

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
MAY 12, 1981**

EVENING SESSION

CONSOLIDATED FUND BUDGETARY CASH OUTFLOW

PROVINCIAL AUDITOR

Ordinary Expenditures — Vote 28

MR. CHAIRMAN: — Mr. Minister, would you like to introduce your staff?

HON. MR. TCHORZEWSKI: — Thank you, Mr. Chairman. I'd like to introduce Rob Douglas, deputy minister of finance; Mr. Lutz, the provincial auditor; Mr. Bucknall from the auditor's branch; Mr. Kraus, who's the new comptroller; and Mr. Wendel, seated right over here, who is also from the provincial auditor's department.

Item 1

MR. ANDREW: — My first question, Mr. Minister, is the question of the independence of the provincial auditor. I raised this question with the Premier, saying not only that the auditor must be independent but must manifestly appear to be independent. The suggestion I made to the Premier, to which he was very receptive, was the fact that the provincial auditor's salary should be tied to that of a judge of the court of appeal or a chief justice of the Court of Queen's Bench. This is the case in many other jurisdictions, I understand. In Saskatchewan, there was an amendment, I believe, brought in 1979 by your government. I think it has often been thrown back in our faces that we, in fact, supported it. Be that as it may, I think it's very important that the audit office appear to be independent.

Could the minister advise us as to whether or not he would be prepared to follow the lead of other jurisdictions, and tie the salary of the provincial auditor to a judge of a court in Saskatchewan?

HON. MR. TCHORZEWSKI: — Mr. Chairman, we could mutually agree that the independence of the provincial auditor in every way is something that is important. I certainly would not argue with the member on the comment he makes with respect to that. The member will recall that what used to exist in the past was that every year there would have to be a bill introduced in to this legislature at which time the provincial auditor's salary was set. I think it was mutually agreed by every member in the House that that was not the best way to do it. I don't know for whom else that is done, although there might be some particular position that I do not recall at the present time. It was changed so that the salary was set by order in council. It seemed like an appropriate thing to do, and I don't think there was any disagreement at that particular time.

I have no difficulty in undertaking to review that, it if is thought that in some way by changing it, that would provide a stronger perception of independence, because the independence, in reality, is there. But if it would help in the view of some people to make some changes, I'm certainly open to consider some changes. I wouldn't want at this particular time, to say what we would specifically consider setting it at, although we could consider tying it to the provincial judges or the supreme court judges. I think the idea may have some merit and certainly I am prepared to take a look at it.

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MR. ANDREW: — I wonder, Mr. Minister, if you could advise me as to what other jurisdictions fix the salaries of their provincial auditors or tell me about the auditor general of Canada?

HON. MR. TCHORZEWSKI: — Okay. I can't tell you exactly what it's like in other provinces. One of the things certainly is that it is tied to judges' salaries. It used to be, I think, at the federal level and I don't know whether it is at some provincial levels. It used to be tied to that of the top deputies or a certain category of deputy ministers, but I can't offhand tell you how each particular province does it. It varies.

MR. ANDREW: — All right. The federal government, as you are perhaps aware, has just changed theirs to tie it to, I believe, the justices of the Supreme Court of Canada. Could you advise me as to how it is done in the provinces of British Columbia, Alberta and Ontario?

HON. MR. TCHORZEWSKI: — I don't know that but the auditor tells me that in British Columbia it's tied to that of the supreme court judges of B.C.; in Alberta it's the average of that of the top three deputy ministers; we don't know about Ontario.

MR. ANDREW: — All right. I would like you to be a little more specific, Mr. Minister. Are you prepared to move, perhaps not this session but next session, to tie the salary of the auditor, as is the situation either in Alberta or B.C.?

HON. MR. TCHORZEWSKI: — Well, Mr. Chairman, the Premier indicated in his estimates that certainly, as I have already said, we are interested in reviewing the present method that's used in establishing a salary. What the new way might be, I really would not want to say at this particular time. One of the options, obviously, is to go back to the way it was and have the legislature set it. I'm not sure that I would favor that at this time, but I think it's certainly one of the options that would have to be considered. It seemed to work in the past, although not many people were happy with it, so I'm not going to commit myself to that or to any other particular way because I would want to explore all of them.

The reason I say that is that one of the problems with tying the provincial auditor's salary, as I see it, to that of a particular category or group of deputy ministers (average them if you want) is that then it is just tied to that. If there were ever a time when it was desirable to increase it (if you want to look at it that way) beyond what those people are getting because of whatever reasons — maybe we don't any longer comparatively relate well with other places — we would be locked in and that opportunity may be lost. So I think I would want to consider that to some degree. But certainly I will undertake (I don't think we could do that in this particular session) to bring a proposal to my cabinet between now and the beginning of the next session so that I can bring a recommendation to the House.

