

EVENING SITTING

COMMITTEE OF THE WHOLE

Bill 47 — An Act to amend The Farm Financial Stability Act

Clause 1

Mr. Martens: — I asked the question of the minister before the recess, and does he have an answer for me tonight?

Hon. Mr. Cunningham: — Yes, Mr. Chair, I certainly do. The question was regarding the lien rights. What we're doing is, we will ask the feedlot operators to sign a declaration forgoing their right to put lien on the cattle. This is basically what's happening in practice right now. The feedlot operators are . . . although the Act now requires them to collect the feed bill, they simply sign a declaration waiving their rights each month on the feed bill. So this will just allow us formally for the feedlot operators, if they so choose, to carry customers until the cattle are finished and sold.

Mr. Martens: — Well I think that's reasonably commendable, but that's easy to do when you've got the market moving up rather than staying flat. I think that probably you need to be pretty careful on that because I've seen it go the other way to a considerable length, and there are many times when the feedlot operator isn't going to get his money out of those cattle and then neither is the feeder association. It's a difficult one to call, but when the price is going up there is flexibility, but when it's flat or going the other way you don't have that flexibility. So the minister probably has to be aware of that.

I'd like to have you comment on the amendments that clarify existing provisions concerning the purchase of members' own cattle on their behalf, and how you want that to work. I know how it works now but would you explain how you would anticipate it working?

Hon. Mr. Cunningham: — Believe me, Mr. Chairman, nothing in this provision changes. It's a little wording change from "the" to "that". I think it's basically some clarification of the program. We anticipate it works the same as it has. Producers will be able to borrow 75 per cent of the value of the feeders or breeders, if they're using their own stock.

Mr. Martens: — Then going on on that statement that you make. You talk about the release of equity when cattle are sold. Do you want to comment on that? You made those observations in your address here and I'd like you to clarify that for me.

Hon. Mr. Cunningham: — Again, Mr. Chairman, this is a clarification of basically present policy, or at least as we intended it to operate. What it will allow is if a feeder has two loans out and sells all the feeders from the first loan, he'll be allowed to retain or keep his equity in that even though the second loan has not been paid down, as long as the inventory to cover the

second loan is still in place.

Mr. Martens: — With that you don't change any of the zeroing-out dates, do you?

Hon. Mr. Cunningham: — No, we do not.

Mr. Martens: — How does this relate to the breeder association? Or doesn't it relate?

Hon. Mr. Cunningham: — This wouldn't relate to the breeder loans. They will still stay in a revolving type of a loan.

Mr. Martens: — Did you change anything in how the licensed dealers can conduct the program? Are they involved in any adjustments because of changes you made in the Act?

Hon. Mr. Cunningham: — The changes dealing with licensed dealers . . . As it is now, the licensed dealer, because of dealings with an association causes a default or is defaulted, can be assessed to activity of a dealer. The Act does not allow that dealer to deal with that association until this is cleared up. This is just expanded so that dealer will not be allowed to deal with any association until the issue is cleared up.

Mr. Martens: — Explain to me a little bit about what problem the licensed dealer will have that will cause a problem to the program. Explain a couple of those kinds of scenarios.

Hon. Mr. Cunningham: — One example of that would be in a situation where a dealer may buy animals for an association, that are pledged to another lender or are not free and clear, and as a result of that the association loses these animals. That would be the sort of situation that we're dealing with.

Mr. Martens: — Then that individual would have to have that through another feeder association because you don't . . . at least I don't know of any lender now that has an identification on cattle in dealing with any of the lenders that I know. I don't think there's any way that they have identified cattle to make that observation a valid one. I'm not aware of it and I think I would be, because I'm in the cattle business. So I don't know whether that causes a problem.

I know that it would cause a problem if it was in dealing with other feeder associations and there was a guarantee that wasn't being adequately met until the payments were made, but I don't know where it would occur between a banker or a lender and another operator, and that would be very . . . Well I know that there are certain instances when there have been specific liens put against livestock and then they are made . . . that information is made available to individuals and then that money is held. For example, I know that even the Department of Agriculture holds money now that was taken in when brand inspectors did not approve the money going to the individual who sold the cattle. So if that's what you mean, then that's fine. I don't see where that would happen very

often.

Hon. Mr. Cunningham: — Indeed it would be rare. There is an example of a case where the lending institution was able to identify that these were the only cattle that the producer had and therefore they were the security. And certainly it is . . . it would be rare.

And we've had very few problems in anything with these association loans. It's simply an attempt to be sure that we don't have problems in the future, because it's not only a government guarantee at stake but also other members of associations who have insurance funds.

Mr. Martens: — There's another item here that I'd like to ask about and that's the fee that you're going to charge. Is that for every association that changes their guarantee or is that for every association from now on, regardless of whether they already have their guarantee in place? Are they going to be charged and assessed a fee every year or what's your plan for that?

Hon. Mr. Cunningham: — This fee will apply to any new guarantee that's issued or a guarantee that's increased that people apply, but not to those that are existing.

Mr. Martens: — Well if the government lowers the fee or lowers the guarantee, are they going to then charge back the fee to the individual when he asks for the guarantee to go back up?

Hon. Mr. Cunningham: — That is certainly something that we are concerned about because we've asked some of these people to voluntarily reduce their guarantee and we are in the process of discussing with the committee how we handle that. I don't think it's been set, but it's certainly, as you point out, a problem that could arise and we're trying to deal with it by talking to the committee of these associations.

Mr. Martens: — Well is the fee to offset the guarantee cost or is the fee to offset the cost of administration? What do you want the fee to do?

Hon. Mr. Cunningham: — It's basically to offset, to some extent, the cost of the administration of the program.

Mr. Martens: — How much do you anticipate the fee to be? How are you going to charge it — on a per-head basis or a per-dollar basis — or just how do you want the fee to work?

Hon. Mr. Cunningham: — Those fees have not yet been set. This is enabling legislation which allows us to set the fees by regulation. We're in discussion with the associations. But it would be one . . . it would be a fee charged to the association, and then would be just one fee to the association for the guarantees that are issued.

Mr. Martens: — Well when do you anticipate the fee to be set?

Hon. Mr. Cunningham: — We've had one meeting with the committee and we will be having another one at the end of June, and we expect at about that time to set those fees. It's certainly by before fall.

(1915)

Mr. Martens: — Well I want to point out to the minister just a couple things that I think are of some interest, I think, to the people in the livestock industry. One is that almost every place that there has been an opportunity where government has been involved, there has been an increase of the fees. In pastures . . . got the notice the other day on your news release that said, well we're going to raise these community pasture fees because the rates on the lease land has gone up. Well you did the lease land, and now you did the pasture fees. And then you go . . . the bull's got to have a higher fee and all of the fees related to inspection and all of those kind of things, they're all going up.

People in the province of Saskatchewan say, well I'm not going to . . . I'm just getting tired of all of this. It comes to the place, Mr. Minister, where people in the province of Saskatchewan will decide not to sell their cattle in the province of Saskatchewan if they have any option of moving them elsewhere to sell them.

And I know that for ourselves, the difference between selling at one of the major auction barns in the province of Saskatchewan is almost twice as much as selling it to an independent. And that in fact is even less if we sell them in Medicine Hat at an independent rather than the cooperative in the province.

Those are the kinds of things that farmers look at over and over again. If you have any kind of a sale of 25, 50, or 100, you're going to go some place else, because you can deliver them there and you can get a benefit that accrues, and then you don't have to pay for all those kinds of things.

Well here's another example where you're saying: well looks like the cattle industry is going up or the market is going up; I can tax these guys a little bit more, and I'm going to. And I say to you that it's getting to be more and more difficult. That's one of the problems that there exists.

I'm going to say that if you want to have the banks and the farmers work together with you to ensure that the opportunity is not missed for livestock to increase in this province, which I think we should be, then we need to give some flexibility — not tax them every time they move for the things that accrue in this kind of function.

Because I'll point this out to you that the majority of livestock producers in the province of Saskatchewan are not large producers. The average is something like 50 or 60 head per farmer, and that's not a very big bunch. And yet for each one of these, that has been the balancing card that they have had to deal with on balancing their books to any extent at all.

And so when you say, well the livestock industry is one place that I can get some money out of them, what you're really doing is taking it away from them in their grain side because they haven't been able to make any money on the grain side so then you take it away on the cattle side. So what has the guy got left to grow and to do? It gets to the place where he has absolutely nothing left, even after the cattle sell for a good price.

When you take and add on \$20, \$25 every time you sell a calf — and most of these cattle go through the ring more than once — then each time you add a fee for the thing, it just keeps on going up. And it's included in every one of them.

If you check the amount of times that a calf goes through the auction before he's butchered, you'd have him going through at least four times, and that each time he costs 25 bucks. So that by the time he's finally taken to slaughter, the thousand dollars that he brings, a hundred has been spent on putting him through the rings.

And those are the kinds of things that farmers say, well I'm soon the last guy on the list here to get any benefit from it. And then you say here that you're going to raise the fees or you're going to put fees on. And I say to you, it's maybe time you stop and look to see where the benefit really is going.

You can fee them all to pieces but it isn't going to help you in the long run because they're going to throw up their hands and say: well what the heck, I can't do this any more and just support somebody who earns more off of it than I do. And if you take a look at the livestock producer compared to the brand inspector, compared to the people who work in the auction barns, the farmer's probably still the one that makes the least amount of money in that situation.

So I think that you need to take a very serious look at how you deal with this because you may in fact begin to drive people out of business pretty soon, and I think that that's important for you to consider.

Now you're going to get up and say that the cow numbers have gone up. I know they've gone up. And that's because people didn't have any way to get any income other than through the cattle business nor through the hogs, or they went into the hog business as well in order to delivery more income for themselves, and especially in a year where there was feed grain all over the place.

So we have to take it pretty serious that if this is the only area in agriculture that is going to generate income, we have to treat it very, very carefully. You can't tax it to death. And that's what I think you need to be very serious about when you take a look at this fee structure that you're going to put on here. And I'd like to have you respond to that.

Hon. Mr. Cunningham: — Well, Mr. Chairman, I can respond to the grazing fees and the community pasture fees. The auction market fees, of course, have little or nothing to do with government. The fact that

auction markets charge \$25 a head to put the cattle through is not something that we get to set as government. Certainly the livestock industry is something that we hope will grow.

The lease fees on grazing land were set by a formula that was in effect from somewhere in the '70s and through most of the '80s until it was frozen sometime back in '88 or '89. We have moved back to that formula which takes into account the price of cattle and we hope gives a reasonably fair and cheap grazing fee. We set community pastures in line with that.

We have added a small fee, or will be adding a small fee, to the feeder association loans. We are, in tough financial times, moving a little closer to cost recovery on all these services. But we continue to provide these services to the beef industry and we think that it will survive and it will prosper, and we certainly support the industry.

Mr. Martens: — Well, Mr. Minister, I understand what you're saying but I want to say to you that it soon gets to the place in the feeder association where it isn't recoverable or the cost benefit isn't there. The bank gives you a good rate and I agree that they give you a good rate because of the guarantee, but where does the government have risk?

The individual has risk, first of all, in his assurance fund. He has risk covered in the whole of the feeder association, that the whole assurance fund is recoverable before you have any loss and risk. And then comes your turn at the risk. And so I'm saying to you that at some point in time, these feeder associations will become non-effective.

