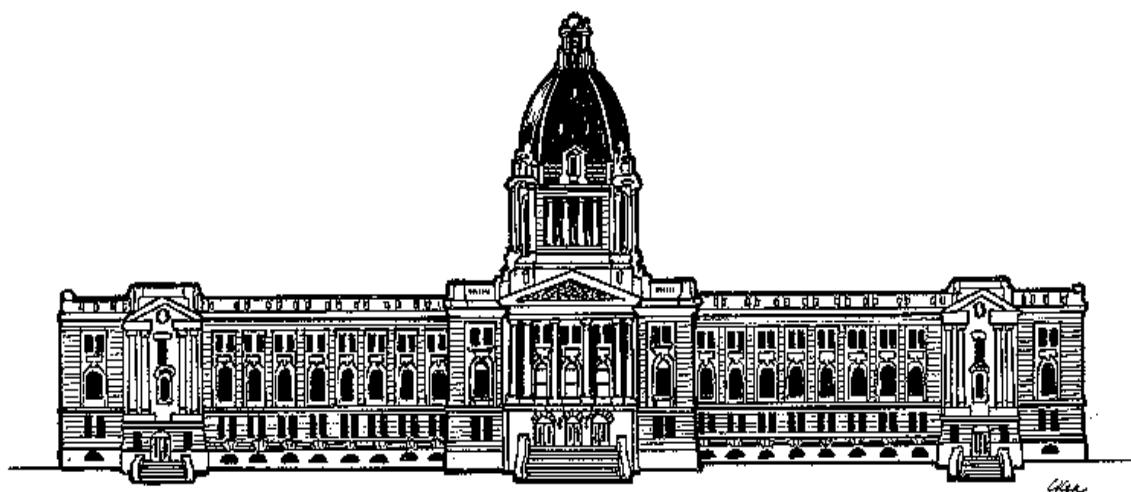




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 64 – May 2, 2011



Legislative Assembly of Saskatchewan

Twenty-sixth Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Delbert Kirsch, Chair
Batoche

Mr. Buckley Belanger, Deputy Chair
Athabasca

Mr. Denis Allchurch
Rosthern-Shellbrook

Mr. Fred Bradshaw
Carrot River Valley

Mr. Dan D'Autremont
Cannington

Mr. Warren McCall
Regina Elphinstone-Centre

Mr. Randy Weekes
Biggar

[The committee met at 19:00.]

The Chair: — Good evening, ladies and gentlemen, and welcome to this committee. We have one substitution, Mr. Kevin Yates for Buckley Belanger. He's a one-man team tonight.

We have a number of documents to table which all have been distributed to you. You will also have received a list of the nine documents we will be tabling. These are the annual reports and the financial statements for various Crown entities, as well as a report of public losses from the Crown Investments Corporation of Saskatchewan.

We have a full agenda this evening. To start with, we will be considering four Ministry of Finance Bills: Bill No. 149, 150, 170, and 171. After this the committee will be considering numerous estimates as indicated on the meeting agenda. We will proceed with the discussion of Bill 149. And, Minister Krawetz, if you want to introduce your officials and if you have any opening remarks.

Bill No. 149 — *The Income Tax Amendment Act, 2010*

Clause 1

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. Mr. Chair, seated to my left is the assistant deputy minister in Finance, Kirk McGregor. To his left is Arun Srinivas who is the senior analyst. And behind me, I have Larry Jacobson who's the manager of corporate taxes and incentives branch and Brian Smith who is the assistant deputy minister responsible for PEBA [Public Employees Benefits Agency].

Mr. Chair, this Bill has been before the Chamber for a number of months, as it was introduced last fall, and there has been a lot of discussion from the opposition. I think a lot of information has been sought by the opposition regarding clarification of some of the points. And I think we're ready to move ahead with the Bill.

The Chair: — Thank you very much. And Mr. Yates has some questions.

Mr. Yates: — Thank you very much, Mr. Chair. Mr. Minister, could you specify for us what corporation would be the benefactor, or corporations, of this particular change at this time, and what locations the product will be processed at?

Hon. Mr. Krawetz: — Thank you, Mr. Chair. At this time, Mr. Member, there is no specific corporation that has been approved because there is an interest shown by a company and of course that information was released in the press not too long ago, and that's Fortune Minerals.

But this is a sector where we're looking at attracting other corporations. We're looking at attracting other companies to come to Saskatchewan to ensure that they can process the product that's going to be mined elsewhere outside of the province. That's the whole purpose of this Bill. It's to provide an incentive so that we could have minerals that will be imported from elsewhere in Canada come to Saskatchewan.

Jobs will be created, and we hope then that will translate into, obviously, growth in our economy. So at the moment there is no entity that has qualified yet.