MR. ANDREW: — Okay. The reason I bring this up, Mr. Minister, quite frankly is this: the office of the provincial auditor is supposedly an independent office. In this province, I suggest to you that it's not. When the auditor's estimates come, it's the deputy minister of finance to whom you go for your information. I would just like to read something from a meeting that I was at in Winnipeg last year, when Mr. Lutz was there. Quite frankly, the province of Saskatchewan came up to ridicule at this particular meeting.

AN HON. MEMBER: — By whom?

MR. ANDREW: — By all the other people there . . . (inaudible interjection) . . . Because the comment of Mr. Lutz at that meeting, quite frankly, was this, “I would question very seriously right now from my own position whether I have a hell of a lot of independence at all.” Now, that is a clear statement by the auditor that he is concerned about his independence. The reason he’s concerned about his independence is because it’s not a question of whether you increase his salary; it’s whether or not you can reduce his salary, Mr. Minister. That is the problem, Mr. Minister. That’s why I suggested it’s time that the provincial auditor, like the Clerk and the ombudsman, should be an independent position in this province. One way you can make that an independent position is to tie that salary to the salary of a judge or of a senior deputy minister.

HON. MR. TCHORZEWSKI: — Mr. Chairman, I don’t know, the member keeps pursuing this issue. I don’t know where he’s coming from or where he’s going. But he uses words like “supposedly independent.” Now, that is, I think, an unfortunate choice of words, because I don’t think anyone could, in any way, show that the provincial auditor in Saskatchewan (as long as I can remember and even before my time) has been anything other than independent. I think, clearly, if you take a look at the provincial auditor’s reports throughout the years, there is every evidence to show that that is the case. I don’t say that in a critical sense. I think that the reports were there to indicate where there were difficulties that had to be rectified and that’s the way it should be. So I don’t think it’s a question of “supposed”; I think it’s a fact of reality. That independence is most certainly there.

The member also obviously doesn’t understand another very important part about salary ranges. There is a salary range under which deputy ministers, other officials and the provincial auditor fit. The increment or the economic adjustments in that range are automatic. It happens without anybody questioning it. But from time to time (and that has been done in the term of this government) there are adjustments greater than the regular economic adjustments that are part of those ranges. I think that that opportunity should always be there to upgrade it or increase it as a particular instance in time may require.

MR. ANDREW: — All right. You indicate that it’s my comment. I would refer you to a report to a special committee on the provincial auditor, August 22, 1978. So this isn’t a new thing. I wasn’t even a member of the legislature at that time. This report by the auditor to that committee said as follows (and you can have a copy. I’m sure you have one):

In particular we must not be subject to any possible pressure from the administration that would erode such independence.

And there he was talking about the independence of the office of the provincial auditor. Now, those aren’t my words, Mr. Minister; those are the words of the provincial auditor. He is questioning whether or not his office is independent. That’s not me speaking; that’s the provincial auditor speaking. And surely if the ombudsman or the Clerk were to say that, would you not agree that it’s time that we address that question because it is very important that that office be independent and be seen to be independent?

HON. MR. TCHORZEWSKI: — I’m sorry, I missed the question.

MR. ANDREW: — You indicated that it was simply my convoluted theory that there was no independence. Mr. Minister, I’m asking you: are you aware of the statements made by the provincial auditor that question whether or not he has independence?

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AN HON. MEMBER: — What year was that?

MR. ANDREW: — 1978 and again in 1980.

HON. MR. TCHORZEWSKI: — Mr. Chairman, I'm aware of auditor's reports from a way back because I made a point, when I became Minister of Finance, of going back and taking a look at them. But I'm talking about what the facts are. The facts are that the provincial auditor in this province is independent, operates independently and he does a good job. I think also the various departments to whom the auditor has addressed certain concerns have done a good job in rectifying certain weaknesses in administration and other things that have been identified. So the fact is there is independence. If the member opposite can show me some real evidence that that independence isn't there or somehow it has not been there on some occasions, I'd be most happy to hear what that evidence is and I'd follow up on it. But I don't think he can do that.

MR. ANDREW: — I take it then, Mr. Minister, what you are saying is that you disagree with the provincial auditor when he says there is not independence in his office. You say that he is wrong, that he is making it up, that his accusations are unfounded. Those aren't my accusations — those are his. And you are saying they are unfounded, that there is no truth to what he is saying.

HON. MR. TCHORZEWSKI: — I'm saying that I do not agree that there is no independence. I have asked of the provincial auditor whether he can recollect at any time there was any effort by anybody anywhere to interfere with that independence, and I'm assured that that is not the case.

