prairies, but we are currently having a look at a model like this for a couple of specific jurisdictions in the province where we think it might have some applicability. And hopefully in the next month or two we'll have some feedback about how that might be made to work.

Mr. Weekes: — Thank you. So I take it from what you said, would you have a study at this time that you could release concerning this type of project?

Mr. Law: — We don't have anything right now that I'm aware of that would be as comprehensive as what you've described for Alberta, but we are currently looking at a couple of examples that we probably would be in a position to provide some feedback on within the next couple of months.

Mr. Weekes: — Thank you. On to, I would like to ask the minister about the rubber crumb in asphalt. What is the percentage that is used in the demonstration project of crumb rubber?

Hon. Mr. Sonntag: — I'm not able to answer that and I understand none of my officials are able to answer that specifically today, but we will absolutely undertake to get the answer for you.

Mr. Weekes: — Thank you. It's just interesting. We've done some research and in Texas they're using 15 to 20 per cent in their experiment, so I'm just wondering, just to compare, what is being done here to other jurisdictions, and of course we'd have to take into account weather conditions and the amount of traffic on these roads.

Is the department looking at any of other uses for crumb rubber in highway maintenance at this time, beyond the experimental construction?

Mr. Schmidt: — At this time we're focusing on the project that we're doing this construction season on Highway 11 near Chamberlain. And then we'll be analyzing that and working in partnership with some of the universities and some of the federal government agencies, as well as industry, to monitor the performance, to see if it's performing as we anticipate. And based on those results, then we will be looking at other opportunities that maybe we can incorporate rubber crumb and some of that type of technology into maybe other practices or other treatments that we perform in the province.

Mr. Weekes: — Thank you. What types of examples would you have that you could use that process for?

Mr. Schmidt: — Well at this point in time we anticipate there may be some opportunities into some of the other type of oils we use for seal coating or crack filling and that type of activity, more related in additives to oils to help them perform better and to provide better treatments on the road. Other than that, I don't think I can comment too much further at this point in time.

Mr. Weekes: — This process using crumb rubber, is it more applicable to cold weather? Is that part of the process that we're looking at here is, is to be able to stand up under cold weather? Or would it be a combination of cold weather and heavy loads and the amount of traffic, compared to the conventional type of construction?

Mr. Schmidt: — There would be several type of technological things. We would be looking at several types of engineering-related performances. One would be weather-related things — how well it performs in the cold, the elasticity of the asphalt; whether it will perform well in the cold and the hot, in the extreme temperatures we see. As well as how it performs to the types of roads we have here, the sub-grade and the type of structure that is underneath it, and the

deflections that occur due to that, as well as the loadings that occur, the various type of truck configurations that we run here, the different loadings that will occur on there and again how that interacts with the pavement surface and the pavements underneath and the deflections.

So we're looking at various aspects of how it all interacts with loading and weather and climate to ensure that it will work well in our circumstances here in Saskatchewan.

Mr. Weekes: — Thank you. Mr. Chair, in the budgeting process for your department was Highway No. 123 to Cumberland House considered for any improvements?

Mr. Schmidt: — Over the last two or three years we have done some improvements on Highway 123 from Cumberland House to the west, improving the road by upgrading the sub-grade.

This year we do not have any major capital improvements planned. We'll continue with routine maintenance, with our spot gravelling, with our gravelling program, and keeping it in a safe operating condition through our routine maintenance practices this year.

Mr. Weekes: — Thank you. I just want to pass on a comment that's commonly used on that road. And the comment is that the ditch of this highway continue to be smoother, a smoother alternative for this stretch of road. And I've asked questions in QP [question period] about the northern roads and certainly there continues to be serious concerns as I have brought up in my QP questions. It's a loss of potential economic activity when trucks having to wait and mines are having the possibility of a shortage of equipment and things like that. So it certainly is a concern.

Moving on to another highway and another concern. When will Highway 35 be resurfaced to a reasonable standard? Or will it be just simply left as a thin membrane surface highway?

Mr. Schmidt: — What we've done with Highway 35 from the junction of Highway 18 to the US [United States] border, I'm assuming that's the chunk that you're referring to, as that is the thin membrane surface section, it was transitioned to a gravel last year as part of phase 1 of improving that road.

We put the gravel in place in a stockpile over the winter. And the plans are that by mid-June we will have a good assessment of the provincial TMS [thin membrane surface] system, and that will help us assess the priorities and the funding that is available. And at that time we will then be able to make some decisions with the plan being to improve three to four kilometres this year to a . . . restored to a dust-free surface. And then as funding permits, in previous years, hopefully we will continue with that strategy with the intention of over a period of three to four years having the road restored to a dust-free surface.

Mr. Weekes: — The general comment and really a question about what the future is for the highways that are connecting to our southern neighbours. There's many of them, and many of them are in very poor condition. And it's really pronounced — it's very pronounced — when you travel south across our highways when literally it will be a broken pavement or a

gravel road and then when you cross the border into the US you're on a very well built highway. And that's got to be a big concern to the effect on our tourism, to our economic development, to our trade with our southern neighbours.

I guess the question is: what is the department doing to address those concerns on those highways where obviously on the American side they're using these highways to come into their side of the border? They're using these highways to come into Canada, and when they come into Canada they're just on . . . just atrocious highways and roads. And I just want to know what the short-term and long-term plan to address those concerns.

Hon. Mr. Sonntag: — Thank you. That gives me an opportunity to say a few things. First of all, let me say that we recognize the concern that you raise, I mean it's a valid and important concern. We have made considerable improvements. The department has tried to start on where . . . what we think are the highest priorities with respect to north-south routes into the United States. And I mean obviously trade has increased incredibly north and south versus the east and west. Highway 6 as an example now has been improved to a fully paved standard as I recollect.

Interestingly, I was . . . Just about a week before the legislature reconvened in March, I was in North Dakota. And they there, at the state level, had great concerns that they were now having to contribute — I can't remember — it was 13 or 15 per cent of the inter-country roads, and that the federal treasury wasn't maintaining sort of their 85 to 90 per cent. And I said, boy, I wish we had that problem here in Saskatchewan and Canada.

And therein really lays, I mean, the real issue. It's an issue of priorities and resources based on the huge infrastructure the province has with very little contribution from the federal treasury as well. And when you're making the comparison, it's like comparing apples and oranges from the United States to Canada, there's so little federal contribution. We do have some funding under the border infrastructure program, but it doesn't come anywhere nearly close enough to address all the priorities that legitimately exist. So it's a little bit of a speech; I recognize your point, it's a valid point. We're trying to manage the priorities with the resources that are available.

Mr. Weekes: — Thank you for that. Has your department or you personally, Mr. Minister, been in contact with your federal counterpart in the federal government concerning increasing funding for these types of highways that, that are really very important to the whole country as far as trade and commerce?

Hon. Mr. Sonntag: — The answer is yes. I think at probably every meeting that takes place we raise this issue, I think with some moderate progress. The National Highway System that we've got, we've got them to a point where at least they are funding 50 cent dollars on the approved . . . on the highways that are designated as national highways.

And I remember when I first started answering questions in this legislature as the Minister of Highways, the first time I think that the contribution was about 1 or 2 cents on the dollar. There was really no . . . Really for all intents and purposes other than the odd program there was no match.

Also we've made some progress in that regard. I think Prairie Grain Roads Program has been helpful and now the border infrastructure program. So all of these have . . . we've made advancements, but to say that the contribution from the federal government is at the level that we would desire, I think is, is that they're a long ways off yet from what we want the federal government to be contributing.

Mr. Weekes: — Are we getting our equal or fair share of the dollars concerning these highways compared to Ontario and let's say Quebec when it comes to highways that are directly used for export and import?

Hon. Mr. Sonntag: — I think there's just a little hesitancy here because it will depend on specifically which program you're talking about. Some of the ones, the national highway system I think it's fair to say, we've been quite successful in that regard. We've gotten a number of new roads designated under the national highway system, as an example Highway 11 up to . . . from Saskatoon up to Prince Albert.