Mr. Yates: — Thank you very much, Mr. Minister. Are there controls in place within the Department of Finance or within the government to ensure the corporation remains, any corporation would remain beyond the five-year abatement?

Hon. Mr. Krawetz: — Thank you, Mr. Chair. Mr. Chair, as indicated in the different sections of the Bill, the investment by this company has to be at least \$125 million. There has to be at least 75 full-time jobs in Saskatchewan and allocate at least 90 per cent of its taxable income to Saskatchewan. And then of course beyond that, the corporation's income tax returns will be something that will be dealt with. So that's the incentive for the five years. Beyond that we're hoping that the company is established, is able to now flourish, and therefore that entity will remain without the further need beyond the five years.

Mr. Yates: — Thank you very much, Mr. Minister. Are there any processes in place to supervise or ensure, as an example, conditions in capital expenditure and employment are actually met?

Hon. Mr. Krawetz: — Mr. Minister, I'm going to ask my assistant deputy minister, Mr. McGregor, who's very knowledgeable on this Bill.

Mr. McGregor: — Thanks, Minister. The controls that the province is putting in place are directed around the provincial administration. The Government of Saskatchewan has a choice of having either the federal government administer these types of programs, or the province directly. And by having the legislation, first of all, permissive in that the minister may provide a refund of the taxes payable, and secondly, having the province administer it, we'll be able to monitor very closely each and every year that the program that is in place ensuring that the jobs are maintained, that they maintain a substantial Saskatchewan presence, and that their investment continues to grow.

Mr. Yates: — Thank you very much. What is the anticipated uptake by corporations in this program?

Mr. McGregor: — At this point in time, we have had the expression of interest from one company, Fortune Minerals. It is our hope that the opportunity to refine mineral resources in the province from that which is extracted outside the province will gain interest from other corporations, but at the time we have one interest, strong interest, in a corporation.

Mr. Yates: — Thank you very much. Do you have any ballpark numbers as to what the abatement will cost the province of Saskatchewan over the next number of years?

Mr. McGregor: — We don't have an estimate of the corporate income tax that would become eligible for refunds for the . . . in large part because we only have an expression of interest by the one company. But what we do know is that, if they choose to and locate in Saskatchewan, then there'll be other forms of revenue that will be received. There'll be personal income tax

revenues from the employees that are brought into Saskatchewan. There'll be sales taxes and fuel taxes generated as well as utilities that will be generated from the activity. So we're hopeful that this will be a strong net winner in terms of revenue.

Mr. Yates: — That's it. That concludes my questions.

The Chair: — Thank you. And if there are no more questions, we will proceed with the vote on the clauses. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 6 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 149, *The Income Tax Amendment Act, 2010*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would also ask members to move that we report Bill No. 149, *The Income Tax Amendment Act, 2010* without amendments. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Mr. D'Autremont. Thank you.

Bill No. 150 — *The Superannuation (Supplementary Provisions) Amendment Act, 2010*

Clause 1

The Chair: — We'll move on to Bill No. 150, the superannuation amendment Act, 2010. And if there are any questions.

Mr. Yates: — Mr. Chair, I have only one question for the minister. The majority of changes in this Bill seem to be positive, but on the issue of the lack of, the less transparency than in the past, could you please explain why and put on the record for us please and who requested it?

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. And yes, Mr. Member, I'd love to explain some of the circumstances behind the changes to this Bill, because as the member knows of course this Bill, the section of the PSSA [*The Public Service Superannuation Act*] has not undergone any amendments since 1979. And there has been an expression of concern by the Provincial Auditor as well as when Mr. Smith, Mr. Brian Smith of course who I've already introduced, sitting beside me, approached the Privacy Commissioner to ask for an interpretation, we heard some clarity.

And I want to begin, Mr. Member, by putting a few phrases on the record, Mr. Chair. This is from the Provincial Auditor's

report of 2009, report volume no. 3, on page no. 136. And it's this, and I quote:

We think that the detailed personal disclosure requirements are not useful to users in assessing the Plan's actual performance against its planned goals and objectives and it is inconsistent with other government pension plans' legislative requirements and annual report disclosures. Also, disclosure of the detailed personal information in the Board's annual report may be inconsistent with current privacy legislation.

That's the end of the quote. And that is from the auditor's report of 2009. Subsequent to that, the Privacy Commissioner has indicated this in a comment of August of 2010 back to the PEBA officials. And I'm going to just quote a couple of the sentences because it's a 14-page document. And I'll only quote from the last page, and it's from the conclusion page and it says this:

As noted within the preceding commentary, this office would support amendment of the reporting requirements of section 69 of the PSSA as they appear to conflict with both FOIP [that's F-O-I-P] and HIPA [H-I-P-A].

So you can see, Mr. Chair, that both the auditor and the Privacy Commissioner have expressed their concern.