MR. ANDREW: — All right. The auditor in that same 1978 report:

If the provincial auditor is to remain independent of the administration, his salary should be guaranteed by statute. What is required is a safeguard that government may not change his salary for any reason other than to match its increase in the level of remuneration paid to people receiving . . . (some third party — just to paraphrase the balance of it).

So, clearly in that report, Mr. Minister, he's asking for the same thing to establish his independence. In the 1980, I believe, auditor's report, if you've read it (and you indicated that you have), he said the same thing: the question of his salary being tied and out of the hands of the administration is very important for the purposes of independence. You say, "Give me some evidence," when the provincial auditor say he's not independent. What if the ombudsman came to you and said, "No, there's no independence in the office of the ombudsman; we are pushed around" or "Our salary could be reduced to \$1 tomorrow"? It doesn't matter what he is saying, even though he holds an independent office.

Could you answer this question then for me, Mr. Minister? Could you advise me as to how the salary of the provincial auditor in Saskatchewan stacks up against those of other auditors across Canada?

HON. MR. TCHORZEWSKI: — Let me answer it this way: the best I can say is that we're behind some and we are ahead of others. Certainly we are not as high as the province of

Alberta, but then we are not as high as the province of Alberta in some other things as well. I make no apologies for that at all. I don't have a list of the salaries of the various provinces, but there will be some higher paid than the provincial auditor of Saskatchewan. In other provinces there will be higher paid deputy ministers than those in Saskatchewan of similar responsibilities. Manitoba is one example where it will probably be lower. I don't have a list that I can provide for you.

MR. ANDREW: — Would you undertake to provide me with that list?

HON. MR. TCHORZEWSKI: — Yes.

MR. ANDREW: — All right. The other question I have: are there any members of the staff in the office of the provincial auditor that either now or during the last year made more money than the provincial auditor himself?

HON. MR. TCHORZEWSKI: — No.

MR. ANDREW: — I now want to move to the other subject, and that is the question of comprehensive audit. Does your department have a position on comprehensive auditing or value-for-money auditing?

HON. MR. TCHORZEWSKI: — Yes, the department does have a position. At the request of the public accounts committee last year, the Department of Finance provided a very comprehensive report to the public accounts committee which the public accounts committee, I think, has partially considered (or maybe fully now). I know that it was said to me that the public accounts committee did discuss the report of the Department of Finance which showed (because I did take a look at it), without any doubt, something about analysis in the province of Saskatchewan. The analysis is done on the various programs of government to determine whether they are meeting objectives, to make sure that the money spent was well spent in getting an adequate return for it and making sure that certain social objectives of the government were being met. That analysis which is done internally in the government through the budget bureau and the treasury board and through the bureau of management improvement is as good as it is anywhere in Canada.

Our position is that it is working, therefore, very well in Saskatchewan. So the comprehensive auditing, as is proposed by certain people across this country and which has now been implemented in some provinces, is not required in Saskatchewan because basically all it would do is add yet another layer of people which would be costly to do what is already being done.

MR. ANDREW: — Perhaps I might ask this question then, Mr. Minister. Could you tell me what is the function (by your interpretation) of the office of the provincial auditor?

HON. MR. TCHORZEWSKI: — If we can get a specific description, we'll get it for you. It's basically to verify the accounts of the province and to make sure that the expenditures made were such expenditures as were duly authorized.

MR. ANDREW: — All right. The next question then is: where does his position fit in with regard to the legislature or, let's say, as compared to Mr. Douglas's? In other words, does he act on behalf of the government? Does the auditor stand in a position as a representative of the legislature? Where does he stand? What is his function in that regard?

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HON. MR. TCHORZEWSKI: — Obviously the provincial auditor reports to the legislature which I must table every year. The provincial auditor's department is responsible to the treasury board as far as the allocation of funds that are required — as is any other department that the treasury board has to deal with because the treasury board has to allocate the funds — and that is what it does.

MR. ANDREW: — You indicated that you tabled the report. Could I ask you this question. What was the practice in the last two or three years of the minister once he received a report from the provincial auditor? I take it that's usually or always during session. Does he table it that day or do you usually keep it back 10 days, 5 days, or 15 days before it hits the Table of the House?

HON. MR. TCHORZEWSKI: — Usually I try, unless I'm away, to table it within 48 hours.

MR. ANDREW: — Was that the case last year, as well?

HON. MR. TCHORZEWSKI: — Yes. The reason I mentioned "unless I'm away" is that this year I was away and so I tabled it a day after what would have been the normal 48 hours. So, it was a day late only because I was not here in order to table it.

MR. ANDREW: — All right. I will go back to that same Winnipeg conference which I referred to before. In a statement by Mr. Lutz on page 149 of that report (I think you're aware of the report I'm referring to) he is talking about the tabling of his report. He says, "Last year he (speaking of the Minister of Finance) had it for 15 days and he finally put in on the Table. Then I released 60, 80 or 100 copies, but there was no tabling deadline anymore." Is that, in fact the case?