In addition to that we were able to . . . I'd like to think Saskatchewan was instrumental in negotiating a new piece, which also will include — we believe in the national highway system — maintenance as well. And once the programs are . . . once the highways are designated, if we get there, that would be a huge step forward.

In the successes that we've seen with the new highways negotiated into the national highway system, I think it's fair to say on that particular program we have been somewhat successful and are getting probably our share of the pot. We just think the pot should be a lot bigger.

As it relates to the border infrastructure program, as well there, I think probably it's fair to say Saskatchewan is getting — given the volume of trade from Saskatchewan into the US — probably we're close to our share. But probably that program, more than the national highway system, is one that really needs to see significant increase in the amount of dollars as a whole put into that fund, because as you, I'm sure, are well aware, the increase in trade from Canada into the US has increased dramatically over the last number of years.

So the general answer to your question is we think we're probably close to our share in terms of our share out of the pot but we just think the pot should be a lot bigger.

Mr. Weekes: — What is the process? You mentioned that Highway 11 is now considered part of the national highway system and the province gets extra funding. What is the process to get a highway designated and what is the effect on increased funding? How much more are we getting, and those types of questions?

Mr. Stamatinos: — The process that's used to put new sections of highways on the national highway system . . . There is currently an intergovernmental task group that has been formed to review the existing original system, and to give consideration to any new segments of highways that would be added to the system. And as the minister mentioned, Highway 11 is now part of that consideration and has actually been agreed upon by the provincial and federal ministers.

There's also other sections as well that have been added. There's a section from Balgonie to Yorkton, Highway No. 10. There's also a section from Moose Jaw to Chamberlain. And then there's also, as a next tier of consideration, there's a section of Highway No. 2 from Prince Albert to La Ronge.

So it's these intergovernmental discussions by transportation officials making recommendations through the Council of Ministers. That's the process that's being followed. Part of that process of course is having significant representation with the federal government. So it's kind of a consensus environment. And the progress has been very encouraging. We hope to have something more specific on the actual commitment in terms of consolidating that understanding.

Mr. Weekes: — So what is the, Mr. Chair, to the minister, what is the criteria that is taken into account in order to elevate a highway to the national highway system?

Mr. Stamatinos: — There's a large number of factors that come into it. One of it is population size of course, how it's designated within the provincial system. It could also involve things like the amount of trucks on the system.

We have that information. I haven't got it with me. But certainly we can provide the member with that information if he so wishes.

Mr. Weekes: — Thank you. Mr. Chair, I would appreciate that information. When a highway is upgraded to the national highway system, what is the funding — I assume there's increased funding from the federal government — in comparison to that system, to the other highways that the province is looking after. What is the funding? What's the difference? What's the increase?

Mr. Stamatinos: — Essentially right now there . . . The system, all it does is identify eligibility for funding. Unfortunately there is no immediate funding on the horizon that we're aware of. But as you know, there have been programs in the past, federal-provincial cost-shared programs. And once those programs become available to us, those sections designated as national highways will be eligible for them.

Right now the formula that's being used is 50/50 — essentially 50 per cent provincial, 50 per cent federal. And we expect that to continue in the future.

Mr. Weekes: — Would it be fair to say that the border infrastructure program is basically ran on the same basis that you have described?

Mr. Stamatinos: — That's correct. It's basically the same 50/50 arrangement.

Mr. Weekes: — And again the criteria would be the same as the national highways system.

Mr. Stamatinos: — I'm sorry.

Mr. Weekes: — The criteria to designate the border infrastructure would be the same criteria?

Mr. Stamatinos: — No, they're not. They're different criteria.

Mr. Weekes: — And what would be the difference in the criteria?

Mr. Stamatinos: — Again a lot would depend on the . . . I guess traffic would be one of them. Again it's very specific, and certainly that information can be made available to you.

Mr. Weekes: — Thank you, I appreciate that. Has the department carried out any cost comparisons between performing paving operations internally in the department or putting contracts out for tender?

Mr. Law: — If I understood the question correctly, we virtually put all of our contracts out to tender, and so I'm not aware that we've done any recent studies where we would consider repatriating any of that work back inside the department. Our practice has been to transact that through the industry.

Mr. Weekes: — Has the department purchased equipment to do more of the highway construction in the future? Is there a plan to do more highway construction in the future through department equipment and . . .

Mr. Law: — There's been no change in our practice in terms of anything related to our equipment acquisition or the financial management of our infrastructure that would affect our taking that business to the private sector. That continues to be our practice. There's been no change.

The only change that has taken place, that in some quarters has been interpreted to perhaps suggest a different direction, is a simple accounting change. But there has been no change in the operational practice of the department with respect to the letting of those contracts.

Mr. Weekes: — So, Mr. Chair, to the minister: the department equipment is solely used for maintenance rather than any construction, or is there any construction going on?

Mr. Law: — Just wanting to make sure I didn't misspeak here, but our equipment is acquired principally for the purpose of doing maintenance. The only area where we can think that there might have been some use of that equipment might be related to some of our bridgework. But I'm not aware of us using our equipment for anything beyond our current maintenance program.

Mr. Weekes: — Thank you. A question about thin membrane surface highways, as we know they're unable to sustain heavy, heavy truck traffic, and the government, your department, hasn't had an increase in the budget to deal with that concern. And I just want to know why there hasn't been an increase and what future steps are you planning on taking to alleviate that problem.

Hon. Mr. Sonntag: — If my answer needs to be supplemented with more specifics, I'll ask officials. But generally here's a few things. I want to make this point first of all. Thin membrane surface roads are no longer being constructed, period.

There's three or four things. We have through the Prairie Grain

Roads Program upgraded quite a number of roads. We've employed the PSI [Pavement Scientific International] technology, which is technology that is, I think probably it's fair to say probably exceeded our expectations. We've entered into partnerships with municipalities, as an example, to designate heavy hauls. I think that's three or four things just off the top.

And just by way of specifics, the number of TMS roads that now have been converted to a dust-free surface that I think the average person driving over top of them would describe them as probably paved, but that isn't technically what they're referred to, is from thin membrane surface roads is about 1,700 kilometres.

Mr. Weekes: — Thank you, Mr. Chair. On another topic, central management's budget was increased by nearly \$3 million. Why was there that increase?

Mr. Law: — The subvote increase this year on a net basis is \$2.3 million. The net result of which is related to our accommodation costs and, as the member is likely aware, the department, the former Treasury Board Crown corporation, the Property Management Corporation in moving to a department status, has made some changes in the amortization in costing for their maintenance charges. That accounts for about 1.7 of the \$2.3 million. Again it's an accounting change in terms of how that is represented as opposed to an increase in activity.

Approximately \$400,000 on top of that is related to specific tenant improvements that were received by the department for a couple of moves, one of which, the large one was for us to move into the Mac Mall in P.A. [Prince Albert] to backfill some space that was vacated by another department. So there were some changes to accommodate the specific program requirements of our department there. But that accounts for the large bulk of that \$2.3 million increase in that area.

Mr. Weekes: — Thank you. In P.A. what was the situation? There was another department that vacated, you said, some property, and you moved into it.

Mr. Law: — That's correct. I'd have to get you more details in terms of what the . . . I'm not familiar with the background behind the department that left ahead of us, but this being an owned building, as I understand, it provided for some overall rationalization of costs and met our needs. We could certainly provide you with the details associated with our part of that.

Mr. Weekes: — Would the move into the new forestry building be a part of this move?

Mr. Law: — You're correct.

Mr. Weekes: — Well thank you, Mr. Chair. It seems that less moves, the more money to road construction and maintenance would be, probably go a lot further. Just one more question or a couple of questions concerning highways in my constituency. Highway No. 14 from Biggar to Wilkie and in particular around Landis, there was two extremely bad patches of highway, very dangerous quite frankly, and I believe last year there was some construction done on one patch of it, and quite frankly it wasn't the worst patch. And just want to ask, is the rest of that going to

be fixed this summer?