As we know, in the annual report there are ages listed of individuals when they retire. But also there are ages listed and the date of death of individuals, which is a concern of HIPA [*The Health Information Protection Act*]. So we have both FOIP [freedom of information and protection of privacy] and HIPA expressing dissatisfaction with how the reports are currently done. And as I indicated, this Act was enacted a long, long time ago and it now needs to meet current, I think, society requirements, as well as the auditor and the Privacy Commissioner desiring that these changes be made.

Mr. Yates: — I have no further questions.

The Chair: — All right. If we have no further questions, we will now . . . Seeing none, we will proceed to vote off on the clauses. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 6 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 150, the superannuation amendment Act, 2010. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — I would ask a member to move that we report Bill No. 150, the superannuation amendment Act, 2010 without amendment.

Mr. D'Autremont: — I so move.

The Chair: — Mr. D'Autremont. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 170 — *The Corporation Capital Tax Amendment Act, 2011*

Clause 1

The Chair: — The third Bill on the agenda tonight is Bill No. 170, *The Corporation Capital Tax Amendment Act, 2011*. Mr. Minister, if you have any comments.

Hon. Mr. Krawetz: — Just very briefly, Mr. Chair. I just want to indicate to the members of the committee that this Bill is going to deal with small financial institutions.

In the past, we have had two changes to change the limit of that financial institution where they would now, that threshold that is reached, that threshold is now currently at \$1.5 billion. And as a financial institution grows beyond that, then they're subject to the full percentage of tax rather than the 0.7 per cent that is put in place as the lower corporation capital tax. So rather than changing limits as we've done in the past — both the previous government and this government; I think the changes were in 2003 and 2008 — what we're now wanting to put in place is I think a permanent fix to the problem.

As small financial institutions grow, we don't want them to be penalized when they become \$1 greater than \$1.5 billion threshold. So as a result, we've implemented a bracketed tax structure so that the small institutions who remain below \$1.5 billion will continue to take advantage of the 0.7 percentage rate, but as soon as that company grows beyond 1.5 billion, then the amount above 1.5 billion will be subject to the larger tax rate. So I think it's a good incentive for small businesses to grow because they suddenly won't lose that entire amount that they would have below the 1.5 billion.

The Chair: — All right. If there are some questions? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. Mr. Minister, could you identify for us how many small institutions are impacted by this change and who they are.

[19:15]

Hon. Mr. Krawetz: — I'm going to ask my deputy minister who knows the exact numbers.

Mr. McGregor: — There is about 15 small financial institutions that are subject to the lower 0.7 per cent rate. What we were advised of is that one of these small financial institutions, Canadian Western Bank, had reached the limit of \$1.5 billion in terms of taxable capital, and that's solid growth in the company. But what it means, as the minister indicated, was that the way the legislation reads today is that the full 1.5 billion becomes subject to the 3.25 per cent general rate. So that's the company that triggered this.

And just if I may go one step further, the effective date of the legislation is for fiscal years ending after November 1st. And that's in some respects to address the issue of Canadian Western Bank in that, because their last fiscal year they would have exceeded the \$1.5 billion.

Mr. Yates: — Thank you very much. What's the anticipated cost to the provincial treasury in this implementation?

Mr. McGregor: — The answer to the member is that there's no cost to the treasury. We have assumed all along that the company would remain underneath the 0.7 per cent limit. So I'd rather not speak of the specifics of the company's tax payments; I think that's confidential tax information. But suffice to say that their tax bill would have gone up significantly had they been subject to the full 3.25 per cent rate, but the treasury had never expected that money to be received.

Mr. Yates: — Thank you very much. Who requested the change or was this brought forward by the Department of Finance?

Mr. McGregor: — Yes. The change, the issue was raised by the financial institution, advising that they had reached this limit and that would have caused significant financial costs to the company. The Ministry of Finance then examined the current \$1.5 billion threshold, and examined various ways of addressing the issue of the threshold being breached. And the government of the day chose to fix the threshold issue by making it a bracket so that the capital that's beneath the 1.5 billion would remain at the 0.7 per cent rate. Anything beyond that would then be subject to the 3.25 per cent rate.

Mr. Yates: — Thank you very much. What other institutions are . . . Who else was consulted about this particular change, or was there any consultations?

Mr. McGregor: — There was no consultations on the specifics, no.

Mr. Yates: — Thank you very much. Have you received any negative feedback as a result of this change?

Hon. Mr. Krawetz: — That I can say is no, Mr. Member, there has not been.

Mr. Yates: — Thank you very much. That concludes my questions.

The Chair: — If there are no more questions or comments, we will proceed with the vote on this clause. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as

follows: Bill No. 170, *The Corporation Capital Tax Amendment Act, 2011*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would ask a member to move that we report Bill 170, the corporate tax amendment Act, 2011 without amendments.