HON. MR. TCHORZEWSKI: — What year was that?

MR. ANDREW: — I take it it was 1979. Perhaps you weren't the minister then.

HON. MR. TCHORZEWSKI: — If it was 1979, I can't recollect, simply because I was not the Minister of Finance in 1979. If you're talking about 1980 (that means last year) there was not that kind of a delay. I think it was probably about two days; I'm prepared to check that.

MR. ANDREW: — All right. Perhaps that's true. And, being minister then, that is certainly a plus for you in that regard.

My question is in regard to your position concerning value-for-money auditing. I think we both agree that moving toward the concept of value-for money-auditing is a positive step for government to take. One of the main things it allows is to try to evaluate and address the question of productivity in one way or another within government. I think that is a positive step and I think the taxpayers want to see that.

Where you and I differ on this question (and where you differ with the bulk of the other provinces and most of the people in this field) is that you want to do that comprehensive auditing — value-for-money auditing — within the departments of government. Everybody else does it through the office of the auditor or, on the federal level, through the auditor general of Canada as an independent office of parliament. He has the mandate to look at value-for-money, whether or not government is getting value for the dollars they are spending. He must report to the legislature or to the parliament, so

those institutions are aware of the spending priorities and whether the government is getting value for its dollar.

You don't want that. You want to do it internally, within your department, within government (whether it's the budget bureau, or whoever it might be), so that any embarrassment can be covered up or protected so that it won't see the light of day and the people won't see that there is some wastage or poor spending habits. It's very important to democracy that that is seen by the people, because that is really the only power which the office of the provincial auditor has. He can bring to bear the public response against government wastage.

That is how the office has developed in other jurisdictions and in Ottawa. You want to go a different direction and put the auditor into a little corner where he can do what is called test auditing or a bookkeeping type of thing. You don't want to expand his mandate. We are moving backward while everybody else moves forward. Most jurisdictions in Canada, the United States, Great Britain and others are duplicating or copying the comprehensive audit concept as developed in other provinces and in Canada by Macdonnell. But not here; we're going the other way because you want to keep everything close to the vest and out of the light of public scrutiny.

HON. MR. TCHORZEWSKI: — Mr. Chairman, let me first refute the suggestion by the member that when there are difficulties or there are expenditures of money which may be more (for example) than what was budgeted for, or whatever the reason might be that somehow they did not see the light of day. That's just not the case. There are all kinds of mechanisms that are well built into the system of government which we have in this country — the parliamentary system of government — which is strengthened by the kinds of controls and by the kinds of instruments and mechanisms which have been built into the budget-making process in Saskatchewan, which provides a very careful and a very thorough scrutiny. And, of course, that also depends to a large extent on the opposition, but the process does the scrutiny very well.

There is the public accounts committee, which I think plays a very important role. There is the question period, which I think gives the members in the opposition all kinds of opportunity to ask questions. There are orders for return, where, when questions cannot be answered when they are asked, detailed questions can be asked and answers can be provided . . . (inaudible interjection) . . . We're not talking about the Crown corporations. We're talking about the government proper. There is the Committee of Finance, Mr. Chairman, which we are in right now, which I think probably is one of the best forums in which expenditures allocated in any department can be considered, and ministers have to defend the money that is being provided and explain how the program works and show that there is value in that program for which public money is being expended.

This province is unique in that one single cabinet committee deals with all of the financial and the management affairs of government expenditures, government revenues and investments, financial and administrative policy and the financial applications of new legislation. All that is done by a single cabinet committee so that it is all very carefully co-ordinated, and so that (if I may use an old often-used phrase) the left hand knows what the right hand is doing. That committee is the treasury board. It is also unique in that all the staff in the treasury board are located in one department, and that is in the Department of Finance. Our assessments are done internally. The kind of comprehensive look at whether we're getting value for dollars spent and whether the right management system are in place is done internally so that the information can be

fed into the management process. Unless you do that, you've really not achieved anything because it's the management process that has to assure that there is a good expenditure of the dollars that are allocated. That's why I say to the member opposite that the system which we have in this province is as good as any in Canada, and probably better than most.

There was, in fact, some consideration given to extending it to an external basis with a comprehensive auditing in the province of Manitoba. And even there, it wasn't our style of government; it was a Conservative government, supported in that case by the New Democratic Party opposition, which decided not to proceed. We've had all kinds of things come across. We've had zero-based budgeting, which the opposition members thought was a great idea (and I think we learned something from that). There have been other kinds of concepts.