Mr. Law: — The short answer to your question is that is a part of our work program for this year. We're just trying to find the details for you to help describe more specifically exactly what our plans are, and we'll have those before the end of the session for you.

Mr. Weekes: — While you're looking for that, just a comment. On this particular patch of highway, the worst patch wasn't done, and it just drives people crazy when they see another patch being done and . . . What is the process to evaluate these highways and these different stretches of highways that need to be repaired?

It just seems to me . . . The comments that are said to me — and I drive the highway myself — is if any Department of Highways officials drove down the highway, they'd see that the section that was done last year should have been the second site. It should have been done this year, and the other section that was worse should have been done last year.

So just a general question: how is the highways evaluated, and how does the department come to the conclusion of which stretch should be repaired?

Mr. Schmidt: — When we do develop the programs for the upcoming years, we do in fact drive all the highways with our condition-rating equipment. And it measures the rut depths. It measures the amount of cracking, and it measures the ride. And then every year, all that information is incorporated into computer software that goes through an optimization process. And through that optimization process, there's various treatments in there that it can choose from whether it's a pavement overlay, whether it's a micro-surface or a seal coating, and whether it's routine maintenance or it needs some additional maintenance.

And then based on the life expectancy of those treatments, the condition of the highway, as well as the funding available, we go through an optimization process. And through that optimization process, with the available dollars, using that computer software, and the conditions of the highway, we come up with a program that maximizes the available funding. In some cases it may be viewed that we aren't addressing the worst section first, but it is in fact a process that does optimize what's available and comes up with the best treatment process.

The Chair: — I recognize Mr. Hermanson.

Mr. Hermanson: — Thank you, Mr. Chair. I'm just waiting for the light to come on here. I think my time is fairly short, so I'll try to keep my questions pointed to the issue and hopefully we can get through, just a number of issues that relate more or less to the riding of Rosetown-Elrose which I represent.

I want to start with what I think is the highest priority item, and that is again — and I've mentioned this before — Highway 4 through the South Saskatchewan River Valley where there have been accidents in the past. Just the other day I travelled up the south side of that highway . . . two loaded trucks going about 20, 25 kilometres an hour, traffic backed up behind them. There's a resort there. There's a golf course. There's oil and gas

in the area. It's a major north-south route on the west side of the province.

I heard a couple of years ago that priorities can be changed by the Department of Highways. In fact the department upgraded its construction on Highway 42 from Eyebrow to Brownlee, which was also very necessary. Can you provide me with good news today that you've upgraded your priority for that section of highway and that some kind of a passing lane will be put in there in the very near future?

Mr. Law: — Mr. Chair, that section is not currently in our project list for this year, but it is on our active list in terms of the consideration it's been given to some of the priority projects in that area, and so it'll be given consideration as part of our work when we get to our next round for tendering, but we haven't got it in our program for this year.

Mr. Hermanson: — All right, thank you. I just cannot underscore how important it is that that project be dealt with quickly. It's unacceptable. It's dangerous, and I think this is at least the third time I've raised the issue. I wouldn't be raising it so regularly if it wasn't such an important issue.

Second highway I want to bring your attention is Highway 219 from Saskatoon down to Gardiner dam and actually goes down to the Loreburn area, I guess, before it runs out of steam. But it's in a tourism area and there's the casino being built on the Whitecap Reserve at the north end. I think there's some discussion about construction from Saskatoon to the reserve. But there's also a co-operation between the reserve and the community of Outlook and other resort areas on Lake Diefenbaker to try and funnel tourism into that area by having a better highway. Can you tell me what you're going to be doing in the near future on Highway 219 from Saskatoon down into the Loreburn-Elbow area?

Mr. Schmidt: — As you have mentioned Highway 219 is a road that we have been working with some of the local stakeholders on looking for opportunities and exploring ways which we can come together and seek ways of improving it. And so securing financial partners for construction of Highway 219 will definitely be beneficial in delivery of the project.

We are prepared to work together and we have appreciated the co-operation we have had from the local governments and communities and industry along the route, and continuing working towards a partnership that will help move the construction forward.

And we're interested in continuing discussions with several of the stakeholders and seeking opportunities and, in fact, it's my understanding that they are putting together a proposal at this time. And we are anxiously awaiting what type of proposal they're bringing forward and then we would like to review that with them.

Mr. Hermanson: — When might people in the area expect a public statement or a proposal to be put forward?

Mr. Schmidt: — I'm not too sure of the date, I know they're actively putting it together. In the meantime we have been able to enter into a partnership with the RM [rural municipality] of

Corman Park and there could be other partners involved as well.

Construction started last fall and I believe it was already started again this spring on correcting a dangerous section of highway. There were several, there's several curves there where there's been some serious accidents on just north of Beaver Creek and we feel fortunate that we are able to put a partnership together to straighten that section of road out — there's about a four-kilometre section there. So we're working on addressing that in the interim and hopefully here in the next month or so there'll be a proposal coming forward.

Hon. Mr. Sonntag: — I just, I want to just supplement that answer a little bit, just to have it on the record. I mean the points you make are very legitimate and I expect with the construction of the casino this will be an area where there's lots of economic development.

I want you to know that I've had numerous meetings with many of the stakeholders, the RMs, the First Nations, on a number of occasions, also with elected officials from the city of Saskatoon who share the same concerns as you do.

Mr. Hermanson: — Well thank you. And I would just then close on that highway by suggesting that you not forget that the highway does go south of the reserve as well and there is potential for tourism. Boats, you know, could certainly be transported back and forth, and trailers on that highway, and would be to a larger degree if it was in better shape.

What is the current status of Highway 342? It's been in a state of construction for the last four or five or six years. It's painfully slow at being completed. It's one of these partnership agreements where the local municipalities are providing some of the construction. There's a large stretch now that's not paved and that was constructed last year. There are several more stretches of the highway between Highway 4 near Kyle and Beechy which need to be completed. What good news can you give me on Highway 342?

Mr. Schmidt: — As you mentioned, we have been able to work in partnership with some of the local rural municipalities down there to improve that section of road. We have done a fair chunk of it. The 51 kilometres from Beechy to Kyle, it looks like approximately half of that has been upgraded to a granular pavement. I believe that this year we are looking at surfacing the section that was graded last year and doing another section there.

And then we are interested in continuing working with the municipalities and our partners on improving that entire corridor. It may not be happening as quickly as some of the stakeholders or we would maybe like to see but it is getting done. And as I mentioned over the years we have been able to accomplish almost half of the corridor. And we want to continue working with them in development of that corridor.

Mr. Hermanson: — All right. I think . . . thank you. I believe I am not having too much time left so I will just suggest that all of the highways in the constituency are certainly important when you are so dependent upon moving goods and services on those highways for several communities, including Highways 4 and 15, Highways 44, Highway 45 and Highway 42 — all

important highways. And I would just remind the minister and officials of that.

The last question I want to raise is in regards to Riverhurst Ferry. There was a major refit done of the ferry a couple of years ago. There was a cost overrun at the time. Am I correct in understanding that there was again some major repairs made in the off-season this past winter to the ferry? And if so, what were the extent of those repairs and what was the cost?

Mr. Law: — The member is correct that there were some major repairs to the Riverhurst ferry that were undertaken to comply with some of our own occupational health and safety requirements as well as some of the new requirements from Transport Canada.

The upgrade costs were approximately \$1.6 million and the work undertaken by a marine architectural engineering firm on our behalf in conjunction with JNE Welding out of Saskatoon, so that was the . . . It was in fact a major overhaul to address some of the mechanical problems on the cable drive system and some of the other work that was necessary.

Mr. Hermanson: — Thank you. Are you speaking of the original refit? Or are you saying that this was spent since the refit? I'm wondering what modifications or adjustments or costs were required over just this past winter following the major refit.