Mr. Allchurch: — I so move.

The Chair: — Mr. Allchurch. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 171 — *The Income Tax Amendment Act, 2011* (No. 2)

Clause 1

The Chair: — The last Bill of this group for tonight is Bill 171, *The Income Tax Amendment Act, 2011*. We will now . . . If there are any comments? If not, if there's some questions? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. We have four basic changes in this legislation that impact tax rates. Could the minister indicate what is the immediate revenue reduction for each of the changes to the province.

Hon. Mr. Krawetz: — Mr. Chair, in the two tax changes, as the member has noted, in the personal income tax which includes both the personal, the basic, as well as the spousal, as well as the child benefit, that is estimated to have a dollar value of \$70.7 million. So that's what people, taxpayers in the province will be saving.

And on the corporate side, which includes not only the small-business tax rate but also the dividend tax change, that is estimated to be a \$62.1 million savings to small business. So the combined changes for the two incentives will reach a total of 132.8.

Mr. Yates: — Thank you very much. Mr. Minister, you often talk about the 114,000 people that have been taken off the income tax rolls. Could you indicate for us, what is the average income per individual of those individuals removed from the tax rolls?

Excuse me, Mr. Chair. Mr. Minister, if you don't have that available, as long as you can provide it to us.

Hon. Mr. Krawetz: — Mr. Chair, we'll supply more accurate information regarding the levels. But I can indicate, Mr. Chair, that there are three categories that we dealt with and that's numbers that are used: and that is the category less than 40,000; 40,000 to 100,000; and greater than 100,000. There are taxpayers whose incomes are greater than 100,000 who in fact do not pay tax. I don't know whether the member is one of those.

But, Mr. Chair, in the category of less than 40,000, what number was expected to have paid tax based on the old rates was over 295,000. And when we applied the new amounts, that figure drops to 210,000 or 85,000 people less in that category.

In the 40,000 to 100,000, the numbers change from about 214 to 207, which is just under a 7,000 number. And for greater than 100,000, there's 318 people less that in fact will qualify for not being on the tax roll. So that totals about 92,000 people under the old system. And then when we make the further changes, then there is another jump that takes it to almost 114,000 people in each of those categories.

Mr. Yates: — Thank you very much. Mr. Minister, when we look at the small-business threshold — it's currently \$500,000 — why was it not raised? And was there any request to have it raised?

Hon. Mr. Krawetz: — Mr. Chair, actually what we were looking at when we were trying to pass on savings to small-business owners when we look at the threshold, you're going to be passing on a savings to those, if you change the threshold, it'll be those that are greater than that threshold. So what we wanted to do was to do a percentage change that would affect everybody.

And I can tell the member that in all of the provinces except Manitoba the small-business threshold is at \$500,000. There is no one that is greater, and in fact Manitoba is at 400,000. They're actually smaller. So we were wanting to stay consistent across the piece, but we also wanted to ensure that we would be offering all businesses a break, and that is why we reduced the rate from 4.5 to 2 per cent.

Mr. Yates: — Thank you very much. Mr. Minister, do you have any indication what a change in threshold to 600,000 would cost the taxpayers?

Hon. Mr. Krawetz: — Thank you very much for that question, Mr. Member. And my officials indicate we don't have that information with us tonight, but we will ensure that you receive that information when we have the opportunity to compile it.

Mr. Yates: — Thank you very much. That concludes my questions.

The Chair: — If there are no other questions or comments, we will start with the vote. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 12 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 171, *The Income Tax Amendment Act, 2011*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — I would ask a member to move that we report

Bill 171, *The Income Tax Amendment Act, 2011* without amendment. Mr. Bradshaw. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I think that concludes our business with the Minister of Finance right now, and we will do a short recess.

Mr. Yates: — Mr. Chair, if you wouldn't mind, I think we could vote off the Department of Finance estimates, vote 18 and vote 12, which are the minister's estimates.

General Revenue Fund
Finance
Vote 18

The Chair: — Yes, we do have them here so we can do that. Vote 18, central management and services, subvote (FI01) in the amount of 6,295,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Treasury and debt management, subvote (FI04) in the amount of 2,328,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Provincial Comptroller, subvote (FI03) in the amount of 12,517,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Budget analysis, subvote (FI06) in the amount of 5,018,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Revenue, subvote (FI01) in the amount of 16,893,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Personnel policy secretariat, subvote (FI10) in the amount of \$469,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Research and development tax credit, subvote (FI12) in the amount of 15,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Sorry. It's (FI12) I should be reading. So it's (FI12) in the amount of 15 million, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Miscellaneous payments, subvote

(FI08) in the amount of 115,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Pensions, benefits, subvote (FI09) in the amount of 143,268,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Amortization of capital assets in the amount of 1,150,000. This is for information purpose only; there is no vote needed. Finance, vote 18, 201,903,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I will now ask a member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 month ending March 31st, 2010, the following sum for Finance in the amount of 201,903,000.