Each one of them have a \$5 fee every time . . . well not each one, but a lot of them have a \$5 fee every time they buy the cattle. Any time a dealer comes on the yard he charges 5 bucks a head. So then you start adding this onto all of the fees that the association charges in order to be a member and all of the interest that accrues into the assurance fund from all of the money that the individuals have in the assurance fund, and you soon say: well when is this going to quit? When is the balance between a half a point difference on interest going to say to me that I don't need this assurance fund and all of this paperwork in order to deliver what the guaranteed benefit is for me?

And there are many, many people already starting to ask that question. And you can't continue to do that or they'll say, I don't want to have anything to do with this program.

And then I ask you this question: is that the reason why you're doing it? Because if you are, then the feeding industry is going to be in serious jeopardy because we're not always going to have the livestock industry going up. If it levels off, we're still going to have the problem because the difference between the fat cattle and the feeder is always at a constant . . . more or less constant basis.

So the people in the feeder associations are soon going to say, I don't need that hassle. I don't need all the paperwork. I don't need to pay the supervisor. I don't need to pay the secretary. I don't need to pay the annual levy for being a member of this association. Because they all cost on each one of them. If it's \$5 a head for the secretary, if it's \$5 for the supervisor, \$5 a head for the individual who buys the cattle, that's \$15 already. And then you go to sell it, that's another 25. And if you're only getting 35 or \$40 or an average return on your investment anyway, on a per-head basis, you'll say, forget that, I don't need that hassle when I can deliver it for 25 or \$15 to the packing plant.

So you make that fee too high and you run the risk of the program not doing what it's supposed to do. You need to have a balance there, Mr. Minister.

Hon. Mr. Cunningham: — Well certainly, Mr. Chairman, I agree that there does need to be a balance, and if the fees are too high obviously that will dissipate the advantages that the program now has. I think it is a very convenient way to borrow money. You're right, it is a low risk to government. We don't expect a lot of these guarantees to be called on although we certainly know that undoubtedly some will be. There will be some cost to that. There is an administration cost to it; and you're right, the fee certainly shouldn't be exorbitant to the point where it's no longer an advantage to the producers who are buying these livestock. But we feel that we can set a fee rate that will help us recover some of our costs and this will still be an advantageous program to producers.

Mr. Martens: — One of the things that is a concern — and I haven't read the last regulations that came out; I know we got the last ones in the mail, but I haven't read them yet — but one of the things I believe that's in there is the minimum of 10 individuals who are active in every feeder association and every breeder, and you can't overlap the two. What that does, Mr. Minister, is cause a very serious problem as it relates to those that only maybe have 10 or 15 in their association. And I know that there are members of the department who would like to have everyone at 50 to 75 members in order to have the thing large enough so that it is maybe worthwhile for the government to be involved.

But I want to make some significant points in relation to this. The fundamental point for a producer in all of this is that his assurance fund is in fact intact. That is for the producers the fundamental reason why they have the assurance fund and why they look after the association themselves. And that is the best means to have some what I would call policing in the system without you getting involved.

And if you get them too big you don't know who the members are. You can have members in the association — and I would venture to say when I was involved there, the larger ones had far more serious problems than the smaller ones. And because of that the government has more risk on the big ones because there isn't that supervision within the framework of

the association. And that causes me at least a serious concern. If you're going to start calling those people who have . . . have less than 10 active members into question, those associations, then you're going to have very serious problems.

And I think those 10 probably can supervise their own administration at a reduced cost. And as a matter of fact, we have probably the majority . . . well we don't have the majority in our region, but we have a lot in our region of fairly large-sized ones. And they do have a \$5 buying fee for their licensed dealer. They do have a supervisory fee of 5 bucks a head for their supervisor. They do have secretary-treasurer fee of 5 bucks a head. On those smaller ones, they don't have those. The supervisor is another one you've got to throw in there for 5 bucks a head. On the smaller ones, you don't have them.

And the reason you don't have them is because the proximity for the individuals to drive and do their work isn't driving 75 miles or a 100 miles one way in order to have the functions completed. And you need to have those functions completed. And if there's any way to protect yourself, it's in the fact that there is very serious local supervision within the framework of these units. And I think that if you had an ideal size, it would probably be about 20; that's what I would think an ideal size would be.

(1930)

And yet we get it from your staff — and not from Mr. Ross but from others in the staff — that they pushed for larger and larger and larger sizes. And the 10 component puts a lot of them at serious risk, especially when they're starting out.

And if you put it into regulations, then you have to deal with it. Otherwise we have to ask you for a concession on that part, and I don't think that that's fair to those people who don't know that they have to ask you to . . . that you're not going to have the department come in and speak . . . address the issue with them.

The other thing is that you could have a very serious effort on the part of individuals to deal with 10 when they shouldn't be dealing with 10 — 10 active members, that is.

If you have the cattle price going for ever up, then you can hedge in margins pretty easily, but if you have it all of a sudden level off, you're going to put more risk on the provincial treasury by the very fact that you have those cattle in place on those farms, and you're going to put the assurance fund at risk, and all of the things, simply because they say, well we've got to have 10 active members. And that causes a bigger problem to you than it did before.

And I say that what we should be doing is we should be in fact seeing if we could get these people out of borrowing, and using their own money in order to deliver that program. And then we would be doing the things that could be done. And when that gets to come

to its conclusion, they still have the advantage of borrowing through the feeder association because they get it for less on the interest-rate scale and they get all those benefits. And they could use that. They could accomplish for the province, in a way, things that you can't and I can't sitting in here.

And I say that if we get too rigid in the large size and the volume of numbers, we increase the risk of the guarantee; we don't reduce it. I know that you're going to probably come back, well the assurance fund is bigger. Well yes, the assurance fund is bigger on an individual loss, but you could have a disaster on four or five of them and you would have a serious loss.

And that's what causes me a concern. When we should be saying if you can run this thing independently, have an association, and have the individuals run the association and do it on the basis that they would buy cattle and sell cattle with their own money, you would be better off. And that is where we need to get, not that we have to borrow.

What will happen here is if you get serious with a problem, everybody will buy one steer, and then you haven't accomplished anything. And so I say to you that you need to be careful how you handle that because it just takes a farmer one trip around a field in order to understand the program completely and he will tell you how he's going to run it, and it will be within the framework of the rules but it isn't always going to be of a benefit to him, to you, or to the feeder association.

And I think I'd like to have you respond to the point of this 10 business. I really think that is a significant number and I think it's too big.

Hon. Mr. Cunningham: — Mr. Chairman, in response to the minimum number being 10, we had a minimum of 6 which we increased to 10 in this Act. One of the reasons is that there were very few independent members in some of these operations because of husband-wife, father-son, brothers, whatever — one operation having four or five members in the association. It becomes not an association but really only two or three independent operations in it which is very small, and there's virtually no risk-spreading in that case, and so we did increase it to 10.

The member makes some excellent points. There is provision that we will be able to provide exceptions to that for some members. Until quite recently I was a member of a feeder association that only had eight and it was, as you say, we didn't have to charge a fee because we did a lot of the supervision and the secretary stuff by volunteer so it worked very well. But I think that was the reason for going to 10, is that we had some of them with very small number of actual independent operations in them, and we were trying to expand that a bit.

Mr. Muirhead: — Thank you, Mr. Chairman. Mr. Minister, I have a few questions I'd like to ask. Firstly, if I ask some repeating questions, I apologize because I wasn't here this afternoon — only for the last half

hour — and you can correct me if I'm asking some question that's already been covered.

We'll just take the feeder association, there's quite a few throughout the province. Are you or your official, Mr. Ross . . . could you give me an average of what kind of an average guarantee would be on the whole. Like what's the average that the government guarantees?

Hon. Mr. Cunningham: — The average feeder association would be around the \$900,000 total authorized monies to the association.

Mr. Muirhead: — Thank you, Mr. Minister. Okay, let's use that figure then of approximately \$900,000. Now do I understand the reason for this Bill? One of the reasons, and keeping in mind I haven't been through it real thoroughly, but going through it I understand that the government now . . . We'll say there's \$900,000 and they're only using 4 or \$500,000, that the government can lower that guarantee down. Is that correct, Mr. Minister?

Hon. Mr. Cunningham: — No, that's not accounted for in the Bill. What we did do in the Bill though is put a limit, upper limit on how much guarantees we can issue. And we are talking to the association. It would have to be by mutual agreement to bring some of them down.

If an association has a million-dollar guarantee and they're only using a couple hundred thousand dollars on a regular basis, that shows in our books as loan guarantee and so we would like them to voluntarily reduce that if they have unnecessary amount of capital authorized. But there's nothing in the Bill that in any way impacts on that. It's strictly a voluntary downsizing that would happen on . . . Whether or not the Bill was passed is irrelevant to that.

Mr. Muirhead: — Mr. Chairman. Thank you, Mr. Minister. So what you're saying is they have a guarantee of 900,000 but they're ongoing and they just use the 3 or 400,000 or whatever. You're just asking them but you're not demanding them to bring that down.

Because I see a danger there, Mr. Minister, if . . . We'll just say that the grass is good this summer and they lowered their guarantee down to the 2 or 3 or maybe cut it in half to 4 or \$500,000. Then all of a sudden there's good grass and the price of cattle is reasonable and there's a lot of people come in and quick, they want it.

The question I'd like to ask you is: how long does it take to get that guarantee back up again?

Hon. Mr. Cunningham: — The guarantee is on an individual member basis. And if it's new members coming in, they have to apply. It has to be applied for. I think they're allowed 25,000 the first year and 50 the next. I'm sure right now it's closed up. So for new members coming in, regardless of what's already guaranteed, it's by individual member. So they would

then have to go through the process anyway.

One of the things in this Bill that we're hoping to do is to speed up the process whereby we can pass an OC (order in council) that allows the Minister of Finance to do these instead of each individual one, each time the increase is asked for, having to run through an OC which sometimes takes some time.

So we're trying to . . . One thing this Bill does is hopefully speed up the process. And it should be a turn-around time of a week or two, I suspect, that we can get these slow increases . . .

Mr. Muirhead: — Mr. Chairman, Mr. Minister, no, you didn't quite understand what I was . . . I thank you for that information though. But what I was asking is, there's already members — we'll just say there's 20 members in an association — and only three or four of them have been using and that's the reason why maybe lowering the guarantee from the 900 down to the 2 or 300,000 and an already inactive member wants to bring in a hundred head of cattle, or he's eligible to do it and the guarantee isn't there. How long would it take to get . . . to raise that guarantee for the association? That was my question, Mr. Minister.

Hon. Mr. Cunningham: — Yes, that would be . . . we'd probably do that in one to two weeks with the new . . . We haven't tested the new procedure. We hope we'd do it in one week, but I would say one to two weeks it would take to have that increased.

Mr. Muirhead: — Thank you, Mr. Minister, that's fine.

Just the other question I'd like to ask and I don't know whether . . . I haven't got it clear in my mind whether it's the association's problem or the bank's problem here, actually the people that's lending the money or the guarantee or the government. I'm hearing some complaints where people . . . I'm going to use an example.

I have a family in my constituency where they started the association. They're the ones that got it going and then when they actually come down to being accepted members, this one family, in fact there were two brothers, and they were turned down because they had been to, it was either section 20 or the Farm Land Security Board, but their affairs were all in order and they were turned down. Who turned them down, the bank or the government?

Hon. Mr. Cunningham: — That would be a lender's decision. It would be the bank that would make that decision. They ask for financial statements from anybody applying and they approve members.