Mr. Schmidt: — You are correct. That was the original refit that was completed in 2003, and that we did experience some problems with the cable drive system. And what we did over the winter was we looked at that some more. We did some more analysis on it, had some experts look at it. And over the winter, in March of 2005, we did complete some improvements to align some of the cable troughs. We are hoping that this will improve the cable drive system.

And we are also planning to do some more improvements to the cable drive system, either next winter, or if performance should dictate, we would be . . . look at implementing them throughout the summer of 2005 or the fall through some scheduled downtime periods. But we are hoping that the improvements we have made will improve the performance enough that any further improvements can be done over the winter next year.

Mr. Hermanson: — So then quickly can you tell me the cost of the modifications or expenses incurred just this past winter, and what you project the cost will be to complete the job?

Mr. Schmidt: — I think we'll have to get back to you on that if that would be okay. I don't have those numbers very handy right here.

Mr. Hermanson: — And the final question then is, can you tell me if these costs are being borne by the two companies you mentioned that did the original refit since obviously something wasn't done right? Or is this cost being borne by the taxpayers of Saskatchewan through the General Revenue Fund and, you know, as allocated to the Department of Highways?

Mr. Schmidt: — We're reviewing that right now, exactly . . . If there are some concerns that we need to deal with, with the

contractor, that some of these costs should be . . . were part of the original work or whether they are not. So we are reviewing that at this point in time.

Mr. Hermanson: — Thank you. Would you make me aware of the results of that review?

Mr. Schmidt: — Yes, we can do that.

Mr. Hermanson: — Thank you very much. That's all the questions I have, Mr. Chair.

The Chair: — Mr. Minister.

Hon. Mr. Sonntag: — We had indicated we were looking for specifics on Highway 14. And I think we actually have that right now. I think Mr. Weekes was interested in knowing the answer to that question.

Mr. Weekes: — I'd just like to thank the minister and your officials for the questions, and we will return to this topic another time.

The Chair: — Did you wish to answer that question before we leave this? Okay. I recognize the deputy minister.

Mr. Law: — Thank you. There are in fact two projects that we have planned for Highway 14. There's a 10.1 kilometre stretch which will be treated as a thin overlay at a cost of approximately \$1.2 million in the coming year, and a further almost 15 kilometre section — Landis to the northwest — where we would be doing resurfacing at a cost of approximately \$1.3 million. So those two sections we understand should complete the work that we have described.

Mr. Weekes: — Thank you.

The Chair: — Thank you, committee. That concludes the time allotted for the consideration of the estimates and supplementary estimates for the Department of Highways.

Next item of business before the committee will be the consideration of estimates for Northern Affairs. We'll take a brief break while the minister and the officials change here. Thank you.

**General Revenue Fund
Northern Affairs
Vote 75**

Subvote (NA01)

The Chair: — Convene the Standing Committee on Intergovernmental Affairs and Infrastructure. The item of business before the committee is the consideration of estimates for the Department of Northern Affairs. I'll recognize the minister and ask the minister to introduce his officials.

Hon. Mr. Belanger: — Thank you very much, Mr. Chairperson, and members of the committee. I would like to, if I can after my introduction, do some brief comments in reference to some of the questions asked earlier. Again I'm pleased to announce and introduce my officials of my

department who are with us today to respond to questions that the committee may have respecting the budget estimate for 2005-06 for Saskatchewan Northern Affairs.

To my immediate right is Larry Steeves, the deputy minister. To my immediate left is Richard Turkheim, executive director of resource and industry development, and to my extreme right is Anita Jones, executive director of planning and financial management.

I'd like to take a few moments to speak on some of the matters that were raised by the member from Kelvington-Wadena during our initial discussions in this committee on April 6.

Yesterday I provided the member with information pertaining to the North's contribution to the provincial GDP [gross domestic product] and information with respect to Northern Affairs in the government strategies for the North. On April 6 the member seemed to infer that government plans and strategies were being implanted without the participation of northern people. Specifically the member said quote, "they, northerners, don't get their voices heard."

Let me, Mr. Chairman, outline a number of the ways in which the government is facilitating increased participation by northern people in all aspects of northern development including economic growth and diversification. I want to assure members that northerners are not only being heard, they are actively involved in working with the provincial government and industry, in all aspects of northern development. The participation of northern people in guiding northern development has grown extensively, and has been actively encouraged by Northern Affairs. The role and authority and funding of northern municipalities as well as First Nation band councils, which come under federal jurisdiction, are comparable to anywhere else in Saskatchewan. Northern school divisions, northern health authorities, and regional housing authorities are ensuring northern direction of these important services.

Mr. Chairman, and though Northern Affairs is a relatively small department, we play a major role in ensuring the active involvement of northerners in developing and diversifying the northern economy. Our Northern Development Fund provides loans for primary production activities such as commercial fishing and trapping and for a broad range of commercial business activities. The fund has been particularly useful in helping northerners take advantage of business opportunities associated with northern mining and forestry development. The Northern Development Fund also provides grants to support regional and economic development corporations and to assist individual northern communities to undertake marketing studies, capacity building, and research and development.

During the past five years the fund has provided loan and grant support to 526 northern residents and companies to participate more fully in the northern economy. The Government of Saskatchewan is not developing the northern economy, but it is assisting northerners to be part of that growing economy by recognizing their abilities. Nine northern businesses and professional people from nine separate communities are involved in overseeing the administration of the fund itself. The Northern Review Board approves loan applications over \$25,000 and serves as an appeal mechanism for applications for

a smaller amount.

The Northern Development Board Corporation provides direct northern input into administration and approval of projects supported by the \$20 million federal-provincial Northern Development Agreement. It also works with the government in monitoring progress in support of the goals and objectives of the northern strategy.

The NDB [Northern Development Board] has 12 directors. They represent northern municipalities, the two northern First Nations tribal councils, northern regions of the Métis nation and the Athabasca region. There are six regional development corporations and councils in northern Saskatchewan. In addition to their employees, these organizations are managed by a board of directors, which consists of 42 individual northerners.

Finally, in closing, Mr. Chairman, Northern Affairs also supports the operation of the environmental quality committee. The committee ensures two-way communication with northern communities on all aspects of northern uranium mining, including federal and provincial regulatory control, environmental issues, and social and economic aspects of the industry. It is a model of public participation that has attracted the interest of other provinces and territories as well as other countries. The committee includes 32 representatives from 32 different northern communities, including an additional 32 back-up members. These are just a few examples of the ways in which we ensure that northern input, indeed northern leadership in northern development decision activities.

Mr. Chairman, by supporting the provincial budget, including the budget of the Saskatchewan Northern Affairs, the opposition will have an opportunity to demonstrate their support for the kind of northern involvement in northern economic development that the member for Kelvington-Wadena referred to in her comments on April 6. Mr. Chairman, I look forward to any questions the committee may have.

The Chair: — Thank you, Mr. Minister. Mr. Minister, I just want to draw to the committee's attention that the information that you have supplied to Ms. Draude has been copied to the Chair. The Chair has subsequently tabled that with the committee. And duplicate copies will be made and distributed to all the members of the committee, so everyone will receive the same information.

With that, thank you, Mr. Minister. And I recognize Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair, Mr. Minister. And welcome to your officials, here today. To start with, I'd like to go start a few questions regarding the estimates for Northern Affairs from the budget.

And under resource and economic development, there was a net 2 per cent reduction overall in this area, and the totalling of \$53,000. Including in that was a 1 per cent decrease in funding for regional development and program services. Why was there a reduction in this area? And what services or programs will be affected?

Hon. Mr. Belanger: — I'll just point out then, Mr. Chairman, that obviously, in any kind of budget, that we always strive to ensure that we use the dollars as best we can. And Northern Affairs, like many other departments, have always, are able, and still have the flexibility to strengthen their good use of the dollars that we do have. On many occasions, if there's ways that we use the dollars better in certain programs, we will do a shift.