Mr. D'Autremont: — I so move.

The Chair: — Mr. D'Autremont. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[19:30]

General Revenue Fund
Finance - Debt Servicing
Vote 12

The Chair: — We've got vote 12 now, Finance, debt servicing. Debt service, subvote (FD01) in the amount of 392,340,000. There is no vote as this is a statutory.

Crown corporation debt service, subvote (FD02) in the amount of 27,660,000. There is no vote as this is statutory. Finance, debt servicing, vote 12, 420,000,000. There is no vote as this is statutory.

General Revenue Fund
Fund Transfers
Growth and Financial Security Fund
Vote 82

The Chair: — We've got vote 82, growth and financial security transfers, subvote (GF01) in the amount of 57,517,000. There's no vote as this is statutory.

General Revenue Fund
Lending and Investing Activities
Advances to Revolving Funds
Vote 195

The Chair: — We have vote 195, advances to revolving funds. Advanced revolving fund, vote 195, zero amount, this is for information purposes. There is no vote.

General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Debt Redemption
Vote 175

The Chair: — And now we can go to vote 175, debt redemption, statutory. Debt redemption, vote 175 in the amount of 378,988,000. There is no vote as this is statutory.

General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Sinking Fund Payments — Government Share
Vote 176

The Chair: — And vote 176, sinking fund payments, government share, vote 176, in the amount of 46,747,000. There is no vote as this is statutory.

General Revenue Fund
Redemption, Sinking Fund and Interest Payments
Interest on Gross Debt — Crown Enterprise Share
Vote 177

The Chair: — And vote 177, interest on gross debt, Crown enterprise share, interest on gross debt, Crown enterprise share, vote 177, zero amount. This is for information purposes.

Now that's as far as we can go on that.

General Revenue Fund
Lending and Investing Activities
Municipal Financing Corporation of Saskatchewan
Vote 151

Subvote (MF01)

The Chair: — Municipal finance corporation of Saskatchewan, loans, subvote (MF01) in the amount of 20 million, there is no vote. There is no vote as it is a statutory amount. Yes, Mr. Yates has some questions.

Mr. Yates: — Thank you very much, Mr. Chair. Could the minister indicate what the amount of money is intended for in this upcoming year?

Hon. Mr. Krawetz: — The Municipal Financing Corporation's sole purpose is to provide, is to provide a financing option to local governments through the purchase of debentures sold by the local governments, so there are a number of individuals or a number of municipalities that have taken advantage of that in the '10-11 year. And the applications for the coming year will be assessed, and we don't have those before us. I can indicate to you the projects that have been approved in the year '10-11 if that's what you desire.

Mr. Yates: — Thank you. I'm wondering where you came up with the \$20 million projection for this upcoming year. There are projects being indicated by certain municipalities.

Hon. Mr. Krawetz: — Mr. Chair, to the member, it's really an average of what we'd expect municipalities to look at. By the way, Mr. Chair, I should introduce the two gentlemen that are sitting at the desk here with me. They've just entered because

we're now in this part. Seated right beside me is Rae Haverstock who's the assistant deputy minister, and Jim Fallows is executive director, who's also next to Rae.

Mr. Chair, the average amount over the last number of years is around that 20 million, and we see of course that's very dependent on the financial institutions and their interest rates that they charged. Right at the moment, it is a good place for prospective borrowers because interest rates are low. And as a result, we haven't seen the kind of demand that might increase that \$20 million amount. As I indicated in the report in the '10-11 year, we saw about twelve and a half million dollars worth of money that was allocated to the various municipalities who had applied, and there were 11 projects. We're hopeful that there'll be more or less that amount in the upcoming year.

Mr. Yates: — Thanks very much. I just have one further question. Mr. Minister, do you anticipate, as interest rates rise over the next year or two, that that amount will increase substantially?

Hon. Mr. Krawetz: — Mr. Chair, I think the answer to that question would be that there's still, you know, municipalities have the Municipal Financing Corporation as an option, and that's an alternative. And they're going to do an assessment of what the marketplace can deliver. As you have indicated, the interest rates are possibly or maybe probably going to go up, but we don't see the, you know, huge, dramatic increases. So as a result, I wouldn't see a huge, dramatic increase in the municipalities or regional health authorities or school boards — all of those entities that can take advantage of the Municipal Financing Corporation. I wouldn't see such a, you know, a large increase. You know, the potential is always there of course but that would mean that there was extended growth, and that would be a good thing.

Mr. Yates: — Thank you very much, Mr. Chair. That concludes my questions.