Mr. Muirhead: — Is there any way . . . I'll give you this example, Mr. Minister, and there's lots of this out there, where a person, an individual . . . and I've seen their financial statements and they're maybe better after they've been through an insolvency or whatever and they're starting over again and they've been through the whole bit. They give some land back and they work out their problems and things are looking

better for them, but they haven't got a real good name at that bank.

And still I've seen people in the same association that are entering into that. They're really getting in bad shape. And I've seen their financial statements on an individual basis and I can't understand how they ever got into the association. But the bank maybe didn't know about their problems some place else or took it to be serious. It just seems to be exactly . . . and I'm not going to name the name of the bank — but it just seems to be what's happening if . . . it seems to be kind of policy.

And I thought maybe the government — but you're saying it's not — that if they've been through any of these here boards, they just don't consider the financial statement right out. Because I know several families, there are like several, that have got good financial statements now and that's what this association is for — to try to help these people. And I was wondering, is there some way that we could be . . . that these people could come to government, because it's pretty hard to talk to big banks. If they say no and they put a number on you, you're gone, you don't get the help.

Is there any way that the association could maybe . . . they could come to the department and have some help and guidance in something like this if they think that they should have that guarantee, instead of just saying, here you're out because you had a year or two ago or three years ago or four, you had a section 20, or you've been through the Farm Land Security Board — goodbye. That's the point I'm making. Is there any way we can help those people?

(1945)

Hon. Mr. Cunningham: — I believe the decision is up, first to the association of course. They have to accept the member, and remember that these members have their money at risk, so that they will be concerned as well about financial capabilities of people coming in.

The final decision is up to the lender. We have taken the position that, you know, we're the guarantors of it and we do not force lenders to take people in that . . . we've left that judgement up to them. I know the problem you're talking about. It doesn't apply only to feeder associations. I think that lending institutions in general have, on a lot of situations, been very reluctant to deal with people who have gone through a section 20, regardless of their financial statement at the time. And I don't know how we'd deal with that problem. But in this situation, it's the lender that makes that decision.

Mr. Muirhead: — Yes, I understand that is what you're saying, Mr. Minister, but it just seems to be unfair. Still it's not the bank's program; it's the government's program. And it's the government that's trying to help farmers, and get into the cattle business, and try to help them survive.

And in this particular case that I want to talk about in

this . . . out of the association in Davidson, where it's the association that has come to me, saying that two of their members — and they accepted them with open arms and there's just no problem — but they happen to be . . . the bank that they're dealing with happened to be the bank that the association's financing through.

And I know it can be a problem. It's easier for a bank to say, well out with you. But I know, and the association has told me that; that's where I got my figures from. Here's so-and-so. He's getting endorsed by that bank, and he's buying his cattle and he's not as good a risk as these other people. There should be some way that they could have a little negotiation to be fair about this; that just because that you had a bad name in the past — or had trouble in the past, not a bad name — I don't think people use bad names any more, it's whoever fell through the cracks and got into trouble.

I'd just like to have your assurance that maybe if this association would like to talk to somebody . . . Let's put it this way, Mr. Minister, because I don't want to . . . this is not . . . I don't want to go on with this. Could I have the association meet with somebody, maybe the president or somebody, so they could talk it over and get some guidance for help. Because they're talking about even changing banks because it looks like if you go to another bank, maybe they might take them on. Just give me someone they could talk to.

Hon. Mr. Cunningham: — Certainly they can talk to somebody in the department. There are solutions, as you say — like going to another lender would be one alternative for them. The other alternative is for us to talk to the lending institutions on a general level about this problem because it is not only in this area but in others. We have an awful lot of people who have fallen on tough times through no fault of their own in the last decade and who are trying to get restarted. We would like the lending institutions to treat them fairly in all cases. But if there is somebody . . . They can certainly talk to Merv here or somebody in the department if they want to, and we can give them what help we can.

Mr. Muirhead: — Thank you. I'll do that and I'll pass the word on to them. They can maybe make an appointment with Mr. Ross. I thank you. That's all the questions I have.

Clause 1 agreed to.

Clauses 2 to 13 inclusive agreed to.

The committee agreed to report the Bill.

The Chair: — As the official is leaving, I think the members of the Assembly would like to thank the official.

Mr. Martens: — I want to thank Mr. Ross and his staff for the way that they do the travelling around the country. It's appreciated by the members of the associations, and I hope you keep on doing that.

Bill No. 50 — An Act to amend The Provincial Lands Act

The Chair: — I'll ask the minister to introduce his officials for consideration of this Bill.

Hon. Mr. Cunningham: — Yes, Mr. Chairman, the officials I have with me are Gloria Parisien and Larry Oberik.

Clause 1

Mr. Martens: — Would you give me an overview of how you plan to deal with the improvements on leaseholds that you're selling? You make an observation, this Act clarifies the valuation of improvements for sale and removal from leaseholds. And would you provide for me how you're going to do that, if you've got a plan already in place and how you're looking at dealing with that.

Hon. Mr. Cunningham: — Basically the procedure will be the same as is done now. It will be done and appraised by the department at fair market value. What this amendment does is clarify what the lessee is entitled to which is a dollar value for the fair market value of leasehold improvements.

Mr. Martens: — Have you got specifications if he decides to move those improvements off, what they're going to be? Is that calculated on the same basis of a dollar value or is there an attachment to the property that has a value to it too?

Hon. Mr. Cunningham: — The lessee has to have agreement from the minister to remove any improvements. If they remove the improvements then that I guess releases us from further obligation and the improvements are moved off, and then we no longer have to purchase them.

Mr. Martens: — Does that also include things like fences and those kinds of things too?

Hon. Mr. Cunningham: — Yes, the fence, in the situation . . . the case where the lessee had built a fence, we would be obligated to pay him for the market value of the fence. If we agreed he could just remove the fence, and then we would not have to compensate him for the fence.

Mr. Martens: — What significance does the clay and silica sand and ceramic clays and all of that have to do with the provincial lands? What is that identified for in this Bill?

Hon. Mr. Cunningham: — This has to do with The Crown Minerals Act being amended to take sand and gravel out of the definition of a Crown mineral. And we are amending our Act to make it consistent with . . . the definitions consistent with the definitions of The Crown Minerals Act.

Mr. Martens: — So where you have sand and gravel, that's identified in the Department of Highways? Or is that in Parks and Natural Resources, whatever you

call it? And why are you taking it out? Is it not considered a mineral right? Or is it considered a right of the individual to have that as a property?

Hon. Mr. Cunningham: — As it now stands, sand and gravel on private land is not considered a mineral, but if it's on Crown land it is considered a mineral. So when we get the Crown lands Act amended and this Act amended, it will treat sand and gravel on Crown land in the same manner that it treats it on private land.

Mr. Martens: — I want to ask you about the sale conditions in a trust. How is that supposed to work? Is it supposed to be exactly the same now in this Bill? Does that make it exactly the same as it would be a transaction between two other individuals where the legal counsel holds the money in trust until all of the registration in the land titles office and all of those kinds of things . . . and with the department — is that all a part of this?

Hon. Mr. Cunningham: — Yes. It just brings it into line with the common practice in the private sector.

Right now the purchaser is required to give us all the money up front, and that's not a standard practice in most legal transactions. So this will just bring us into line so that, as you say, the money can be held in trust until title is transferred and so on.

Mr. Martens: — If the individual asks for 10 per cent down . . . like now if you have a person who has a lease and has deeded land, he can sell his deeded land and then transfer the lease. Is the trust conditions based on the fact that when the lease is transferred over to the new owner, that that is where it's supposed to be at, or how is that going to work?

Hon. Mr. Cunningham: — This amendment only deals with the transfer of the deeded land. It does not deal with the assignment of a lease at this time. This amendment is strictly the trust money for a purchase which is . . . would then be held in trust the same as in the private.

Mr. Martens: — So then if this does not include the improvements involved in the transaction that moves the assets of the deeded land of an individual to a new owner, and the lease portion, the transfer is . . . It has nothing to do with that. The individual has to have the transfer and payment of the improvements to the individual on a separate agreement. This doesn't attach itself to that at all.

Hon. Mr. Cunningham: — This has only to do with the sale of Crown land from government to an individual, not with an individual selling deeded land and transferring . . . or signing a lease that he happens to have come up.

Mr. Martens: — Now in the case of irrigation districts, and the problem that they have is collecting the water users tax, or water users fee, in Outlook and perhaps in other places — this is a long-standing problem — what kind of consultation did you have with the

department, or the SARM (Saskatchewan Association of Rural Municipalities) in relation to this? Because I know that they looked kind of sceptical at it for long periods of time that I was involved with that because they saw that as an erosion of their own personal tax base. And so that's one of the reasons why I never did it. But I wonder if you had any visiting with them at all about this.

(2000)

Hon. Mr. Cunningham: — This doesn't deal with the ability to collect tax. What this does is, if the tax is two years in arrears, that the government will then step in and . . . or the association would.

We can cancel their lease and pay up the tax for two years. It's the same as a lease, Crown land. If a lessee gets behind in taxes, we cancel the lease. We will only . . . we pay up the taxes to within two years.

Mr. Martens: — So this deals with the taxes paid to the water users' association and does not . . . Does that include water, the cost of delivering the water?

Like I know that Outlook, some years it's \$65 an acre and that sort of thing. Is that involved in this volume of dollars, that you will then take the privilege to irrigate away from these people? Or is it that you're going to take the land away from those people? And some of this stuff is not . . . is independently owned. It's not a lease.

Hon. Mr. Cunningham: — All this deals with is the lease land. If somebody has lease land that's irrigated, if they get two years behind in their water fees, then we can cancel the lease and pay up the fees.

Mr. Martens: — What if this water is Sask Water's water and the . . . no, PFRA's (Prairie Farm Rehabilitation Administration) water, and the land is . . . and you own the land? What happens then?

Hon. Mr. Cunningham: — If there's a tax that's applied and has not been paid, then we have this Act. This gives us the authority to cancel that lease.

Clause 1 agreed to.

Clause 2 agreed to.

Clause 3

The Chair: — There is an amendment and the minister would like to move that amendment now.

Hon. Mr. Cunningham: — Mr. Speaker, I move to:

Amend section 3 of the printed Bill by striking out clause (c) and substituting the following:

“(c) by striking out 'clay' in clause (f) and substituting 'silica sand, ceramic clays and any other clays that have an industrial use except any clay required for the construction of an earthen dam or road grade'”.

Amendment agreed to.

Clause 3 as amended agreed to.

Clauses 4 to 36 inclusive agreed to.

The committee agreed to report the Bill as amended.

The Chair: — Before we move out of committee, would the members like to thank the officials.

Mr. Martens: — Thank you, Mr. Chairman. I'd like to thank the minister and his officials for their answers, and hope that the concerns that he has addressed here work out well.

Hon. Mr. Cunningham: — Yes, Mr. Chair. I would like to thank the members opposite for their questions and patience for all three Bills, and thank you very much.

THIRD READINGS

Bill No. 46 — An Act to amend and repeal The Farm Purchase Program Act

Hon. Mr. Cunningham: — Mr. Speaker, I move that this Bill be now read a third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 47 — An Act to amend The Farm Financial Stability Act

Hon. Mr. Cunningham: — Mr. Speaker, I move that this Bill now be read the third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 50 — An Act to amend The Provincial Lands Act

Hon. Mr. Cunningham: — I move the amendment be now read the first and second time.

Motion agreed to.