But in reference to the specific measures you undertake, I'll get maybe my deputy or the director of our financial management to further add to that.

Mr. Steeves: — Minister, just to supplement your answer. Firstly, with respect to our statement here, this year we did restructure and reorganize things relative to past fiscal year. And that required a restatement of overall dollars. Things that had been included in another budget allocation were moved.

What we did basically, as a part of a reorganization of the department, tried to move to, we thought, a more rational approach in terms of cost centres and where the numbers actually fit. An example of that would be — and it's a small example, Minister — but under central management and services, HR [human resources] services dropped a bit. Some of those things were moved to other areas.

And there are a number of issues moved around — again in central management services — financial and central services dropped a bit. And again that's all moved to other areas. So partly this was a restructuring activity. Partly there were issues that came up. For example, we had concluded that NWC was — northwest communities — had been provided some start-up funding, and we felt that they were able to move along on their own, and that funding didn't continue. So there were a number of things like that that occurred with respect to issues. Other cases, funding was increased as things moved around.

Mr. Allchurch: — Thank you, Mr. Minister, for the answer. In this area there was also a 7 per cent cut to Northern Development Fund to a tune of \$37,000. This fund stimulates and supports economic development in the North and encourages diversification and job creation. Why was the funding reduced, and what programs will be affected? And what will the impact mean to the northerners?

Hon. Mr. Belanger: — Again, I would point out that this \$37,000 reduction was evaluated, as I indicated earlier, against other programs, and even though that the government considers this program to be important, had to make a tough choice to reallocate limited resources to other areas such as the northern fur industry, trapper development program.

So again, when you look at the balance that we have to undertake — on many occasions as the Minister Responsible for Northern Affairs — we from time to time learn how best to use the current resources. And one of the challenges we have in government is that we always have to be frugal in our attempt and yet try to meet many of the expectations. And about all we receive back in trying to meet that balance is some flexibility to try and reflect what is needed out there. And this is one of the examples I would point out, in reference to taking money from one particular area but applying it to other areas.

Overall Northern Affairs had an increase. And as a department in general, and again, all the time understanding that we have to be careful in how we spend money, we have to try and meet expectations. About the only place that we have room to manoeuvre is to try and be flexible in our approach, by recognizing different challenges from time to time and from year to year. And this is one of the examples that we put the money in a different source of support to a northern-based entity. I'm not sure if my officials have anything else to add.

Mr. Steeves: — No, I think you captured it, Minister. There were decisions made. I think we felt that an important part of this fiscal year was support to the Northern Development Agreement, and \$250,000 were allocated there and there were trade-offs indeed.

Mr. Allchurch: — Thank you, Mr. Minister. Given the need for investment in the North and the opportunity represented by the \$1.3 million windfall from last year, and higher than expected gas and oil prices this year, why is this government cutting funding for Northern Development Fund at a time when they should be reinvesting in the North?

Hon. Mr. Belanger: — What I would point out, that the figure that is often quoted by the opposition in reference to one-time dollars . . . Obviously the Minister of Finance has been able to give a fairly good picture of how those particular dollars were spent. And if my memory serves me correct, the amount that we're talking about is more like 890 million as opposed to the figure that the opposition often quotes.

I would point out that it's quite important that people out there know that as part of the austerity measures and the continual monitoring of our budget and the performance of the staff and the programs and so on and so forth, that Northern Affairs does undertake, that we're able to contribute, you know, I believe as a line department, to ensuring that we have things like the lowest debt that this province has ever been under in 14 years, that we're paying a lot less interest payments than we were, you know, 10 years ago.

So in some small way it is difficult for me to try and balance your point of having the fictional 1.2 or 3 or 4 or \$5 billion that's often quoted by the opposition. It almost sounds like an auctioneer at times when you hear the different figures. Do I hear 1.1 billion? Do I hear 1.3 billion? Do I hear 1.5 billion?

So I think if memory serves me correct, the opposition clearly pointed out that the figure that you use in terms of your estimation as to what we received in windfall revenues, maybe at times is embellished a bit. I think we're looking at \$890 million. Much of that was one-time money. Much of it is one-time money. And the Minister of Finance can give you more specific details, absolutely specific details, as to how that money was spent. I can't.

That being said, we're seeing that the North is indeed being well served. We have set aside money for abandoned mines cleanup. We have put \$20 million in a Northern Development Agreement. We are actively working with the federal government to try and get their engagement in making some major contributions to the Far North road, to the La Loche-Fort McMurray road.

We're looking at issues such as housing. We're looking at the national daycare program, in which we are being a part of those discussions as a government, so that benefits will be felt in the North.

We're looking at the replacement of much of the air tanker fleet when it comes to fighting and protecting fires in the northern forests from fires. So there's probably hundreds, if not thousands of examples, of how we've used that money well for the people of Saskatchewan as a whole. And Northern Affairs and northern Saskatchewan in general has received tremendous benefits from those particular dollars that you speak of.

Mr. Allchurch: — Thank you, Mr. Minister. I'm reading now from the Industry and Resources manual in which the auditor gave out his auditor report. And under controls over cash receipts needed, the FM . . . or FAM, which is financial administration manual, requires that two people open the mail, immediately record all money received, and reconcile the money received to the bank deposits and accounting records. The mail was not always open to these two people . . . it was not opened by two people, therefore the office did not always agree with the mail records and the bank deposits.

The auditor states, and I quote:

We recommend that the Office of Northern Affairs follow the procedures in [this] Financial Administration Manual for opening the mail and safeguarding the money received.

Is this being done now and why wasn't it done in the previous year?

Hon. Mr. Belanger: — Thank you for the question. I'll point out again to the opposition it's very important that as Minister of Northern Affairs that we continually look at ways and means in which we manage the expectations and manage the resources that Northern Affairs does indeed receive from the taxpayers of the province. And we certainly embrace and acknowledge and welcome the Provincial Auditor's role. And we're certainly pleased that the Provincial Auditor took an interest in Northern Affairs. And we look forward, we look forward to his continual engagement and his advice, very valuable advice on how we can improve the accountability measures.

The two points I will make in reference to your comment is that there are no problems here. And secondly the auditor was satisfied. And I will point out in November 29, 2004 the auditor reported for the year ending March 31, 2004, that the office did indeed have adequate rules and procedures in place to safeguard public resources. They were . . . the office also complied with authorities in governing its activities except for a few matters described.

And obviously, as the deputy minister will explain further, we are always looking at ways and means in which we can improve our service. And again as I mention, as minister I reiterate that we welcome the auditor's involvement. We appreciate his involvement and we will certainly learn from his involvement.

So at this time I would refer the issues for further clarification and further refinement of our position from both our deputy minister and other staff as he sees fit to respond.

Mr. Steeves: — Thank you, Minister. Our practices at the current time are in fact compliant with them. And in the past I think that we were essentially there.

Perhaps a bit of background on this program might be helpful. The Northern Development Fund, which has had a very successful history over the past number of years, it was put in place to provide business management consulting advice to potential NDF [Northern Development Fund] clients, to support them in their business initiatives and acquire financing, to provide financial assistance after care because what we are talking about here is people in the North, as in the South, who oftentimes need support and guidance as they move through constructing a successful small business.

So our primary goal is to see that kind of thing happen. As the minister's referred to earlier, that includes loans to northern businesses, primary production loans to trappers, commercial fisherman, wild rice growers, grants for marketing research and development, and a host of other kinds of areas.

Basically in terms of practice, people to be qualified for loans need to be northern residents, been there for 10 years. We are very careful in terms of the process that we follow in terms of our practice and administration. For example loan applications are firstly evaluated by our staff to determine their viability, credit history, equity contributions, the kind of security provisions they have, quality of their business plans and management, potential for economic development. It's a very thorough and rigorous process, Minister.

Once that occurs, the larger loans then go to the Northern Review Board which, as you indicated earlier, is comprised of nine professional and business people from across the North who review those particular practices and ensure that they meet the kind of standard required on an advisory capacity.