General Revenue Fund
Lending and Investing Activities
Advances to Revolving Funds
Vote 195

The Chair: — If there are no other questions and comments, we have to redo . . . Vote 195, we've made a correction on. Advances to revolving fund, instead of zero it's 170,000. And that was for information purposes, no vote.

A Member: — Statutory vote.

The Chair: — The ladies caught it so we're good. And that, I believe, concludes . . . Thank you very much, Mr. Minister, and your officials. If you have any closing comments?

Hon. Mr. Krawetz: — Mr. Chair, I'd like to thank my officials for assisting this evening, and I also thank the member for his questions on, related to the Bills as well as the estimates, the information that is provided. And as I indicated, the information that we weren't able to provide, we'll ensure that, my officials have indicated they will ensure that that is provided. So thank you to all members for the time that we've spent together tonight.

The Chair: — Thank you. And we will now do a short recess until the next minister arrives. Thank you.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

Subvote (SE01)

The Chair: — Thank you. We are back in session. Next we will discuss vote 150, Saskatchewan energy corporation, and we have Minister Duncan here with his officials. Would you please introduce your officials and if you have any opening comments.

Hon. Mr. Duncan: — Thank you very much, Mr. Chair. Good evening to you and to committee members. I am pleased to be joined by SaskEnergy officials this evening. To my right is Doug Kelln, the president and CEO [chief executive officer] of SaskEnergy, and to my left is Dennis Terry, the vice-president finance and chief financial officer. I do have a short statement, and then we would be pleased to answer any questions that the members would have.

[19:45]

Vote 150, contained within the provincial budget estimates for 2011-12, deals with SaskEnergy's proposed borrowing of \$7.4 million for the fiscal year. This number is significantly less than the previous year and is related to the current low historical pricing for natural gas. A significant portion of the corporation's borrowing activity relates to the purchase of natural gas. Even though commodity costs are a pass-through from which SaskEnergy does not earn a return, the relative price of natural gas significantly impacts its capital requirements. SaskEnergy is anticipating current relatively low prices to continue throughout the 2011-12 fiscal year.

A second driving factor behind lower borrowing is reduced interest costs and the corporation's decision to continue using short-term as opposed to longer term debt at this time. There is a significant differential between short- and long-term rates, and SaskEnergy is capturing those savings.

As a result, the corporation's estimated 2011 capital budget of \$128 million is largely being funded through internal sources. This capital budget is allocated toward the connection of new customers as well as safety, system improvement, and maintenance. These expenditures will ensure the corporation's focus on a high level of services to its base of more than 350,000 customers. With that, we would be pleased to answer any questions from members.

The Chair: — If there are questions. Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. Mr. Minister, a relatively small amount of money this year. You've indicated that the low price of natural gas is a large contributor to that. Is there any anticipated expansion of the SaskEnergy network within Saskatchewan in this fiscal year?

Hon. Mr. Duncan: — Thank you, Mr. Yates. To Mr. Chair and to the members of the committee, certainly SaskEnergy is forecasting another strong year. So we anticipate connecting approximately 5,000 new customers this year, as was the case over the past year.

Mr. Yates: — Thank you very much. Do any of those connections, are they into new areas in northern Saskatchewan? Are those the normal connections we see in the existing southern market?

Hon. Mr. Duncan: — The connections that we anticipate would be through service areas that are already serviced by SaskEnergy, including areas around La Ronge and Montreal Lake which is a new service, a relatively newer service area for SaskEnergy.

Mr. Yates: — But this doesn't include any anticipated expansion to new service areas within the province, i.e., up the west side of the province or further into the north on the east side?

Hon. Mr. Duncan: — Certainly SaskEnergy will continue to identify future or possibilities of expanding the network, particularly on the west side and moving into the northwest side of the province. But I don't think . . . We don't anticipate that a decision would be made this year to move forward on that.

Mr. Yates: — Thank you very much. That concludes my questions.

The Chair: — If there are no other questions, loans, subvote (SE01) in the amount of 7,400,000. There is no vote as this is statutory.

Next we will discuss vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). We'll ask the officials . . . Thanks, Mr. Duncan, and your officials. And we will recess until we have the next minister here.

[The committee recessed for a period of time.]

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

Subvote (ST01)

The Chair: — Okay. If we're ready to start, we will discuss vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01). Minister Boyd is here with his officials. Mr. Minister, would you please introduce your officials and any opening comments you'd wish.

Hon. Mr. Boyd: — Thank you, Mr. Chair. Good evening, members of the committee. Joining me this evening on my right is Ron Styles, president and CEO; on the far right is Mike Anderson, the chief financial officer; and beside me is Darcee MacFarlane, vice-president of corporate and external communications.