I'm saying that the system in Saskatchewan is a strong one. It has proven to be that over time, and I think that the role of a provincial auditor is in areas where he can comment objectively and he, I think, should not be put into the unfortunate position where he has to deal in some way in policy questions. That's something for the legislature to decide. That's something for government to recommend on, and I don't think it's a role for a provincial auditor anywhere of any kind to get into.

MR. ANDREW: — I wonder, Mr. Minister, if you might advise me as to whether or not the view that you expressed is a view concurred in by the present provincial auditor of this province?

HON. MR. TCHORZEWSKI: — Well, I think the provincial auditor has reports, which the member opposite has quoted in which he has made some comments. I think we will see what the public accounts committee says in its report from the study which it was to do of the report provided by the Department of Finance, and also by the provincial auditor who provided a paper, as well, which I have had an opportunity to read. I'm prepared to wait to see what the public accounts committee comes forward with. I only wish that the member opposite had stayed on the committee, because he has strong views on this. I think they would have been very useful in the consideration of those reports, before the recommendation came to the legislature.

MR. ANDREW: — I have just one other question, Mr. Minister. It would appear that we're obviously going to stay behind everyone else in the country with regard to comprehensive auditing and with regard to the independence of the office of the provincial auditor. How does the budgetary process work on the provincial auditor? I take it that he submits his budget. It then goes through the process. The budget bureau looks at it as it does with any other department. Is it a common practice, over the last few years, to cut from his budget at the budget bureau level? While you're answering that question, I wonder if you might find out from the provincial auditor whether or not this is, in fact, the case in the provinces of British Columbia, Alberta and Ontario.

HON. MR. TCHORZEWSKI: — The auditor informs me that he believes that B.C. does more or less what we do. In the case of the federal government, they do go to the treasury board, although there is also a committee which they report to as well. But they go through the treasury board. In Alberta and Ontario, there is what is called a board of internal economy. Once again, it varies from province to province.

In Saskatchewan, the provincial auditor's department budget is submitted to the

Department of Finance in the same way as with any other department. There is a very rigorous process which is applied. That's why I keep referring to the fact that we have a very good system. I would disagree with the member who says that we are behind. I would say to the House (and I want to put it on record) that, indeed, we are ahead in Saskatchewan — and have been for many years — of other jurisdictions when it comes to the process of budget decision making and analysing the expenditures of moneys which various departments make. Ask some of our ministers. They'll tell you. So I don't think we're behind. I think we're ahead, and I think we've been ahead for a long time.

I think one of the obvious things which has happened in the federal government, partly because of its size, is that its management system became so bad (I'm sure nobody will disagree with that, including some federal ministers) that it lost control of it. So it had to consider some drastic actions. Personally, I'm still not convinced it has full control of it.

That has never been the case in Saskatchewan. We do have a rigorous process. Departments go through that process. The provincial auditor's department goes through that process when it comes with a request for funding from the provincial treasury. If, in certain periods of time there are restraint measures requiring that certain guidelines be met, then that applies to every department, including the provincial auditor's department. If there is a shown need, for which somehow the treasury board has to consider going beyond those guidelines, then that's always open and can be considered. The process is the same.

MR. ANDREW: — Mr. Macdonnell advises me that Saskatchewan is the only province that is not a member of the Canadian Comprehensive Auditing Foundation, Mr. Minister. Could you advise me in fact whether the Government of Saskatchewan is a government member of the Canadian Comprehensive Auditing Foundation like all other governments in this country, or is Saskatchewan the only one that is not a member of that foundation?

HON. MR. TCHORZEWSKI: — Well, I think there are certain employees who are individual members, but the government is not a member, as the member indicates.

MR. ANDREW: — Could the minister advise us as to whether or not the provincial auditor requested that the Government of Saskatchewan become a member of that foundation?

HON. MR. TCHORZEWSKI: — I am told by both the auditor and Mr. Douglas that the auditor did request that the government join; that part of the budget was not approved and the government did not join.

MR. ANDREW: — I just have one final comments, Mr. Minister, and then we can move into the next estimate. I think it's an unfortunate position that the Government of Saskatchewan is taking with regard to the independence issue and with regard to the comprehensive audit issue. I think what is happening is that we are slowly turning the office of the provincial auditor into a sham and I think that is indeed unfortunate for a democratic system and for the parliamentary system of government. I think it is time that the Government of Saskatchewan got into step with the other jurisdictions in this country and moved in the same direction so that we would ensure the independence of the office of the auditor and that we would update his mandate to the modern methodologies used by other governments. What is happening is that I think we are really moving backward in this whole area and I think it's very unfortunate for the whole

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system of parliamentary government.

HON. MR. TCHORZEWSKI: — Mr. Chairman, just in response to that, there is just no evidence at all to indicate that somehow the whole of the provincial auditor's department in this province is a sham. I think that is rhetoric on part of the member opposite. The provincial auditor's department does its work and does it well. There is, for example, an increase, if you look at the estimates, of staff provided to the provincial auditor's department so it is better able to meet the growing demand that exists on it.