With respect to our internal administrative practices that referred to, I can tell you that these are issues that we've worked diligently on to ensure that good practice exists. The auditor has suggested there's a couple of minor things that we need to further improve our practice, which we have done. Even so, in the past I think we followed pretty clear procedures to ensure that we try to track things as closely as possible.

And I'll ask Ms. Jones, our exec director of financial and management, to comment briefly on some of the practices that were in place even prior to the auditor's helpful suggestion to us.

Ms. Jones: — Thank you. Northern Affairs has for many, many years kept a mail log. We track all our receipts, cash, money orders, cheques, that are brought in by clients. In this mail log, we also perform regular reconciliations of our loan database to our bank deposit books and to our mail log reconciliation. And we actually make sure we follow up with our clients on a regular basis to ensure that all payments received are reflected in their loan repayment schedule.

So we have a number of activities in place that ensure that we have proper process and accounting of government money.

Mr. Steeves: — And the auditor has helpfully suggested I think

that we should continue with those practices and enhance them. And we certainly welcome that feedback and have done so.

Mr. Allchurch: — Thank you, Mr. Minister, and your officials, for the answer. You mention that there are nine people on this board. Could you provide the names of the nine people?

Mr. Steeves: — I cannot provide the names at this point, but I would ask Ms. Jones if she could refer . . . to give you, while she's looking for that . . . Do you have it available?

Ms. Jones: — No, we don't have it in my presence. Did we bring that?

Mr. Steeves: — Okay. We can provide that for you. I can say that they represent a variety of individuals. The examples would be an individual who is actively involved in the fishing industry in one community, in another case a mayor of a community, in another case a village, town administrator of one of our larger communities . . . to give you a cross-section of the kind people.

It's an advisory board. We select them, and we are very diligent in ensuring we have a quality of people that would allow us to provide the appropriate kind of feedback that we have . . . [inaudible interjection] . . . Thank you.

To be more specific, Coralie — and I can never pronounce Coralie's name well — Ylioja, the Chair of the board and from Air Ronge, is the village administrator; Therese Wheeler, who is the administrator from the community of Creighton; Naomi Seib from Deschambault Lake; Gerald Roy, Ile-a-la-Crosse; Napoleon Robillard, from Black Lake; Laura Derocher from Buffalo Narrows; Rhonda Desjarlais from Cumberland House; Teddy Clarke from La Loche; and Randy Braaten who serves in capacity . . . his background in the municipal area.

So what we tried to do is get a cross-section in terms of geographical distribution and, in addition to that, tried to get a cross-section of different kinds of backgrounds — government, private sector, municipal, all kinds of communities, etc., to bring a broad cross-section so that when they actually sit down to review these requests, they've got a good broad background to bring to bear to it.

Mr. Allchurch: — Thank you, Mr. Minister and officials. Under controls over regarding loans and grants needed, and I go back to the comments the minister just made a few minutes ago regarding we are very, very careful in Northern Affairs how we spend our money. The office needs to ensure that it accurately records for advances in approved grants made to northern economic development. To year-end, we have found that the office has advanced \$162,000 for grants that it has approved. What are these grants for?

Hon. Mr. Belanger: — What I'll do is I'll get the officials to clearly indicate what the grant purposes are for. What I'll point out is that the role of Northern Affairs is to try and stimulate the northern regions of the economy, and it is a very difficult task. As we know we have . . . the North is quite rich in terms of the resources. We see a lot of forestry companies. We see a lot of mining in general. There's incredible tourism potential. And yet many northern communities are having some difficult times creating employment. And from my perspective, you know, we

certainly wish we had, you know, the 1.2 billion that you made reference to in terms of one-time dollars available strictly for economic development for the North.

Many times it's a difficult challenge. As I mentioned, we have to balance what the expectations out there are. But clearly I think when it comes to grant programs, loan programs, we're doing our very best with the limited resources that we have to try and stimulate the economy in general. And we are having success. So the grant program is part of it. It is a small part of what we do. And I think a lot of people out there appreciate that particular support mechanism that is there. And I'll get the officials to elaborate a bit more what the grant program does.

Mr. Steeves: — Our regulations are fairly clear with respect to the kinds of things that are eligible. I know that on occasion we get the unenviable task of saying to somebody, that's a really good idea; unfortunately it doesn't meet with the criteria that we've established in our northern economic development regs. I'll just read it for you so that we have the information: "The following are eligible projects for financial assistance by way of grant." And there are about seven:

- (a) projects involving applied research and development of northern products and services.

An example that I know that we've looked at is non-timber forest product kinds of things where we're trying to develop a market, and the community's trying to do some things. That's one example.

- (b) pilot or demonstration projects for new economic development or business activities;
- (c) projects involving opportunity identification and development;
- (d) projects involving new market promotional material;

Someone's trying to again to build a market. They don't really have all the funds they'd need to put the promotional material. We can help:

- (e) projects involving the preparation of bids and proposals for northern economic development opportunities and special events, but only to the extent of the professional costs related to those projects;
- (f) projects related to the establishment of new joint ventures, but only to the extent of the professional costs related to those projects;
- (g) projects involving economic feasibility studies, business planning, business management assistance . . . [and] marketing and promotion strategies [and we see a number of requests in that area];
- (h) projects by a tourism association or organization, or by a consortium of tourism business operators, promoting tourism in northern Saskatchewan;
- (i) projects encouraging and fostering youth entrepreneurs and youth business skills; [and]
- (j) projects involving the advancement of business skills, management skills or community organizational development skills.

A typical issue there is just capacity-building kinds of things where we can help an individual or group of people kind of

build their knowledge of business practice and give them a better chance to be successful.

Mr. Allchurch: — Okay, thank you for that. In regards to the grants:

The Office recorded these advances as grant expenses. As required by Canadian generally . . . [accepting] accounting principles, the Office should record such advances as assets. The Office should do so because at the year-end, the recipient of the grant had not met all the required conditions. The agreement requires the . . . [recipient] to spend the grant on eligible expenses. At year-end, the recipient had not fully spent the money received in advance. As a result, the Office overstated its expenses and understated its assets by \$162,000. We note that this Office has a record of who received those advances.

The Office of Northern Affairs should improve its procedures [in] to ensure it properly . . . [recorded] advances and grants [are taken].

Is this happening to date?

Hon. Mr. Belanger: — I'm going to ask my officials to respond.

Mr. Steeves: — I can assure, Minister, that these procedures are in place today. With respect to a number of these matters, issues that, when we understood that there were some concerns in terms of our practice, we moved quickly to address them, and at this point have worked very hard, and I think took some pride in the fact that we've done a very good job this year of ensuring those things have been addressed. Anita, would you want to provide further comments.

Ms. Jones: — I just want to assure you we're in compliance with paragraph point four four and four eight of the Canadian *Public Sector Accounting Handbook* that you've referred to. So we've done due diligence to ensure that all of our grant applicants have met the criteria for funding and to fully expense the grant.

Mr. Allchurch: — Thank you, Mr. Minister and officials. The \$162,000 in grant form, is that to be paid back, or is that in a grant not to be paid?

Ms. Jones: — What had happened was . . . And under our regulations, we are allowed to advance 90 per cent of our grant money. We have that authority. The money was advanced. The project did go ahead. There is documentation to support the expenditures. So there is no repayment owing back to the Government of Saskatchewan. The project is closed.

Mr. Allchurch: — I thank you. Given the situations in the Department of Community Resources and Employment and the loss of large amounts of money in the Environment, this is an important issue. The department has a 20 per cent default allowance for loans given out from the department. Nearly 50 per cent of the loans are currently in default right now globally — 1.8 million out of 4 million total. Is this amount pertaining to only last year, 2004?

Hon. Mr. Belanger: — Let's once again ask the officials to respond, but before I go to her response, I want to point out that one of the challenges in northern Saskatchewan, as I've indicated, is that we are dealing with clients, and we're strictly dealing with loans that are certainly high risk. There's no question about that. We've maintained that that is the role of Northern Affairs. And where certain institutions like banks will not go, many times we'll entertain some of these loans.