Hon. Mr. Cunningham: — Mr. Speaker, by leave of the Assembly, I move that Bill No. 50 be now read the third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

MOTIONS

Leave for Member to Attend Symposium

Hon. Mr. Lingenfelter: — Mr. Speaker, by leave I move, seconded by the member for Arm River:

That leave of the Assembly be granted to the

hon. member for Morse from Tuesday, May 18, 1993 to Wednesday, May 19, 1993 to attend in Ottawa, on behalf of this Assembly, a symposium on the subject of accountability, committees, and parliament, sponsored by the Canadian Study of Parliament group.

I so move.

Leave granted.

Motion agreed to.

COMMITTEE OF FINANCE

General Revenue Fund Energy and Mines Vote 23

The Chair: — Order, order, order. I would ask the minister at this time to introduce his officials to the committee.

Hon. Mr. Anguish: — Thank you, Mr. Chairman. I have with me Pat Youzwa, the deputy minister; behind her is Dan McFadyen, the assistant deputy minister of resource policy and economics. Beside Dan is Bruce Wilson, the executive director of petroleum and natural gas. Directly behind me is John Mitchell, the president of the Saskatchewan Energy Conservation and Development Authority. Behind John is Don Grey, the director of human resources management. And next to him is Phil Reeves, the director of mines, geology and minerals.

(2015)

Item 1

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, I appreciate the package you gave me which answers most of the questions and it will certainly speed the process up. I have a couple of other questions that I would like to ask you. In the meantime, could I have a survey of your travel?

Hon. Mr. Anguish: — For the fiscal year from April 1, '92 until March 31, 1993, I have taken three trips outside of the province. And I would inform the hon. member that between February 16 to 18, I was in Calgary to attend meetings with a number of representatives from various oil and gas companies. On March 23, for one day, I departed in the morning, came back that evening. I went to Calgary and attended a joint venture association conference at which I was a guest speaker. Then from March 28 until the 31st I was in Toronto and at that time attended the international prospectors and developers conference which had some 30 countries represented and some 3,000 delegates. That would be my only travel outside of the province in the year under review.

Mr. Britton: — Mr. Chairman. Thank you, Mr. Minister. I guess what I should have said, send me a copy of that, and would you also send me a copy of the travelling of your staff, please. Just send a copy

over unless you want to read it into the record yourself.

Hon. Mr. Anguish: — I'm not exactly . . . what you mean by that. The three trips that I mentioned to you, the sheet that I'll send over includes who travelled with me on those occasions. The first trip to Calgary in February, Dr. Robert Loewen and Pat Youzwa travelled with me. On March 23 when I went to Calgary, Pat Youzwa, the deputy minister, travelled with me. And when I went to Toronto at the end of March, Ingrid Reid from my office, and Pat Youzwa, the deputy minister, travelled with me. And I'd be happy to send this over to you.

Mr. Britton: — Thank you, Mr. Minister. Mr. Chairman, Mr. Minister, when you brought the package over, you mentioned something about there was some legal questions that you couldn't answer. Could you send me a list of all the legal actions that involves your department — you as a minister and the department.

Hon. Mr. Anguish: — I'm not personally involved in any legal actions that I know of; I would inform the member of that. And as soon as I have a list of the legal actions that the department may be involved in, I'd be happy to send those over to you.

Mr. Britton: — Thank you, Mr. Minister. Mr. Chairman, Mr. Minister, I understand you're expanding into Alberta with some gas holdings. Could you tell me what the cost is for that expansion?

Hon. Mr. Anguish: — The question which you ask I think is directed more appropriately to the Crown Corporations Committee. It involves a potential acquisition of the Saskatchewan Power Corporation whereby they wish to secure some long-term gas for security of electrical generation within the utility.

I can tell you that the long-term plan of the Crown corporation has within it monies that have been approved by Crown Investments Corporation to make natural gas acquisitions.

But I do think that that's more appropriate to the Crown Corporations Committee. It's specific to the Crown corporation SaskPower.

Mr. Britton: — Well thank you, Mr. Minister. I guess we can do that. I was going to ask . . . but maybe we'll leave that too.

There's one thing I want to draw your attention to in the auditor's report, and that is a payment of \$1,428,781 to the NewGrade upgrader. He is suggesting, in his opinion, that they didn't have legislative authority to do that. Could you tell us what you're doing to correct that?

Hon. Mr. Anguish: — As you would be aware, hon. member, there has been a commission, the Estey Commission who just recently filed its report. It is now a public report and I'm sure the member has a copy of that. If you don't, I'm not sure we have a copy tonight.

We could provide you with a copy of the Estey Commission report.

You will know that the NewGrade upgrader did not start under our administration. It in fact started under your administration. And the obligations that we have there are long-standing with the arrangement made between in fact your government, sir, and the federal government and the Federated Co-operatives Ltd. And that's an ongoing discussion.

We do not know for sure where it's going to lead to, other than that the report has been filed, the Federated Co-operatives have examined it, the federal government has examined it, the provincial government has examined it. And through the Crown Investments Corporation which has been taking the lead on this for the provincial government, we have committed ourselves to the recommendations of the Estey Commission.

Mr. Britton: — Mr. Minister, you might have misunderstood what I was after. In the auditor's report, chapter 13, item .08 — it's under order in council — in section 60 he is saying that he's not sure that you have the authority to make those payments.

Now I understand what you're saying about the make-up of the deal but what I'm asking you, what are you doing, or are you doing anything to correct what the auditor seems to be suggesting? And I agree with you, sir, that section 60 may have been there before you became minister or before you became government. What, if anything, are you doing to correct that and bring it under what the auditor might consider as being proper authority?

Hon. Mr. Anguish: — I thank the member for that clarification of his question. The department takes the position that order in council 7/89 provides the authority for payment, and our position is supported by a legal opinion from the Department of Justice. This has taken place over quite a number of years and we've communicated our position to the Provincial Auditor.

I would hope that that would satisfy his concerns as to whether or not the government had the legal authority to make this payment to the NewGrade upgrader. We believe it does and we'll have to wait and see whether or not the Provincial Auditor agrees with us that this actually gives us the due authority.

Mr. Britton: — Thank you, Mr. Minister. Mr. Chairman, Mr. Minister, we're not talking . . . I think the point the auditor's making is this, that section 60 does not give you the authority to make grants. And I think the question is, is this a payment or a grant?

The way I read it, the part that you're reading under .08 gives the authority to make the payment. But over here on .13, it seems to me the auditor's saying that it's not a grant . . . that it's not a payment; it is a grant. So I think you need some clarification on that. So it sounds to me like maybe you aren't doing anything to clear that up.

Hon. Mr. Anguish: — Well there is another opinion, and I would communicate to the hon. member, in the description of what is a grant and what is a payment, as the auditor lays out, as is his role to point out, whether or not the government had due authority to make a particular payment.

We do not in the department view it as either a grant or a payment. What it actually is is a remission of royalties. And if there's further clarification needed, I'm sure the auditor will again bring that to our attention in the following report or reports that the auditor would make. But at this time we do not view it as a grant or a payment. It is in fact a remission of royalties.

Mr. Britton: — Thank you, Mr. Minister. If that's . . . you know, if that's what you're saying . . . It's in here. And I guess that's what we have to decide; maybe we'll do that at a later time.

I have one or two other questions I'd like to ask you, sir. On page 37 we see administration, and I think we . . . I take that to be advertising and all that sort of thing?

Hon. Mr. Anguish: — Specifically to page 37, I'll send over to the member a couple of pages. To my knowledge, this does not include advertising of any kind. But the member can peruse these sheets for himself and make his own determination.

The administration services would include salaries and operating expenses. Page 1 outlines the total amount of salaries and operating expenses. The second page I'll send across to the member details what those particular operating expenses are, and I'll pass those across to the member.

Mr. Britton: — I thank you for that, Mr. Minister. I had one or two more questions I wanted to clear up with you.

I guess because we're not going to talk about the expansion into Alberta, that just about covers all I wanted to say at this time.

So while I'm looking it over, Mr. Chairman, I'll allow one of my other colleagues to ask some questions.

Mr. Martens: — Thank you, Mr. Chairman. Mr. Minister, do you become or does your department become involved at all in the surface rights in leased land in the province of Saskatchewan as it relates to Crown-held pasture leases and leases that are currently under lands branch? Do you become involved in that at all, in the surface leases?

Hon. Mr. Anguish: — Not directly. The surface rights Act is administered under the Department of Justice and we certainly wouldn't have any official role in becoming involved in surface leases or surface lease disputes. Sometimes there are people who contact me as minister, but usually it's referred on to the appropriate minister.

(2030)

Mr. Martens: — I was interested to know on the volume of dollars that accrue to the Consolidated Fund through the surface leases that are on lands branch land. Would you in Department of Energy and Mines know anything about that?

Hon. Mr. Anguish: — We would not accrue any funds within Energy and Mines from surface lease agreements.

Mr. Martens: — How many wells are you anticipating coming into existence with the . . . in this coming year? Have you got an estimate of . . . You had the land sales. I believe you had some dollars coming in from land sales. Have you got any anticipation on how many wells in gas and in oil that you'll be drilling?

Hon. Mr. Anguish: — This year we expect oil to be pretty well stable as to what it was last year. We anticipate some 600 wells being drilled in the province this year. Gas wells we expect to be up somewhat. We expect there to be at least 300 wells drilled.

However, these projections have been skewed a little bit, I think most recently in that there is some movement by the oil and gas companies to intensify their activity in the province of Saskatchewan.

And we had a very successful land sale in March, I believe it was, which rounded out the year to making it a fairly acceptable year to us. We expect that the next land sale in June will be one of the larger ones that we've had in quite some time.

Mr. Martens: — Are those land sales in any of the significant gas areas? And I'm thinking of the north-west. Are there any of those sales in that area where there's significant volume of opportunities for gas?

Hon. Mr. Anguish: — Yes, the lands that we have so far, the indication . . . You would know the procedure. Companies request that we post certain lands; those lands have been posted. There's a significant number of lands spread across the province wherever there is oil or gas.

We would guess at this time that the predominant request for land sales would have to do with the oil play in the province at this time. However, because of the rising price of gas and the supposedly short supply of gas that's coming up in the future, that we might expect that to change somewhat between now and when the land sale actually takes place.

Mr. Martens: — In the Sand Hills, is there horizontal drilling going on in the Sand Hills? Is that a way to allow an opportunity for development from one site rather than for four or five sites per quarter section? Is that a way, or a significant environmental control method, of providing an opportunity for exploration in the Sand Hills?

Hon. Mr. Anguish: — If you're referring to the Great Sand Hills in around Hazlet and that area, it's my information that there's no horizontal drilling taking place there at this time.

There is a procedure whereby some of the companies that are doing work in there . . . or the work that is being done there, I should say, they will tend to use a slant well where they will go directional off of one pad instead of moving it around to give a minimal of disruption to the sensitive environment that's within that area.

Mr. Martens: — Do you have many of them in the Sand Hills there?

Hon. Mr. Anguish: — Some of the companies that have done work and are doing work in the Sand Hills, like Ocelot and North Canadian Oils, have been doing some activity in there.

Companies tend to get a little bit sensitive when environmental concerns are raised, and to this point this year, we've only had about 30 gas wells drilled in the province. So I don't have an exact number for you what would be drilled in the Sand Hills over this current year, but since all of the play within the Sand Hills has to do with gas, shallow gas, I would expect that the number is very small. It's certainly less than 30 because the number over the whole province is only 30 to this point.