I'm glad to hear and I listened carefully to the member's comments when he said, "It is important to assure or ensure independence." In other words, he is admitting and agreeing with me that indeed that independence is there and I don't think anybody could question that. Certainly nobody wants, on the part of this government, in any way to take away from or interfere with that independence. That has never happened in the past and it's not about to happen in the future.

The member says some other provinces have gone into comprehensive auditing and so has the federal government. I want to say to him that the methodology of the system has yet not been proven. That methodology has not yet been proven. The reason the foundation which he mentions has been established is, in fact, to explore that methodology. In other words, the members opposite would buy a pig in the poke until the system and the methodology has been established and is proven. Well, I guess that's where we differ; we are not prepared to do that. I suppose if we had some great difficulties and we didn't have the extremely adequate system that we have, we would have to be looking at other ways. And we always do look at ways of improving what we are doing. As a matter of fact, we are increasing the internal auditing strength in various departments in this budget. We are increasing that within the comptroller's branch as well, because we share the view that it is important to make sure that the money which is spent, taxpayers' money, is getting value. We have attempted to do that in the past and we will continue to do that in the future.

MR. ANDREW: — I have one further question, Mr. Minister. You asked about a question of evidence, and I put this analogy to you. If the chief justice of the Court of Appeal of Saskatchewan or a supreme court judge were to say that he seriously doubted if he had independence, would you think that in itself would be cause for concern? Would you look at the question of independence of the court of appeal or Supreme Court of Canada?

HON. MR. TCHORZEWSKI: — Well, I would examine the processes that were there. I would look for evidence that would indicate that, in fact, that independence wasn't there. I would look at the legislation under which the supreme court judge or the provincial auditor operates, and from that I would draw some conclusions. I've done that. I have examined the various aspects under which our provincial auditor's department has to operate. And I think it works very well.

I don't disagree that the perception is important, too. I may disagree about how great a concern there is in the public. I think the only concern that exists about this perceived independence is in the mind of the member for Kindersley. The provincial auditor has indicated that he would like to see some changes in some ways. We are open to consideration of that as well. I've already indicated to the member opposite if he thinks that how the salary is established is so very important to the independence of the provincial auditor, and what the provincial auditor's people do, I'm prepared to look at it. We'll consider all the options and decide what may be the best route to go. I will

discuss it with the provincial auditor in that process, and then I will get a decision from the government.

Item 1 agreed.

Vote 28 agreed.

CONSOLIDATED FUND BUDGETARY CASH OUTFLOWS (SUPPLEMENTARY)

PROVINCIAL AUDITOR

Ordinary Expenditure — Vote 28

Item 1 agreed.

Vote 28 agreed.

CONSOLIDATED FUND LOANS, ADVANCES AND INVESTMENTS

PROVINCIAL AUDITOR — Vote 61

Item 1 agreed.

Vote 61 agreed.

CONSOLIDATED FUND BUDGETARY CASH OUTFLOW

NORTHERN SASKATCHEWAN

Ordinary Expenditure — Vote 26

MR. CHAIRMAN: — I ask the minister to introduce his officials.

HON. MR. HAMMERSMITH: — Thank you, Mr. Chairman. On my right is the deputy minister of the department, Ray Purdie; on my immediate left is Brian Hill, assistant deputy minister, the social development sector; behind him, Don Murphy, assistant deputy minister in the project management sector; behind Mr. Purdie is Dick Bailey, executive director of support services; beside him is Lionel Ferguson, budget officer; and in addition, Mr. Chairman, because we have a vacancy as of May 1 in the position of assistant deputy minister, resources and economic development sector, we've brought along a number of other officials who are conversant with the programs in that sector, and are here to assist if necessary. Starting at the back are Tony Oscienny, chief planner, Gerry Stinson, director of municipal services, Jack Long, assistant director of economic development branch, Bill Klassen, executive director resources branch, and Lyle Rowland, the director of financial services branch.

Item 1

MR. McLEOD: — Mr. Chairman, Mr. Minister, thank you for introducing your officials. I'd like to welcome them here to the legislature on behalf of the opposition. Mr. Minister, just a couple of comments regarding the whole philosophy of DNS (Department of Northern Saskatchewan) and so on. I know you've made . . .

MR. CHAIRMAN: — Order, order. Let's have a little order here. The ministers are having trouble hearing the questions, and the questioners can't hear the answers. If we want to chat why don't we go outside in the lounge and have a cup of tea and do that?