Very briefly, Mr. Chairman, we feel that SaskTel has had a very outstanding year, much to the credit of course to the management and people who work at SaskTel: a good year financially, a challenging business, a very, very competitive business as we all know, but I believe that SaskTel is performing very, very well under the circumstances. And we look forward to questions from committee members. Thank you.

The Chair: — Yes. And if there are some questions?

Mr. Yates: — Thank you very much, Mr. Chair. I notice in this upcoming year you're estimating requiring \$92.9 million for investment, or to borrow, pardon me. Could you indicate briefly what the 92.9 million will be used for?

Hon. Mr. Boyd: — It's required to fund the ambitious capital program that includes fibre to the premises, the 4G wireless network, our IPs [Internet protocol], CNet 3 and cellular infill, Max expansion to eight new communities — which include Canora, Esterhazy, Kamsack, Kindersley, Meadow Lake, Nipawin, Rosetown, and Tisdale — First Nations high-speed Internet, voice over Internet protocol, and basic network growth and enhancements. So essentially a very aggressive capital spend for SaskTel.

Mr. Yates: — Thank you very much, Mr. Minister. This particular year was probably SaskTel's if not their best, one of their very best years as a corporation as far as financial return. In a year with that great of return, why are we seeing such a large requirement for growing in the upcoming year?

Hon. Mr. Boyd: — Well I would say a continued emphasis on growing the business for SaskTel, I think a continued aggressive need to meet the competition that is out there. SaskTel is in a very, very competitive marketplace so as a result of that the corporation and certainly the management team is of the view that there needs to be a very aggressive capital spend. Certainly the government supports that, providing the best possible services that we can to the people of Saskatchewan.

Mr. Yates: — Thank you very much. This year the dividend taken by CIC [Crown Investments Corporation of Saskatchewan] I believe was 90 per cent, and that obviously lends to the need for increased new money through loans to pay for this aggressive infrastructure build in SaskTel. Can we anticipate the same level of return next year, and the same requirement from CIC in the form of a dividend?

Hon. Mr. Boyd: — At this point it's a little bit difficult to tell. I guess I would say that the thoughts are that it'll be somewhere, in terms of the dividend policy, something similar to what we see this year. We do however believe that this is a very manageable debt level for SaskTel. They have a debt to equity ratio which is very envious within the industry, so we feel this is an adequate return to the people of Saskatchewan but also provides SaskTel with the necessary — between borrowing and equity and earnings — opportunity to move forward in an aggressive way.

Mr. Yates: — Thank you very much. Just one further final question. I fully understand the debt to equity ratio is admirable, and it was and has been for some time. But it's always a

concern I guess when you have record years and you're accumulating new debt. Is there a projection in outer years when this will turn around and we will not be forecasting taking new debt on?

Hon. Mr. Boyd: — Well, Mr. Chair, and member, I guess I would say we would always want to try and maintain as manageable a debt level as possible. SaskTel, as we said, has a very envious record. If you look at the number of other competitors, the industry average is some 44.6 per cent. SaskTel's debt to equity ratio is 33.4 per cent. So we're still very, very competitive in that respect, in fact the envy of the industry in a lot of ways.

But when you look at the needs that SaskTel has going forward in terms of capital spend, Mr. Chairman, people in Saskatchewan have come to expect a very, very high level of service from SaskTel. They are being provided with that, but they're always looking at the next technology that's coming along, and of course that requires an aggressive capital spend by SaskTel. We expect that they will continue to meet that competition going forward, but always debt to equity ratios are something that is very important and needs to be monitored on an ongoing basis.

Mr. Yates: — Thank you very much, Mr. Minister. I just want to make an observation, I guess, and that will conclude my questions.

Borrowing money in the Crowns and requiring large dividends out of a profitable Crown corporation is simply shifting where the debt is, shifting debt from the General Revenue Fund to the Crown corporations. And debt is debt, I guess, in the eyes of most Saskatchewan people. So all I would urge is we be careful as we're accumulating debt moving forward.

[20:00]

Hon. Mr. Boyd: — Point well taken. Certainly we would want to ensure that we, as a government, watch debt levels. We have had an aggressive program of paying down debt within the Government of Saskatchewan. We would also note that previous administrations have had dividend policies as high as 188, I think it is, per cent. So when you look at a 90 per cent dividend policy — currently less than half what was used as a dividend policy in the past — not that bad when you consider that.

The Chair: — If there are no further questions, we have vote 153, Saskatchewan Telecommunications Holding Corporation, loans, subvote (ST01) in the amount of 92,900,000. There is no vote as this is statutory.

Move to vote 13, Government Services. If there are some more questions . . . Yes.

Mr. Yates: — Mr. Chair, it may make some sense to vote off the other lending activities on page 164, 165 at this time instead of going back and forth.