Mr. Martens: — In establishing, Mr. Minister, establishing the price for crude that the Department of Finance uses, does your department provide that estimate through the historical pattern to the Department of Finance?

Hon. Mr. Anguish: — The figures that are given to the Department of Finance are given by the Department of Energy and Mines. The Department of Energy and Mines are the experts in that area in terms of the public interest. And yes, they would provide those projections to the Department of Finance.

Mr. Martens: — I'm just going from memory on there, but I think it was . . . \$20.80, I think, was the price. If that's not correct, would you provide that to me? And then I've got another question after that.

Hon. Mr. Anguish: — The price for '93-94 that's been projected is \$20.35 a barrel West Texas Intermediate price.

Mr. Martens: — And how close are we in the price of the barrel and our royalty that we receive off of that? How close are we to that price?

Hon. Mr. Anguish: — The officials tell me that we're very close on that. On Friday it closed — West Texas Intermediate — at \$20.55 a barrel. So if that was taken over the course of the whole year, we'd be about 20 cents a barrel out, and I think that's very close. There is actually more guesstimate in the setting of oil prices, as you would know from your time in government, than there is actuality because of the many world

events that affect or may not affect the price of oil.

Mr. Martens: — What did you set for the price on a cubic metre of gas?

Hon. Mr. Anguish: — At the well-head, we projected a price of \$1.16, mcf (thousand cubic feet).

Mr. Martens: — And how close are we to that on what your projections are in a similar case as you just suggested with oil?

Hon. Mr. Anguish: — Well we can't tell the long-term price of that as well. There's a lot of pencil work that needs to be done, but the last time that I checked the spot price it was something like \$3 an mcf. How that will project over long-term contracts, because of supply and demand, it's really hard to determine what that's going to be over the course of a year. But certainly the spot price is much higher than what we had projected.

Mr. Martens: — Does the Department of Energy and Mines provide a monitoring service to how much Saskatchewan fertilizer company uses in relation to the gas supply?

Hon. Mr. Anguish: — Yes, we would know that. Some of the information is confidential. We would know that because we have to supply a gas permit to any user of natural gas within the province. Although we sometimes have that information available within the department, the professionals in the department use that for internal use, and it's certainly not to be provided because of the commercial interests of the companies involved.

Mr. Martens: — Do they buy the supplies from SaskEnergy, or do they have producer wells that are supplying the majority of the natural gas to them?

Hon. Mr. Anguish: — In the case of Saskferco, if that's what you're referring to and that individual company, they buy direct from producers; they have direct contracts with producers. It's my understanding they do not buy through SaskEnergy.

Mr. Martens: — In the volume of production that they had this year, did they reach the . . . in the start-up and now, have they reached their running capacity in taking natural gas?

The Chair: — Why is the member for Kinistino on his feet?

Mr. Roy: — Mr. Vice-Chair, I'd like to present some guests. Thank you.

Leave granted.

INTRODUCTION OF GUESTS

Mr. Roy: — Mr. Speaker, I'd like to introduce to you and to the members of the legislature, five constituents of mine. They are, Mr. Pete Cishecki, his brother Alex; Fred Werzak, Mr. Mike Werzak, and Maurice

Werzak. They were in this evening to partake in the baseball game between the Blue Jays and the Canadian baseball institute, and they decided to stop in and take part in . . . or view the proceedings of the legislature.

So I welcome them to the legislature and to Regina. And it was nice to see them this evening. And I give them the best here tonight and in the future.

And I ask all members to give them a big round of applause. Thank you.

Hon. Members: Hear, hear!

COMMITTEE OF FINANCE

General Revenue Fund Energy and Mines Vote 23

Item 1

Hon. Mr. Anguish: — In regard to the member's last question, we would not know exactly where Saskferco is in relationship to their start-up and what they're using now. We don't track the amount of consumption, but we do in fact issue the permit. We would know for example what they're paying; we would know how much they anticipate using.

But in terms of tracking it month by month or day by day or quarterly, we don't do that, so I can't answer that question. It would be a commercial interest between the producer of the natural gas and the consumer, in this case being Saskferco.

Mr. Goohsen: — Thank you, Mr. Chairman. Minister, just a follow-up to that line of questioning. The thought crossed my mind: is this all Saskatchewan-produced gas that's going into this fertilizer plant or is there Alberta gas being pumped into that project?

Hon. Mr. Anguish: — No, it's not all Saskatchewan gas. There is Alberta gas that's sold within Saskatchewan to consumers, as well as Saskatchewan gas.

Mr. Goohsen: — Now just the way you phrased that, I take it that that doesn't just hold true for Saferco, that perhaps the entire province uses a lot of Alberta gas. Is that a fact?

Hon. Mr. Anguish: — A number of the large industrials such as Saskferco, other large industrial users, would use a high percentage of Alberta gas. That's correct.

Mr. Goohsen: — Minister, do we have enough natural gas production in the province to serve all of those markets?

(2045)

Hon. Mr. Anguish: — Yes, if you took the situation in

isolation. It's hard to take the situation just in isolation, but if we took just the Saskatchewan consumers, whether they be residential or commercial or industrial, and looked at all of the gas that we had capable of bringing on to production in Saskatchewan or as being produced in Saskatchewan, we could in fact serve all of our needs within the province because of export by some companies out of Saskatchewan, some import into Saskatchewan. It's a mixture of natural gas. And sometimes, in fact, it's hard to say that we do produce all our own needs because we don't, even though we have the capacity to do that.

Mr. Goohsen: — But in theory, Minister, we are self-sufficient in natural gas at the present time. Is that what you're saying?

Hon. Mr. Anguish: — We could be, yes.

Mr. Goohsen: — When you say we could be, does that imply that because we are presently buying natural gas from other provinces that we have some wells perhaps shut in or wells not being drilled or developed because of a lack of a market, or do we have a market for all of the gas that we are presently producing?

Hon. Mr. Anguish: — Well if it was a pure and simple world and a government chose to interfere with the market-place, we currently have enough production in Saskatchewan to provide for all of our needs within the province whether it be residential, commercial, or industrial.

Mr. Goohsen: — Well I'd like to explore, Minister, a little bit this pure-and-simple-world concept. Obviously people buy in the free-market system from where they get the better deals and the better opportunities. Is there any plan by your department to try to orchestrate a direction for our province in this sector that would make us competitive with the other provinces or other suppliers, so that in fact our producers could capture these markets?

Hon. Mr. Anguish: — Well currently within the province we produce about twice as much natural gas as what we consume. Some of the producers within Saskatchewan choose not to sell into the Saskatchewan market. They choose to sell into the eastern Canada market, which provides them with a much higher price for the natural gas they produce.

And some of our consumers choose to buy their natural gas from Alberta and ship it through the pipeline system into Saskatchewan because they can get a better price, in view of the fact that Saskatchewan producers are getting a better price by shipping it export out to the eastern provinces.

Mr. Goohsen: — I'd like to talk for a minute about oil production. Do we presently have a home for all of the oil that we're producing in the province or do we have a surplus?

Hon. Mr. Anguish: — I'm told by the officials that anything that we can produce in Saskatchewan in

terms of oil can be sold within the province.

Mr. Goohsen: — Thank you, Mr. Minister. That leads me to wonder if we have a home for all of the product that we are presently producing and can produce both in gas and in oil. Would you have any incentive kind of ideas or proposals to offer, to try to stimulate the industry to provide jobs and that kind of spin-off?

Hon. Mr. Anguish: — Well the department has just been through an extensive review with representation from the industry. It's a task force that has looked at the regulatory side. It's a task force that's looked at the fiscal regime within the province of Saskatchewan. They have made recommendations. It's my understanding that that report is going to be presented to me sometime later this week. I'll meet with departmental officials and industry officials. And a major emphasis on that report is to what we can do to look at the regulatory burden to the industry and to also look at the fiscal regime as to whether or not there is stimulation necessary, and if it's necessary, what's the best way in which we go about it so that Saskatchewan can realize the potential benefit of increased oil and gas activity. And we can of course attract the companies into Saskatchewan, or to expand in Saskatchewan, so that their bottom line is such that they would want to develop within the province.

Mr. Goohsen: — Thank you, Mr. Chairman. Mr. Minister, I appreciate that kind of an approach and I'm glad that you're doing that. I wonder if you would be willing to commit to sharing the results of that inquiry and report with us when it shows up.

Hon. Mr. Anguish: — You can have a copy of the report the day that I receive it.

Mr. Goohsen: — Thank you, Minister. We will look forward to having that.

Under the energy and conservation department of your department, I'm wondering what exactly do you perceive as a necessity in the area of conservation? What types of conservation do you see that we have to promote in your department? Why would we be promoting that and how would it benefit Saskatchewan?

Hon. Mr. Anguish: — Well Saskatchewan, as I understand it, is one of the largest gluttons of energy anywhere in the North American continent. There are some explanations of that because of our cold winters and our hot summers. We need to take an overall look at the demand-side management within our province of not only our electrical consumption but our overall energy consumption, and there are many ways to do that.

We can look at alternate forms of energy. We can look at better using and integrating the energy sources that we have now, and of course the net benefit to that, if you look at electrical generation, is that we do not have to spend large amounts to produce new generating capacity within the province. We can try

and reduce the amount of energy that we gobble up within Saskatchewan. And the experts tell me that demand-side management provides far more jobs than expanding bigger and bigger and better and better plants.

Mr. Goohsen: — Now that you've mentioned the co-energy subject, Minister, perhaps you could elaborate. I was reading an article in the paper here just from today or yesterday, whenever it was, about the plans that you have for some co-energy development using natural gas and spin-off of the heat and all that into steam and all those kinds of things.

How much energy will that produce? How much gas do you think it will consume? And what would be the dollar benefit to the province?

Hon. Mr. Anguish: — Well co-generation is one of the topics that the government is looking at. The policy of the government currently is to have 100 megawatts of co-generation on stream by the end of this decade. The benefit to that, of course, is that in co-generation you usually have a situation where a large amount of the energy is given off into the atmosphere.

For example, the Boundary dam down by Estevan, that generating station would give off about 65 per cent of its energy into the atmosphere because we only get the initial thrust for coal. If you can recapture some of that heat in a situation like that, it's of greater benefit because you're utilizing to the fullest extent the Btu's (British thermal units) that you put into the situation or into the generating capacity, and are able to get some other benefit out of that.

Mr. Goohsen: — Well I think that sounds good in theory, Minister, but I'm wondering if it's going to work out quite so simply in practice and I guess we'll have to wait and see how that develops.

You mentioned earlier that you had spent some time in Calgary. I was wondering if you could give us an idea of who you met with and what the discussions were based on.

Hon. Mr. Anguish: — Well the first, I guess, and second trip, there was a component of meeting with people in the industry, in the oil and gas industry. The Canadian association of petroleum producers, which is the main governing body of the oil and gas industry in Canada, I met with them. I have spoken at a couple of different events in Calgary.

The purpose of the trip is to let the oil and gas companies in Alberta, that are mainly centred out of Calgary, to let them know that we want them to be partners in terms of the development of the economy in the province of Saskatchewan. I don't think it's any secret to the hon. member that we're kind of limited in terms of the revenue we can raise through taxation measures in the province.

We're certainly limited in terms of what we can do by cuts of government expenditure. Therefore there's a third way of having a revival of our economy and that

is through expansion of our economic base within the province. And I wanted oil and gas companies to know that they can be a very important part of that expansion of our economy.