And I think it is very important that we look at some of these challenges of a developing economy, where many times where folks that are involved with the traditional resource economies of fishing, trapping, wild rice, and so on and so forth, that they make the jump to the mainstream economy whether it's mining, or forestry, or tourism in general, sport fishing, and so on and so forth, that I think it's incumbent upon us to recognize that transition is a fairly challenging and daunting transition.

But in regards to the loan program, I'll give you the more specifics and I'll ask my officials to do that.

Ms. Jones: — Actually just if I may give some correct information, over the course of the NDF loan program which was established in 1995, we have given out approximately 850 loans during the last nine years, ten years. As of February 28, the value of our loans have been approximately \$17 million. So when you refer to the current amount of \$1.6 million worth of outstanding loans, that's actually a relatively low percentage. And the 1.6 million is over the last number of years. It has not been for the last fiscal year.

And if I may explain, every year we're allowed non-budgetary money, which means it's not in our vote. It comes from the GRF [General Revenue Fund] — \$2 million that we can further provide to northern eligible loan clients. We are allowed 20 per cent as an allowance, but in many years we do not require that 20 per cent. So what we do every year is estimate any increase or change in our allowance. So over the year, as I said, it's a multi-year program. The 1.6 million is for multiple years, not just one fiscal year.

Mr. Steeves: — And I think one of the reasons that we have, as I had indicated previously, our staff are firstly diligent to ensure that these loans are repaid. We're in a developmental model of course, with respect to many of our clients and recognize that in effect a 10 per cent rate carrying is somewhat higher than norm. I understand that more typical in some practices would be about 5, 6 per cent, 4, 5 per cent. So that having said that, that is to say, we're quite diligent about trying to recapture these loans, and I'm not able to speak about specific examples because those are confidential.

The other thing is on occasion I think our staff have tried to be a bit flexible depending on the cash flow situation of the client and so on. They want to give them a little bit more time to see if they can kind of get their house in order a bit more before we, sort of, pursue them. Again a developmental program, we want to provide some flexibility given the nature of that, Minister, if that's helpful.

Hon. Mr. Belanger: — Yes, what I would point out, Mr. Chairman, I just wanted to make sure I stand, if I am to be corrected by my officials, that they will correct me. But from

what I'm hearing is that of the \$17 million in loans that we have handed out in the last number of years, 1.8 million of that 17 million is outstanding. It is not just one year that you're looking at, so I just want to clarify that.

Mr. Steeves: — And, Minister, we could pursue those, I guess, or we could write a number of those off. Frankly we've been reluctant to because we're working hard to ensure that repayment does occur, perhaps too hard.

Mr. Allchurch: — Thank you, Mr. Minister. In regards to loan repayment, can we be assured that no loan repayment was in the form of cash and that cash repayments were given to the official in the northern community rather than by mail to the office?

Hon. Mr. Belanger: — Again what I would point out is that when we received the auditor's report, we certainly respect the auditor's opinion. He was satisfied, and I'm going to ask my officials to give specific question, or answers to your questions. But again to reiterate based on the auditor's findings, that there are no problems here. But I will have my officials add to that.

Mr. Steeves: — Yes, we've followed fairly solid practice I think in this regard, but I'll ask Anita to provide more specific detail.

Ms. Jones: — We have a very close working relationship with our loan clients. We're in regular contact with them. One of the practices, as I indicated earlier, is that when we do receive the loan payment we do issue a receipt immediately. And the other practice that we follow is that we actually mail out a monthly client statement every month to our clients, indicating receipt and application of their loan. So we've got what I believe to be very good practices with our clients.

Mr. Allchurch: — Mr. Minister, I don't believe you answered the question. The question was, can we be assured that no loan repayment was done in the form of cash? Was loans repayments done in the form of cash rather than money orders or cheques?

Ms. Jones: — I have information that indicates that since May 28, 2001, we have not received any cash payments in the mail for a loan repayment. Okay. And I believe the actual loan cash payment in the field is very, very far, far in between. It doesn't occur very frequently.

Mr. Steeves: — So in effect, Minister, some information I might have provided earlier at another meeting might have been not current.

Mr. Allchurch: — Thank you. How many loan repayments were received and given off to only one person from your office?

Hon. Mr. Belanger: — What I would point out while the officials are finding the answers to the question, is that I go back to the earlier comments of our Provincial Auditor. And as I mentioned before, we are quite pleased that the auditor has taken an interest, and very thankful for his involvement in terms of giving us a solid direction.

As minister, I want to embrace that notion that the auditor would be engaged with us to the level that he has been, and

certainly as we move forward there's always a constant reminder to officials that any system we have is always subjected to being better, and certainly that we have that aspiration of our officials.

So I look at the issue of the establishment of Northern Affairs. As you know, we are brand new in terms of being a line department. And being an independent department with our own budget and being recognized as such, as minister I knew that would gain us greater scrutiny. And I welcome that. I absolutely welcome that. So I think it's important that I reiterate those points, and Northern Affairs is certainly glad to share with you the information that you need.

Mr. Allchurch: — Thank you, Mr. Minister. What is the criteria for awarding loans through the Office of Northern Affairs?

Hon. Mr. Belanger: — I'll ask the officials. I don't have the particulars, but the officials will certainly give you the criteria in reference to loan applications.

Mr. Steeves: — And again this follows from the information I provided with respect to grants, and again in the rates and regulations. And this would be eligible projects 4.1, subsection 2. The eligible are:

The following are eligible projects for financial assistance by way of loan:

(a) projects involving the provision by a business of goods and services related to mining or other resource sector development;

(b) projects involving the provision by a business of products or services that contribute to the diversification of the northern Saskatchewan economy;

(c) projects involving retail or service opportunities that the minister considers to be essential to communities in northern Saskatchewan;

(d) projects involving traditional northern Saskatchewan production activities;

By that, we refer to the trapping, fishing, those kinds of things. And:

(e) projects involving low risk investment opportunities in the northern resource development sector.

Loan sizes would range ... some of them quite small. Individual involved in trapping, funds for purchase of a Ski-Doo for example, to expedite things — those are very typical kinds of loans that we would see passing over for consideration. Our maximum amount would be in the neighbourhood of a quarter of a million, for what we're able to go up to, but many, many loans to primary producers who are in the business of wild rice, fishing, trapping, those kinds of things.

Mr. Allchurch: — That brings me to a question. The grants and loans that the government provides, or your office through

Northern Affairs provides, is that over and above the financial institutions that's already set up in the North as we speak?

Hon. Mr. Belanger: — When you mention the financial institutions, I would assume the answer is yes. But which financial institutions are you making reference to, if I may ask?

Mr. Allchurch: — Well I know there's many financial institutions in the North — banks, credit unions, or whatever have you. This grants and loans that you're talking about is over and above the financial institutions that's already up there.

Hon. Mr. Belanger: — Yes.

Mr. Allchurch: — I'm wondering why then is ... through Northern Affairs, are you entertaining loans? Have these individuals that have come for loans, have they not gone through the financial institutions in their area already? And if not, why not?

Hon. Mr. Belanger: — From my perspective, that's one of the arguments that we have when we talk about the role of Northern Affairs. As I mentioned earlier, often what we find in northern Saskatchewan is that many people are looking at developing an opportunity or developing a business. And we obviously, as we have indicated from time to time, we are the lenders of last resort, where many times people go into some of these financial institutions or they try and go to other organizations that may lend money and are turned down.

What Northern Affairs does is it takes the higher risk clients because we know at times that we have to look at trying to get the northern economy going, and while our standards are not lowered in the sense of seeking repayment and protecting the taxpayers' interests and so on and so forth, that we have to make sure that we take into account a number of factors.