**Information Services Corporation of Saskatchewan
Vote 159**

The Chair: — Okay. We can go to vote 159, Information Services Corporation of Saskatchewan, loans, subvote (SL01) in the amount of 9,900,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Gaming Corporation
Vote 139**

The Chair: — Vote 139, Saskatchewan Gaming Corporation, loans, subvote (GC01) in the amount of 6,800,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Opportunities Corporation
Vote 154**

The Chair: — Vote 154, Saskatchewan Opportunities Corporation, loans, subvote (SO01) in the amount of 6,500,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

The Chair: — Vote 152, Saskatchewan Power Corporation, loans, subvote (PW01) in the amount of 733,300,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

The Chair: — And vote 140, Saskatchewan Water Corporation, loans, subvote (SW01) in the amount of 10 million. There is no vote as this is statutory.

**General Revenue Fund
Government Services
Vote 13**

The Chair: — We go to vote 13, Government Services, central management and services, subvote (GS01) in the amount of 45,000. There is no vote as this is statutory.

Accommodation and services, subvote (GS02) in the amount of 10,226,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Transportation services, subvote (GS05), and there is no amount. It's for information purposes only.

Government support services, subvote (GS06) in the amount of 406,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Project management, subvote (GS03). And there is no amount, and it was just for information purposes. Purchasing, subvote (GS04) in the amount of 2,125,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Major capital assets acquisitions, subvote (GS07) in the amount of 33,148,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Amortization of capital assets. There is no amount. It's for information purposes. Government services, vote 13, 45,905,000. I'll now ask a member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2012, the following sums for the Government Services in the amount of 45,905,000.

The Chair: — Mr. Weekes. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Information Technology Office
Vote 74**

The Chair: — Vote 74, Information Technology Office. Central management and service, subvote (IT01) in the amount of 2,055,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. IT [information technology] coordination and transformation initiatives, subvote (IT03) in the amount of 4,960,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Interministerial services, subvote (IT04), and there is no amount as it is for information only. Major capital asset acquisitions, subvote (IT07) in the amount of 3,750,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Application administration and support, subvote (IT08) in the amount of 8,894,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Amortization of capital assets in the amount of 420,000. This is for information purposes only. There is no vote needed. Information Technology Office, vote 74, 19,659,000. I will now ask a member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2012, the following sums for Information Technology Office in the amount of 19,659,000.

Mr. Allchurch. Is that agreed? Carried.

**General Revenue Fund
Office of the Provincial Secretary
Vote 80**

The Chair: — We now have the vote 80, Office of the Provincial Secretary, central management and services, subvote (OP01) in the amount of 707,000. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial Secretary, subvote (OP02) in the amount of 2,872,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Office of the Provincial Secretary, vote 80, 3,579,000. I will now ask the member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2012, the following sums for Office of the Provincial Secretary in the amount of 3,579,000.

Mr. Bradshaw: — I so move.

The Chair: — Mr. Bradshaw. Is that agreed? Carried.

**General Revenue Fund
Supplementary Estimates - March
Office of the Provincial Secretary
Vote 80**

The Chair: — We now have the supplementary estimates for vote 80, Provincial Secretary, subvote (OP02) in the amount of 60,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Office of the Provincial Secretary, vote 80, 60,000. I will ask a member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2011, the following sums for Office of the Provincial Secretary in the amount of 60,000.

Mr. Weekes. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Public Service Commission
Vote 33**

The Chair: — Next we have vote 33, Public Service Commission, central management and services, subvote (PS01) in the amount of 4,392,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee service centre, subvote (PS06) in the amount of 14,175,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Corporate human resources and employee relations, subvote (PS04) in the amount of 3,480,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Human resource client services and support, subvote (PS03) in the amount of 14,696,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Amortization of capital assets in the amount 1,500,000. This is for information purposes only. There isn't a vote needed. Public Service Commission, vote 33, 36,743,000. I will ask a member to move the following resolution:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2012, the following sums for Public Service Commission in the amount of 36,743,000.

Mr. Allchurch: — I so move.

The Chair: — Mr. Allchurch. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. The last item on our agenda tonight is the consideration of our 12th report. A draft is being distributed to committee members. This report will list the estimates we considered and report our recommendations to the Assembly.

Committee members, you have before you a draft of the 12th report of the Standing Committee on Crown and Central Agencies. We require a member to move the following motion:

That the 12th report of the Standing Committee of Crown and Central Agencies be adopted and presented to the Assembly.

Mr. D'Autremont: — I so move.

The Chair: — Mr. D'Autremont. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — This concludes our business tonight. I would ask a member to move a motion of adjournment. Mr. Bradshaw has moved. All agreed?

Some Hon. Members: — Agreed.

The Chair: — This meeting is now adjourned.

[The committee adjourned at 20:13.]