We welcome those companies. We certainly want them to pay their fair share. We want them to know that there won't be any surprises to them when they come to Saskatchewan to do business, and that we'll be a predictable government that wants to form partnerships in a number of innovative ways to discuss the problems that have faced the industry in the past and what solutions we may have to correct those problems in the future. That was the thrust of my trips to Calgary, Mr. Member.

Mr. Goohsen: — Thank you, Mr. Chairman. Mr. Minister, I apologize for having just had to pinch myself here. I had to make sure I was really awake and that I was actually here because for a minute there it almost sounded like the former premier making one of his speeches. It almost sounded like open for business, going for Fair Share, and predictable government for the mines and gas and oil industries. It certainly sounded like one of his speeches not so very long ago.

So I have to admit that it sounded like a nice line and approach for dealing with these situations and we hope that you can convince some of your colleagues of this kind of open-minded approach to development in our province.

I want to talk to you just for a minute about the mines ends of your portfolio, Minister. I've heard various reports about diamond mining in the province and those kinds of adventures. How promising do you see the development of diamond mines in the province, and do you think that there is really any genuine economic future in that program?

Hon. Mr. Anguish: — Well I first off would like to say how honoured I am or would normally be honoured that the member would refer my presence to that of a former premier, but looking back at the administration over the past 10 years, I don't take that as a compliment at all.

In terms of the diamond play in Saskatchewan, there is a great deal of interest. There are at least three companies that are actively involved in exploration for diamonds in Saskatchewan. Two of them are joint ventures amongst junior companies; the other is a major play, involves a couple of major mining companies.

I think there is some degree of seriousness when you look at the report by one of the companies last week that they had in fact discovered some diamonds in their 1992 drilling program and another company associated with them had their shares shoot up by \$2 in one day and then had the Toronto Stock Exchange request that they give some validation of the exploration program. I think that's good news for Saskatchewan mining, in particular in this case to exploration for diamonds.

It'll take some number of years yet in developmental . . . or sorry, in exploratory drilling before we can determine whether or not there is a substantial enough quantity of diamonds within Saskatchewan to actually set up a mine and mine the kimberlite pipes or the overburden that is around the kimberlite pipes to produce commercial or possibly industrial grade diamonds in Saskatchewan.

Mr. Goohsen: — Well thank you, Minister. You almost tempted me to run out and buy some stocks which led me to the thought that when I was younger I heard about people who invested money in coalmines and found out later that they were flooded with water, and that by the time they could get the coal through the water, the money would all be gone and they were . . . basically had been defrauded out of their money.

In these kinds of adventures like diamond plays, it does sound highly speculative. And I'm wondering what you and your department and your government is doing to protect the investors who might be caught up in this kind of a fever to make sure that there isn't an unnecessary bad name given to the province of Saskatchewan as a result of people perhaps getting drawn into the excitement of gold-rush fever — this time of course being diamond fever — to make sure that we don't lose credibility as a province.

(2100)

Hon. Mr. Anguish: — Well it's not really the job of Energy and Mines to advise investors either to be in favour or to be opposed to an investment. I would say here today, without the prompting from the department, that anyone who plays the stock market should do so acknowledging that it's money they may potentially lose.

And I do not as minister, and I would not encourage any of our officials within the department, to indicate one way or the other whether Saskatchewan people or others outside our borders should be investing in any kind of stocks that trade on the stock exchange. We think that people should make their own assessment. We know that there is a large amount of exploration activity. We have no indication at this point yet whether or not there will be a diamond mine in Saskatchewan, and people should in fact govern themselves accordingly when making such an investment.

Investments without proven reserves are highly speculative and I'd be the first to acknowledge that here. I'd not want to see people invest in something that we cannot substantiate. We can substantiate that there has been diamonds found in Saskatchewan. We cannot substantiate whether or not there are diamonds in high enough quality and quantity, in fact, to have a mine brought onto production. That's some years down the road yet.

Mr. Goohsen: — I'd like to thank you, Minister, for clarifying that. Mr. Chairman, I want to ask the minister about his impression of the uranium mining

industry. Do you see new development in the next period of time? Will there be, in your opinion, some new mines started or will there be an expansion of the present mining system? What is your impression of the world market situation in uranium and will this sustain the kind of development talk that we've been hearing about through the media? Will you be encouraging this and what benefit would there be for the province?

Hon. Mr. Anguish: — Well the world demand in terms of uranium does seem to be stable at the present time. There is some interest by a number of mining companies to either expand or to develop new mines within the province. We have taken the position as a provincial government that these expansions will be allowed if they pass the federal-provincial review panel. That federal-provincial review panel is ongoing with a number of developments within the province.

The federal-provincial review panel has, I guess, basically given the go-ahead for the McArthur River underground exploration project. It's an exciting venture at McArthur River. What's happening is that the company doing the drilling has done the vertical drilling from the top. They're now sinking a mine shaft and doing horizontal drilling to get a three-dimensional picture of the ore body to tell whether or not the economics are actually there to proceed with it. The companies are speculating that that mining venture will proceed but it totally depends on how the federal-provincial review panel rules.

Mr. Muirhead: — Thank you, Mr. Chairman. Mr. Minister, the question I want to talk about, I don't think you know anything about it but some of your officials I think will know for sure. Last year in estimates of Energy and Mines, we asked the hon. member from Swift Current — he was the minister then . . . and it pertains to a long going . . . I already see a smile on the face from one of your officials. It's the *Watkins v Bakkens*' appeal that went on for years. In fact it started back in 1983.

And last year we put all our cards on the table, the minister and myself, and we come to an agreement that that's the way the case sat. But to solve the problem, the minister said that this here problem was going to be something he was transferring out of the department to another department like Rural Development or something like that. But there has been so many changes in the departments now, I was wondering where this was at and if it did happen.

I'm sure your staff can help you out on this one. Because I had taken *Hansard* out to this Mr. Bakken and he was very pleased with the minister's words from last year. And I just wanted to know if it happened or not, and where it's at.

Hon. Mr. Anguish: — Well I appreciate the hon. member's questions about gravel pits. I recall having quite a few questions about gravel pits myself when I was a member of the official opposition.

I would inform the hon. member from Arm River that

as of July 1 the administration of sand and gravel will be the responsibility of the Saskatchewan Department of Environment and Resource Management. So July 1 it will become that department's responsibility. Up until July 1, hon. member, it's still the responsibility of this department.

Mr. Muirhead: — Mr. Chairman, Mr. Minister, thank you. I see they're having a conversation over there. Mr. Minister, are you getting some more information that you want to pass on to me, Mr. Minister? Thank you.

Hon. Mr. Anguish: — Just one minor correction. The officials inform me that the administration for sand and gravel in the northern part of the province comes under the Saskatchewan Environment and Resource Management. In the southern part of the province, which would include the area you're interested in, it would come under the Department of Agriculture.

Mr. Muirhead: — Thank you, Mr. Minister. That's all I had to ask.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, I looked at the two pages that you sent over. What I'm trying to do is get a handle on the advertising cost and I can't find it. I find printing at forty-six five. Could you tell me where to look for the . . . where do I find the cost of advertising in the *Estimates* here, please?

Hon. Mr. Anguish: — I pointed out to the member that those two sheets I sent over did not have the advertising in them. The advertising does not come under the administration budget.

I do have here, and I'll send them over to the hon. member, the details of the communications budget up to March 31, 1993, and then the actual budgeted amount for the '93-94 fiscal year. And I don't know, do you want me to read these into the record or would you just like me to pass them over to you? I'll pass them over to you then. If the page will take these over, please.

Mr. Britton: — Thank you, Mr. Minister, Mr. Chairman. Mr. Minister, I got a couple more things I want to talk to you about and it's on page 38. We're saying here that we're paying out mineral compensation, and then down on the same page we are saying payments to or on behalf of individuals. Could you explain the difference of those two to me.

Hon. Mr. Anguish: — If I understand the hon. member's question correctly, on page 38 where it has mineral revenue collection, that could be basically viewed as our cost of doing business for collecting the revenues.

The line underneath that where it says: mineral compensation, \$771,000, that would be amounts paid out to mineral-rights owners, hon. member.

Mr. Britton: — Thank you, Mr. Minister. Could you explain then what payments are . . . or the difference

between that and payments to individuals? What is that?

Hon. Mr. Anguish: — It's exactly the same thing. It's just stated differently.

Mr. Britton: — Thank you, Mr. Chairman; thank you, Mr. Minister. I have one more question. On page 40 under the heading of expenses by type, we see in '92-93, grants to local authorities and third parties, it was 625; and in '93-94 it's going to be 1.5 million. Could you explain that a little bit to me, sir.

Hon. Mr. Anguish: — This is the grant that was and will be paid to the Saskatchewan Energy Conservation and Development Authority. In their first year of operation the \$625,000 is the amount that was appropriated for the Authority. In '93-94 we expect that the work they're doing as the Energy Conservation and Development Authority will be much more extensive and elaborate than what they had done in their start-up year. Therefore they'll be receiving over the course of the year some \$1.5 million in the year under review.

Mr. Britton: — Thank you, Mr. Minister, Mr. Chairman. Mr. Minister, what I would like to say in closing, much like my colleague from Maple Creek, I think with your new outlook on what makes industry wheels go around, I think it's going to make it a little easier for you and I to get along with each other in the next few years. And I want to thank you very much for your time and your consideration if . . . I guess my colleague has a question or two.

Mr. Swenson: — Thank you. I wonder if the minister could provide a breakdown on the conservation and development authority? What portion of that allocation is in salaries and contractual work and what is actually done in the way of developmental work?

Hon. Mr. Anguish: — To the Acting Leader of the Opposition, I don't have that detail here right now. I'd be happy to provide that to you. I'm a little hesitant to provide what I have at this time.

The Saskatchewan Energy Conservation and Development Authority are still in the process of appearing before Treasury Board in terms of getting the numbers into place to correspond with their grant of \$1.5 million.

One of the reasons why the line item still appears within the Energy and Mines budget is because of the start-up operation of the Saskatchewan Energy Conservation Development Authority. Next year I would fully expect that the Energy Conservation Development Authority will have their own line item in the budget.

I do not suggest that you should wait until next year for the information you've requested. But I would ask that you wait for approximately, maybe, another two or three weeks and I can provide a more detailed breakdown of the 1.5 million which I think is what

you're asking.

Item 1 agreed to.

Items 2 to 7 inclusive agreed to.

Vote 23 agreed to.

(2115)

The Chair: — If the minister would like to thank his officials.

Hon. Mr. Anguish: — Yes, I would like to thank very much the members of the official opposition for the questions they asked this evening.

I'd also like to thank the officials from the Department of Energy and Mines and the officials from the Saskatchewan Energy Conservation and Development Authority for the very good assistance they've given me here this evening in getting me through my first estimates as a member of the Executive Council. Thank you.

Some Hon. Members: Hear, hear!

Mr. Britton: — Thank you, Mr. Chairman. I too would like to thank the officials for your time. And I would like to thank the minister for the questions and warn him that this . . . we understood it was your first time and it was also my first time. So maybe next year we'll get into some good debate. Thank you, sir.

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

The Chair: — I'll ask the Minister of Highways and Transportation to introduce his officials.

Hon. Mr. Koskie: — Thank you, Mr. Chairman. Seated to my immediate left is the deputy minister of Highways, Clare Kirkland; immediate to his left is Myron Herasymuk, senior assistant deputy minister; to my right is Ernie Anderson, director of rural transportation services; and immediately behind Mr. Kirkland is Don Metz, assistant deputy minister of operations; and Colleen Laing, director of finance and administration. Other staff are in the rear of the Chamber. I think these are the immediate ones that we will be needing.