MR. McLEOD: — Some of you guys who have been invited to drink tea by the Chairman, go ahead. Mr. Minister, in any case you have given some indications in several different places, regarding the intention of DNS to phase out at some stage, at least partially. Initially, the whole philosophy of DNS was to be a northern administration district and a type of catch-up operation. I've been in some of the northern communities and, at the outset, I would give some credit where it is due. In some areas you certainly have done some catching up. The question there always is, at what cost in terms of finances? But then I know the balance is also there in terms of social and human cost and so on. What would be the cost of not spending these many millions of dollars? Certainly representing the area that I do, and living in close proximity to what I call "that arbitrary line" that I don't agree with altogether, I would just ask the minister if there is some timetable within his department to begin a phase-out process in DNS and whether certain departments could take over so the North could move back into, say, the mainstream of the province. I give, for example, social services, education, tourism and renewal resources as some of the other departments that could move in. I believe that at the present time there is a considerable duplication of positions, if you will, where we have the deputy minister in the regular tourism department, or in regular social services or education. Certainly, I think regional offices may suffice in some of those areas in northern Saskatchewan. I just ask the minister for some comments on that whole philosophy of the phase-out.

HON. MR. HAMMERSMITH: — Thank you. I think that the scenario, as the hon. member casts it, is an accurate one. The intention — widely announced but not perhaps broadly registering when the department was first created — was that it was never intended to be a permanent institution, that there was on the other side of what you call the arbitrary line, the NAD (northern administration district) line that had been there since the late 1940s, a set of social and economic circumstances that were just unacceptable in Saskatchewan or in Canada in the 1970s or 1980s. And it was felt that a special effort had to be made to address the problems that existed there. The initial phase of the department was what some have called direct intervention, but it was basically an effort to bring the standard of living and the level of services and quality of life to a standard roughly equivalent to, though not necessarily identical with, that which existed in the rest of the province.

The second phase, if you like, was to be a developmental phase where the concentration would be on the development of a full measure of municipal government to provide for northern people the same level of local autonomy and decision making that other people in the province in their communities enjoy, with an emphasis on economic development. That is roughly the stage we're at or we're entering into although the lines are not all that clear. There are certainly some areas of programming in which much remains to be done to bring the standard to a level equivalent to that in the rest of the province. There are some areas where we're prepared to start the process of what has been called dismantling and withdrawal of the department. Now, there may always be a need for a northern agency of government — albeit not as large and as encompassing and with as many programs — to ensure northern content and northern input and to provide that kind of expertise to other departments.

But I give as some small examples that last year we returned to the Department of Tourism and Renewable Resources the silviculture program and the forestry end. This

year the forest management program has been returned to the DTRR, as has forest fire suppression.

Now, in terms of the specific question about a specific time frame, the department is currently involved with the budget bureau and with other departments in studying those program areas of the department which it is thought are either approaching or will very soon approach the level of service where it would make some sense to establish, as you suggest, a northern branch of a southern department. Whether the particular program areas you suggest will be the first ones or whether it will be education or housing or something of that nature, I don't think we can say at this point until we've completed the study and the government has had an opportunity to review it.

I think that there has not been a duplication of services. The functions in the rest of the province that are carried on by other line departments are carried out in the northern administration district by DNS. But there is not a parallel function there of someone's duplicating services, and the same legislation and regulations, for the most part, apply. It's simply another department delivering the service and managing the program.

The history, until 1971, showed that the kind of vigorous effort needed to address the problems that existed was not likely to happen unless a special effort was made to locate a department in the North, so that the department and the people delivering the services were closer to and accessible to, the people receiving the services and so that Northerners had an opportunity to make government more cognizant of, more aware of, and more responsive to their particular needs. Now that that core has been established, we can begin addressing, as you suggest, the return to regular line departments and the unification (if you like) of service delivery throughout the province.

MR. McLEOD: — Okay. Mr. Minister, certainly I agree with what you're saying. It's interesting the Minister of Finance was talking about management systems within the last estimate on the provincial auditor's estimate book. I'm concerned that as time goes on, management systems are called into question when a government gets too big. He gave the example of the federal government. Certainly I think the same can be said for departments within the government, especially when . . . You talk about the possibility of cutting back in your department and I would ask you to be a little more specific. At least in your view, which of these branches of your department would you say would be the closest to being ready to come into the mainstream, if you will, of the province?

When I was talking about education and social services, I wasn't really giving any suggestions to you. I'm asking you now, with your knowledge of the department and your time in there, can you give us some idea? If you can't give us a timetable, at least I take it that you're studying it. I agree with that. As this bureaucracy continues to grow and becomes more and more entrenched in northern Saskatchewan, which is certainly what's there, it becomes more and more difficult to cut it back and to bring it into the mainstream. So, give us a couple of examples, please.