And a number of factors that I would point out that's primarily related to the North are things like the high unemployment levels. Many of these northern communities have 80, 90 per cent unemployment. Sometimes there's a challenge of meeting formal education from some of the applicants. There's a lot of economic dependency on outside agencies. Many times organizational skills to achieve economic development opportunities, you know, that's a challenge itself. There's also, you know, fragmented northern economic development programming. And there's a lot of other things that talk about integration in community-based economy and support services and so on and so forth. So the Northern Development Fund itself is trying to make sure that it is stringent but helpful.

And what we also do, which is also a challenge in itself, is our rate of interest is 10 per cent, and that's in recognition of some of the high risk loans that we do take. And that's why we charge a higher interest rate as opposed to a bank. And we'll certainly also have the officials add to why we are doing the loan program.

Mr. Steeves: — Just some brief comments, Minister. I think part of it is the fact that existing financial institutions weren't always readily available to northern clients. In many of the northern communities, there are not financial institutions of the type that we would take for granted in southern Saskatchewan:

chartered banks, credit unions that are readily available in most communities. One of the things that I know a number of the communities on the west side have worked hard to do in the past few years is just attract a chartered bank or credit union to their community to provide what I would call more typical kind of lending support. One community managed to attract a BMO [Bank of Montreal] for example. I think they figured that was . . . it gave them an opportunity to move into more of a conventional mode of loans and credit, etc. I know of other communities that are currently trying . . . one community I can think of, currently trying to attract a credit union or a bank to their community, trying to get into more of a traditional financial practice.

We are one of a number of programs of this nature both that are funded, I think, federally and provincially, just to try to fill the gap that exists with respect to lending availability for northern communities and northern clients that are trying to develop a business that will allow them to move away from unemployment.

Hon. Mr. Belanger: — I would also add to that process in essence of . . . as one good example. In terms of housing, if one were to try and borrow money from a traditional bank, and it may have nothing to do with the economic fund, but, you know, it certainly lends itself to the argument for the northern economic fund that we have in place, is that if you want to build a house, say in Ile-a-la-Crosse, many of the traditional banks located in Meadow Lake, Prince Albert, would not invest in building a home in Ile-a-la-Crosse. And, you know, for whatever reason; the housing market I assume is probably their primary argument. But this is the argument that we would undertake. In a similar respectful presentation when it comes to Northern Development Fund, is there is times banks are rigid in what they want to see done on their part, and there's no flexibility, and this is where we come along.

Mr. Allchurch: — Thank you, Mr. Minister. Are you saying by just what you mentioned that these loans through the Northern Affairs is for people to purchase houses?

Hon. Mr. Belanger: — I'll just clarify, I was just using that as an example of how sometimes southern-based banks would not, you know, lend money for a mortgage in northern Saskatchewan, when I talk about the inflexibility. And I was using that as an example of — on an economic front — of how the Northern Development Fund would take that into consideration on some of these loans. But they don't lend money for houses, no.

Mr. Allchurch: — Thank you, Mr. Minister. Thank you for clarifying that. Who is responsible for awarding the small business loans?

Hon. Mr. Belanger: — Again I'll get my officials to determine that, and I'll to provide the answers for that as to who determines loan approvals.

Mr. Steeves: — I can provide a general response, and Anita may wish to provide more specific detail.

With respect to loans that are less than \$25,000, we go through a process of evaluation of the credentials of the individual, as I

referred to earlier, in terms of some of the kind of things that we refer to in terms of the expectations we have that they have to meet. Those are quite rigorous. And in terms of the process that occurs, those are signed off finally by myself and I review those. If I have any questions, I will actually send them back and say I want some questions answered here. But it's a very rigorous kind of process.

Those would be the types of loans as I referred to where we're talking about somebody who's on a trapline, needs to purchase a Ski-Doo, to see that kind of thing happen, maybe the purchase of equipment to assist with someone who's trying to develop an outfitter kind of program to build a business of that kind. Very nuts and bolts kinds of things, frankly, that I see.

With respect to larger loans, anything more than 25,000 is referred, with a reference, a recommendation, but to the Northern Review Board. They review the particular request and then from there make the determination in terms of support for that recommendation or not.

Mr. Allchurch: — Thank you, Mr. Minister. You mentioned loans up to 25,000 are usually for small items. Why wouldn't these clients go to their own financial institutions in their own community for financial services? Why would they have to come to the government and through Northern Affairs, acquire a loan to do their business?

Hon. Mr. Belanger: — Yes. What I'll do is again, I'll defer. The more specific part of the answer that we'll give you is that in northern Saskatchewan, many of the challenges we have is dealing with institutions that are based in the North. I think La Ronge has a bank. I think Buffalo Narrows has a bank. So there may be only three institutions in the North, banking institutions, that are available. I think two of them are in La Ronge itself.

The other aspect is that in Northern Affairs, we have staff that are quite fluent in Cree, and we also have staff that are fluent — maybe support staff — in Dene. And so (a) they don't have banking services; (b) they have people that can speak their own language, and that makes a nice connect. So many times, many of the staff members at the Northern Affairs office are also aware of some of the industries that these people are familiar with, as an example commercial fishing, trapping.

Like for example, one of the individuals that I'm quite proud of that works for Northern Affairs is a fellow by the name of Franklin Carriere who was, in his prime, a king trapper of northern Saskatchewan, who is now working with the commercial fishermen and the trappers, you know, giving them a good connect to understanding their industry and being able to speak Cree. And so I think there's a nice connect there as well. But I'll certainly get my deputy to add to that logic as well.

Mr. Steeves: — I can just provide, without names, but a concrete example of a situation that . . . At that time I wasn't actually a member of this department, but I came across it in my travels in the municipal area.

This particular individual was in a small community, was in effect trying to put together an outfitter business, and was — how can I put this? — in terms of written competence was a bit challenged. And so what had happened . . . And I heard this

from him actually, and then when I joined this department got more details on it. [The committee adjourned at 17:00.]

The regional business manager went out, met with the individual, was able to speak the language with him, went through the loan application with him. And he and his son . . . because his son was quite literate, frankly, and wrote quite well, they developed the proposal. And in fact when I visited this particular community, he took some pride in showing me the cabin that he built where he was developing a bear hunting outfitting business and was, I think, at this point a successful client, successfully repaying his loan as I understand it — small loan.

I couldn't believe how much he'd accomplished with the amount of money we'd loaned him actually. He built a whole cabin, three rooms, etc. And this is the kind of individual, even to the next largest community available to him, there was no financial institution there in a community of about three or four thousand people. So this person, I think, would have had a very difficult time identifying a financial institution he could deal with.

We were able to provide the loan through Northern Affairs, and at this point he's got a small business that's up and actually providing some employment to him and to some extent to his son as I understand it — a good example of the kind of thing that happens on de facto.

Mr. Allchurch: — Thank you for that answer. Of the \$1.8 million that's in default, is most of that resulting from small loans or large loans?

Hon. Mr. Belanger: — On the particular loans, I'll have to defer that to my officials.

Mr. Steeves: — We're going to see what we have here right now. Anita . . . We can maybe give you some information. I'm not sure it's . . . Yes.

Ms. Jones: — What I do know is, right now . . . And if I can correct the number, it's around 1.6 million. At the present time, we are only confident of writing off about 600,000 of that. We have a sense of confidence that we will be able to collect on 1 million of that money. I don't have . . . It is a total of 16 inactive loans, as we call it. I don't have the size, the individual size of these loans.

Mr. Allchurch: — The officials can get back to me with the answers to that question at a later date.

Hon. Mr. Belanger: — Yes, I would assume that again, getting the information as to specifics in terms of numbers but not specifics in terms of clients' names . . . I would assume there's a confidentiality clause to it, but getting the breakdown, I think it wouldn't be a problem.

Mr. Allchurch: — I appreciate that. And that's it for questioning as it's near 5 o'clock. And I want to thank the minister and the officials today.

The Chair: — Thank you, committee members. It now being after 5 o'clock, the committee now stands adjourned.