Mr. Chairman, if I might, I just want to briefly say . . . (inaudible interjection) . . . Pardon? Mr. Chairman, I would initially like just to highlight some of the initiatives taken by Saskatchewan Highways and Transportation in this past fiscal year.

Most recently the government has negotiated a strategic highway improvement program with the federal government. This is a \$70 million agreement that will improve six Saskatchewan highway routes. It is a five-year program. Each government will contribute 35 million to upgrade and rehabilitate the Trans Canada Highway, the Yellowhead Highway,

and Highways No. 7, 11, 12, and 39.

Under this agreement four Saskatchewan highways will be twinned; the highlight of this — twinning of the Yellowhead Highway between Saskatoon and North Battleford. This government has long maintained that improvement of our interprovincial highway infrastructure is the necessary stimulant to our economic growth.

The 1993-94 budget contains more than \$75 million for road construction and \$82 million for highway maintenance.

The program addresses provincial highway needs but maintains emphasis on the high traffic volume highways. The construction program includes 56 surfacing, 20 grading, and 20 bridge projects. Rehabilitation expenditures will exceed 37 million and will improve 713 kilometres or about 6.8 per cent of the provincial surfaced highway network.

The department also undertook the first reorganization in 20 years in order to provide a greater efficiency, to improve customer service and make policy development a priority. Five divisions were combined into two; 21 branches were reduced to 12, with new branches including the transportation and economic development branch, and aviation and northern transportation branch.

Also this year, the transportation services of the Department of Rural Development were amalgamated in the Department of Highways and Transportation. Saskatchewan Highways and Transportation is now responsible for the ferry services, rural roads and bridges that were formerly under the Rural Development, which further widens the scope of the transportation mandate.

With those few words as a background, Mr. Chairman, I'm prepared to entertain questions.

Item 1

Mr. Goohsen: — Thank you, Mr. Chairman. Well, Mr. Minister, as critic for the Department of Highways, I want to say that I'm happy that you negotiated the deal that you've just outlined with the federal government. It's definitely a positive thing and a pat on your back certainly is in order for having accomplished that. We do have some questions, though, with regards to that agreement as well as many of the other things that are happening with our highways and our transportation system.

The evolution of having a large part of Rural Development's responsibilities falling now under your portfolio also brings us to question how you're going to finance all of those things, and which areas of course are going to have to be financed, and how you've budgeted for that, and where those kinds of things are coming from.

We'll get into that as we go along. We have several issues here that need to be talked about. I don't think

they're real serious problems in terms of people needing transportation that won't be accommodated or anything like that, but we do have to clear the air on things like responsibility, how individuals get hold of the people they have to talk to. I'm referring now to the rural municipal structure. We've had several complaints that since the Department of Rural Development has been cancelled basically, or is no longer in existence, that the people who used to be available to answer the questions don't seem to be there any more because there is no department.

So there is a considerable problem of trying to find out where to call to find out the answers to the questions that come up on a day-to-day basis in the municipal structure and the municipal system. We want, I think, perhaps to have you clarify that, and I'll just take my place and allow you to do that.

Hon. Mr. Koskie: — Thank you for the question. I just want to say that this happened very recently as you know, just prior to the . . . well this spring actually the amalgamation took place.

The one point that is positive is that the districts which the RM (rural municipality) had coincided with the districts that we have with the Department of Highways, other than one district of Regina where we have it housed in Regina for Highways and Rural Affairs had it located in Weyburn. We have maintained the operation for continuity. And for the use of the municipalities, we've maintained the office in Weyburn rather than consolidate it back into the Department of Highways.

We've made some significant, I think . . . (inaudible) . . . also in that we brought across some very key people who have worked for a long time with the Department of Rural Affairs and then with the RMs; and of course Mr. Ernie Anderson, sitting next to me to the right also is very familiar with it. We have asked him and retained him to carry on with the coordination. Another engineer, Mr. Antonio, from the Department of Rural Affairs is also active in carrying on the continuity.

I suppose there will be some adjustments but I'm sure that we are going to be able to coordinate and to provide excellent service to the RMs. In fact we want to meet sometime later this year. I think there has been a request from the head of the RMs to meet with us just to go over an evaluation of any concerns that they have.

So while I admit that there is some dislocation, changing and moving it into the Department of Highways, every conceivable effort is being made so that it will be the best possible arrangement for the RMs and a continuation of a close association in providing them with information.

That's generally what we have been doing, and certainly we want to provide them with the very best information. I want . . . (inaudible) . . . to say that my department indicates that a letter of contacts was recently sent out to all of the RMs so that they will

precisely know who they should contact. So we're making every effort possible to coordinate that.

Mr. Goohsen: — Thank you, Mr. Chairman. Thank you, Mr. Minister. I appreciate the fact that you have sent that type of information out because we have been getting a lot of calls into my office asking for that information. And to be quite honest with you, I was having trouble tracking down who they should call. And I hope that this has cleared the problem up. If not, we'll get back to you, that's for sure, because we will soon be hearing about it.

I think our staff provided — as they have to the other ministers — a list of questions that we have compiled, that we'd like to have answered, and delivered them to you prior to this evening. And we're wondering, of course, if you would provide us with that list of questions with the answers, and if we can carry on to the others areas if you've done that.

Hon. Mr. Koskie: — Yes, I have . . . we have compiled it. I just want to indicate that it took a tremendous effort on the part of the department in complying with it.

The total cost, by the way, has not been really documented but there was something like 398 hours that was consumed in putting together the answers to the questions and the information that you had asked for. But we made the effort and I'll have one of the pages deliver a copy to you.

Mr. Goohsen: — Thank you, Mr. Minister, for your compliance with our request. We will obviously take some time to go through this before we'll have an understanding of all of the answers. And we certainly assure you that we will do that.

I guess we won't apologize really for the cost of putting together the material because it is for the purpose of helping the taxpayers of the province to ensure that their monies are being spent well and properly. And lack of efficiency in my role is something that no one will ever accuse me of, I suppose, after having challenged you in this way.

So I want people to know that we intend on doing our job effectively and efficiently. And if it takes a little harder work on the part of your officials, well I guess that's just one of the prices you got to pay for being in this business.

So we do thank you though, and your officials, for going to this effort. I think it is remarkable that you were able to get it together in this short a period of time. And we certainly do appreciate it on behalf of the taxpayers of the province.

Now I have quite a few questions coming out of the *Estimates*. But the member from Rosthern, I believe, would like to ask you a couple of questions, so I want to bow to him while he asks his.

(2130)

Mr. Neudorf: — Thank you very much, Mr. Chairman. And thank you to my colleague for giving me a few minutes here to get involved in the discussion.

Mr. Minister, your opening remarks, you mentioned something about your \$70 million deal that you have made with the federal government. Could you clear up for me some of the misunderstandings I think that some people in my area are having, in so far as the impact that the twinning of the highway . . . No. 14 I believe it is, north of Saskatoon, in the last couple of years it's been expanded to about Langham and so on. And what have you got in mind, or what's going to happen with the twinning of that particular highway, and then on to Battleford. What have we got to mind for this year and the following year? Could you bring me up to date on that?

Hon. Mr. Koskie: — Yes. I think if you look at the schedule that I provided to you, you will see in respect to — that's No. 16 Highway — from Langham to North Battleford there's something like 90 kilometres that's left to be four-laned.

And it is the intention of the department . . . This is part of the contract with the federal government. In order to enter into it, they designate certain highways as interprovincial, and certainly No. 16 is. And so what is proposed this year is to commence where the four-laning stops just out of North Battleford, and to proceed eastward. And I believe it's 30-some kilometres that is anticipated to be graded this year for four-laning. So it would be 30 kilometres.

Then we'll take it on from that the following year, pending budgetary considerations. But it's 30 kilometres, I believe, this year.

Mr. Neudorf: — I guess that begs the question then, Mr. Minister, why would you have twinned it or why did we twin it, I guess, would be a better question, from Saskatoon to Langham and now continue the twinning starting from Battleford and working in the opposite direction? That's one question.

And the second question I would have: what are the long-term plans for the bridge at Petrofka, that bridge that is there? It's going to be a two lane over the bridge; is that going to be a bottleneck or are you having some plans to handle that situation?

Hon. Mr. Koskie: — I think the department is looking at two options in respect to the bridge. One is the possibility of using the old bridge. That's the first possibility, and they have done an assessment as to the cost of putting that up into standard. And the other option is a new bridge which will give the double lane across the river.

The reason I guess for starting from North Battleford this way is, I think, actually I think the department had done their surveying in that area and it was essentially ready to go. What we did is some hurry-up work in anticipation of getting the agreement. Because initially what the federal government had offered

earlier in the fall was a ten-year construction program which would have been approximately \$17 million annually for 10 years.

And so what we did is to do some survey work in order that we would be ready to access some of the funds of the federal government. And I guess that's the basic reasons why we started there and I don't know what more to say.

Mr. Neudorf: — With respect to using the old bridge, Mr. Minister, I know that in the old days, before the new one was built, that bridge was a death trap. I think the main reason for that was that it was a very narrow bridge and traffic going both ways was just asking for trouble. I can see where you're contemplating using that bridge with traffic only proceeding in one direction, which of course would be much more acceptable under conditions like that.

One of the reasons that I find that we were making that twinning from Saskatoon and then north, simply was because of the traffic flow with Dalmeny, Langham, and these areas where there was a high volume of traffic.

And of course I don't know if you mentioned, or I certainly have failed to mention that this is of course part of the Yellowhead, and it's very significant that way. And I'm sure that's why the feds are interested in cost sharing with us from that respect.

But talking about twinning, there's two other areas that I want to talk about. One is the Martensville release that you had in that same yellow sheet that you were just holding up, where you're contemplating twinning the highway at least as far as Martensville. Could you indicate to me what traffic flow is up to Martensville per day, and also north of Martensville, just to see how . . . so we have the figure, exactly, of how many people come in and out of Martensville in one day.

Hon. Mr. Koskie: — I'll get that information provided to me on the count.

I just want to indicate that north to Martensville and to Warman where they're allowing us to twin, that was a concession by the federal government. They allowed us to twin and to count that as our contribution of expenditures to equal 50/50 sharing.

And I'll just give you the relative traffic counts here. They've got a map here that is just filled with numbers and I can't . . . I'll have to get that for you. They'll have that information as specific. But you can't read it off of this here. This is a map of complete account throughout the whole province. But you can't discern it on this size of map. I'll get that information for you.

Mr. Neudorf: — Thank you, Mr. Minister, that will be good enough. I'm a little bit surprised at one of the answers that you gave me because I know that when we were in government, as the MLA (Member of the Legislative Assembly) for the area, we had trouble getting the federal government to agree to something

like that, so I'm very pleased that you were able to accomplish that.

And I say that on behalf of not only the residents of Martensville, but anybody from Blaine Lake and half of that whole area that comes into Saskatoon. It's always a hazard and you breathe a sigh of relief when you get by Martensville either going south or going north because there is a heavy traffic flow there.

So the question that I would have, number one, is when are you contemplating starting and finishing this work?

Hon. Mr. Koskie: — If I look at the, again, the construction projects, Saskatoon to Warman . . .

An Hon. Member: — No, that's not the one I'm asking.

Hon. Mr. Koskie: — No, that's on for this year. The one to Martensville is the one you're interested in. That is not on this year's . . . was not included. We'll have to do that next year. It's not on this year.

Mr. Neudorf: — Well thank you, Mr. Minister. You're putting a lot of effort or a lot of faith in that yellow little sheet of paper that you have there. So by that you seem to be indicating to me and the people of this province what is written on that yellow sheet of paper is to be taken as gospel. So that answers a lot of my questions then what you have in there.

Pursuant to the one in Martensville, first of all, so we don't get sidetracked, how many kilometres are you going to be going from the overpass just north of Saskatoon, and what is the total cost anticipated to be?

Hon. Mr. Koskie: — Yes, the closest information that I can get is 9 kilometres, from my assistant deputy minister. I don't know if that's accurate, but it looks like the apparent distance. I don't have it because it's not on this here sacred piece of paper that we're going to commit to and we'll complete this year. But I take it it's from the bridge right to Martensville that we will be completing.

Mr. Neudorf: — All right, Mr. Minister. Well just north of Martensville by about one mile, maybe one and a half miles, there's a normal junction there already — 306 or whatever it happens to be, the one that goes across to Warman. It would seem to me that that would be a natural place for you to end that.

But another question that I would have, and this is very significant for the people in Martensville, and that is, what type of access are you going to make from this twinned highway now into Martensville? What type of access are the Martensville people going to have to the highway?

Hon. Mr. Koskie: — That process has not been completed because it's not on this year's agenda on this yellow sheet. But what we will be doing is when we put that project into the stream, what we will want to do is to have consultation with the community in

order to best assess the needs that they want for access.

Mr. Neudorf: — Well that was a comment I was going to make, Mr. Minister, is that the town of Martensville is very, very concerned about this and they want to have consultation. And I can tell you already what they want, and that is to have a clover leaf. Now I know that a clover leaf is going to cost you a million bucks just like that, in order to do it properly, but you're doing this only . . . and I assume that the only reason you're twinning this highway is because of the safety factor.

And I think that we would be very, very concerned about the method that you're going to use in order to establish . . . It's no point in twinning that highway and having the stream from Martensville heading west to turn south, crossing the heavy flow of traffic going north. So I mean this is a catch-22.

You can have the perfect twinned highway, very, very safe, but at some point you have to have those vehicles getting onto the highway and you're going to have traffic crossing, and there's a whole host of problems involved with that type of access.

So I take comfort, Mr. Minister, in your assurance that there will be consultation and that the people there will be kept fully informed and have input into the process.

So now let's go to the section then that is in your yellow folder, and that is the Warman. I have a number of questions dealing with that particular section because there are potential problems as you twin the highway. How do you perceive . . . from the overpass, just north of Saskatoon, and it branches off to become No. 11, how are you planning to do that since the plans are in progress and you are going to be beginning work momentarily, I would assume, if you're going to be doing it this year?

Hon. Mr. Koskie: — I've just indicated by staff that there is a consultant doing some work in respect to that and that report is not complete at this time. So what we're doing is having a consultant look at the very problem that you're indicating in respect to Warman and how it's best to handle it.

Mr. Neudorf: — But, Mr. Minister, if you're expecting to get a consultant's report in and then have your officials make a decision and you're going to be doing the work this year, I would suggest to you that the time frame is very short on that kind of an operation.

Hon. Mr. Koskie: — We can't have it both ways. We can't have consultation and the best to serve the community, and at the same time rush it. So I mean what we have done is to take the process . . . what the department has done is to get a consultant just to take a look at it and to make the best recommendations in respect to that particular road to Warman, or the four-laning.

Mr. Neudorf: — Well let's get one thing straight, Mr.

Minister. I'm not rushing you. You're the one that said you were going to be doing the work this year, and I commend you on that.

Now I just want to find out what are the details of the work that you're going to be doing this year. And you're telling me that you're waiting for a consultant's report as to what would be best.

Has there been any work done on how you're going to be handling the situation because there's an east-west railroad just prior to the entrance into Warman? Are you going to be putting in another overpass over that railroad?

And following that, my other question is: how are you going to access Warman? Now this is very similar . . . this situation is very similar to the one in Martensville. So my question to you is: how are you going to . . . what's the traffic flow north and the traffic flow south going to be in so far as being able to access the town of Warman?

(2145)

Hon. Mr. Koskie: — Yes. In discussing this with officials, they indicate that two things are happening. The department is in the process . . . engineers of the design that's undertaken, and they have a consultant also in respect to how best to handle any problems in respect to putting in the four-laning. That work has to be done first before this can proceed. And it's just in process at the present time, it's not completed.

Many of these came on without our expectation, you have to remember, eh? We're hopeful that we can get the design and the problems and the consultant's report, also the engineers' design, to the satisfaction . . . some communication with the community.

But all I say to you is that we would have . . . if we had known that the federal government — we didn't know until mid-December I think, when Mr. Mazankowski, the Hon. Minister of Finance, brought down his minibus budget in the fall and so what we had to do then in order to access the federal program is to start putting on to stream very rapidly. And so that's the problem that we have, and so what the department is doing now is the full design work; they have the consultant.

And the best that I can say to you is that when that's completed, we'll want to have some discussion with the community. We'll make it available to you if that would help, and discuss it with you and go from there. But we're hopeful that that can be done and that we can get on stream with that. But that's where it's at.

Mr. Neudorf: — Well thank you very much, Mr. Minister, but one thing I think we should be careful of and that is not to sell the department short. Your officials have lots of designs, lots of planning. This thing has been going on for the last 10 years. I know there's been lots of land bought up for the right of way of the twinning and so on, so this is not totally catching the department by surprise.

I think up until this stage they've had the luxury of saying, well maybe this, maybe that, and there was no sense of urgency of having to make a decision, I'll grant them that. And that has been thrust upon them at this time.

One other question that I want, that I have some concern about. And that is from the traffic coming from Warman to Saskatoon, I would suggest to you — and this is just a figure that I'm picking out because I think it would be pretty close — but 75 per cent of the traffic probably never goes to that other overpass in through Idylwyld but rather through the chemical plant, that road. Because most of the people coming from Warman during rush-hour traffic access Saskatoon through the chemical plant road. And there's another problem of having a twinned highway and having to cross medians and all these kinds of things. Is there any design that the department is favouring at this time, as to how that will be done?

Hon. Mr. Koskie: — Take the whole design of it, as I said. It's in the process of being designed and the various problems that you raise obviously are a part of what they're looking at.

And I just want to say to you that this came on stream. I mean we just didn't have it in our budget, the possibility of being able to do this. And it was only under the negotiation with the federal government that they indicated that we could get those two. And I thought this would be tremendous assistance to the traffic volume both to Martensville and to Warman. I thought it was a significant concession.

All I can say is that the department is working full speed. And the one that we are looking at first of all is Warman and then we want to get to Martensville. But all of those concerns obviously will be looked at and in detail, and we'll let you know exactly as our designed plan gets going.

Mr. Neudorf: — Okay, Mr. Minister. I appreciate that. And I never thought I would see the day that the member from Quill Lakes and I would be both agreeing that well maybe the federal government isn't that bad after all. So I certainly . . . Just stay sitting until I'm finished now.

Well, Mr. Minister, I guess I would only have one further question for you, and that is: with the implementation date of construction starting on that Warman part at least, what is your date of completion that you are anticipating?

Hon. Mr. Koskie: — Well we have it on the schedule this year. But just as you have indicated, whether or not we get all the design and everything in place, it's — matter of fact, whether or not we complete all that and get on with it . . . but it is our intention . . . We don't have a specific date for when it would commence because, as I said, we do have the engineering part and the design to do. That's important, and we'll take it accordingly.

But it's one of the projects that we have in the

schedule here this year and hopefully that we will be able to get the design completed and proceed with that. I can't give you a date as to when that might likely will be.

Mr. Boyd: — Thank you, Mr. Chairman. Mr. Minister, I just had three quick areas that I wanted to touch on with you: Highway 317, Highway 21, and an issue that just came up. I just spoke with a gentleman minutes ago, a constituent of mine, with respect to overloading of trucks, and maybe we could deal with that issue first of all.

It's something that's becoming more and more of an issue in rural Saskatchewan all the time, I think, Mr. Minister, where we see people buying or upgrading farm grain trucks, hauling of grain. And quite frequently the trucks that are on the road today have boxes that will hold considerably more than the capacity of the licence that they buy.

Now in speaking with the traffic police, they tell me that probably somewhere in the neighbourhood of 75 per cent of the trucks on the road today at any given time — farm trucks, that is — are probably overloaded.

And this gentleman's question and concern was — he finds himself in that situation — and he's simply wondering whether the department has ever given any consideration to allowing a person to buy additional weight allocation for his truck so he can carry more product.

Hon. Mr. Koskie: — I thank the member for the suggestion. I'm advised that that very discussion is commenced with SARM just this week I guess, to see whether or not special considerations can be given. We want to go and discuss it with SARM. We don't have a policy on it as yet. We recognize an increasing problem out there. And I might say that it's a basic concern to us too because as you indicated there are more and more larger and larger trucks on the farms, and that's one of our concerns as the federal government ploughs ahead in respect to the rail-line abandonment and the dismantling of the Crow benefit payment to the railways. Our concern there is very real, that a lot of the transportation then will be onto the producer, probably hauling further and further distances if the federal program goes into effect.

What we have been doing also, not only in contacting SARM and discussing it in respect to weight loads and considerations there, we do have heavy hauls and permits in certain areas. For instance, in the timber area with Weyerhaeuser and so on, so we have allowed that and we work it certain periods of the day, so many trips and so on, but they can overload. So there is special consideration there.

The other thing that we're doing is the Department of Highways and Transportation is looking at a complete plan, sort of an overall transportation plan, a visionary plan for the whole transportation system in Saskatchewan.

One of the problems that we have, as you know, is that Saskatchewan is rather unique in that we got about 8,000, over 8,000 miles, of thin-membrane highways. And it's going to be quite a chore to be able to maintain those if we get a lot of heavy trucks surfacing on those.

So in respect to your overloading of a truck, we're looking at that, we're discussing it with SARM, and moreover we're looking at an overall transportation policy for Saskatchewan.

Mr. Boyd: — Thank you, Mr. Minister. Mr. Minister, I guess that will suffice for that question. I just want to add to it a little bit though that this gentleman's suggestion was that during the winter months when the roads are froze up hard as rock, it would seem that it shouldn't be too much of a problem to extend a . . . or give a person an opportunity to buy a permit for additional weight restriction.

Now I just wanted to move on to those two highways that I mentioned. Highway 317 — we'll deal with that one first of all perhaps. I'm aware that you've been invited to speak to the folks in that area about the highway. There's a possibility that they would like some indication from your department as to whether that highway will be upgraded from the, I don't know whether they still call them super grid or whatever you want to call it, to a paved surface. That's been an area of . . . and a bit of a concern with the folks in that area — Marengo area, north of Marengo is where we're looking at, on the west side of the province. I wonder if you might update me on that highway.

Hon. Mr. Koskie: — Well certainly we're open to discussions in respect to 317. You'll have to appreciate I guess, hon. member, that we are working with a pretty limited budget. We are . . . a fairly significant amount of the budget has been spent on maintaining the major arterial highways such as 11 and No. 1 and No. 16, and some considerable work done on No. 7, or is in the works. Certainly any . . . we're prepared to take a look at that, to discuss it, but I don't think that we have anything immediate in so far as 317 is concerned.

The committee reported progress.

The Assembly adjourned at 10 p.m.