HON. MR. HAMMERSMITH: — I think that I should point out that in our view, there are two processes going on. You will remember I suggested that one of the things that was our desire to do was develop a full measure of municipal government in the North. You are aware that the process of consultation and discussion is currently under way. There is a white paper out there and it is hoped that in the next session we will be able to bring in a northern municipalities act.

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I think that once municipal government is clearly established and functioning, that then becomes an early candidate for decanting. The process I'm talking about is an attempt, first of all, to devolve to northern communities, northern local governments and northern institutions as much of the service delivery and managements function as are feasible and possible before decanting to another agency. Now, that in a year or two (plus or minus) is likely to become the case with municipal services.

Education is another area where now all schools are under the jurisdiction of elected school boards. The system of delivery, funding and management is becoming more and more regularized so that we are at the point where we can be, and we are discussing with the Department of Education and with the school boards in the North the possible establishment of a northern branch of the Department of Education and of decanting that from the Department of Northern Saskatchewan.

Other areas that I think are obvious and that we are addressing include fisheries management and property management. The office buildings and houses and the like owned by the Department of Northern Saskatchewan, are at a point where we can be, and we are, actively discussing with the Department of Government Services decanting of that function to that department. Those are four examples that I think are probably the leading candidates for what you suggest.

MR. McLEOD: — Before we get off this I'd like to discuss one of the problems, just in a very general kind of way. We'll get into specifics on the white paper and some of those things in a few moments. I know you've had specific requests to you and to members of your department about different people trying to get jobs, who live just south of the line. I recognize, as anyone would, that wherever a line is drawn, there is always someone who is just on the edge of it, and a good case can be made for inclusion. But really, this has caused extreme problems in terms of the employment areas and some of the lease agreements that you have. The one with Amok is probably the best example. I'll just get into the specifics of that for a minute while it comes to mind.

I know that there have been some requests from people in the Canoe Lake area, for example. I know people personally from Canoe Lake who live within the NAD who have moved their families to Saskatoon so that they can get jobs in Cluff Lake and more easily attain access to the flying situation that's set out by Amok. Now certainly I know your department didn't necessarily set all of the locations up where Amok would conduct their pick-ups, but I think you could have had some influence there. People from Green Lake as well have moved to Saskatoon.

Now I know there are other reasons for that, but if our purpose in the Department of Northern Saskatchewan is to provide employment for Northerners and to have them able to stay in their own milieu, rather than moving to the city, this is certainly not a solution. There has been a problem in our cities with people coming in and not being used to city life, and so on. Certainly it's not a solution to that problem to have them moving 300 or 400 miles to the city so that they can catch a plane to go back quickly to their own location to go to work, in Meadow Lake, for example.

I meant to come back to the NAD line and the people from the Waterhen Indian Reserve. It's in my constituency certainly, but it borders on the NAD line. I'm sure you know the location. People from there have difficulty convincing companies, which have

agreements with you, that they're Northerners. Now, it's very difficult for somebody from the Waterhen Indian Reservation to have someone tell them in an office in Saskatoon, Meadow Lake, La Ronge or wherever, that he's not a Northerner by some definition in regulations. I would ask you for your comments on that specific first.

HON. MR. HAMMERSMITH: — Well, I think that there are two main issues that you address. One is the question of designated pick-up points in the Amok or the Cluff Lake surface lease, and some of the obvious inadequacies or difficulties there. I point out that when that surface lease was drawn and the attempt was made to assure a level of employment and a certain level of business opportunities for Northerners, there was no model, no blueprint. It was a new experience for the government, for the department, for the mining company, and for Northerners. So, it isn't perfect. We have had some experience with it, and I think have recognized some of the imperfections and inadequacies. Many of those we will attempt to correct and to deal with in subsequent surface leases.

If I can deal with your first point, and that is the access from one's northern home to the job site. One of the proposals that will be and is part of the negotiations with Key Lake mining is that if there are five pick-up points there needs to be a feeder system from close by communities into those pick-up points. If one does, for example, five at Canoe Lake, and let's say Beauval is a pick-up point, there needs to be some arrangements to get back and forth to Beauval. That's one area where we think some improvements can be made, and we are attempting to make them.

The other area with regard to the line, yes, there are some difficulties. I agree with the hon. member that it's difficult to argue that an unemployed native person from Waterhen Reserve is any less in need of a job or is any less at a disadvantage in terms of being unemployed than a native person from Buffalo Narrows. The department's mandate is within a particular jurisdiction.

I think it should be pointed out that there is in the surface lease a requirement that 50 per cent of the employees be Northerners by 1982. That presumably leaves 50 per cent for non-Northerners. There is available a mechanism through the affirmative action provisions in the human rights legislation to address that problem and to put in place a system whereby those people in our constituency, in Turtleford or in some of those constituencies along the boundary of the NAD (northern administration district) line, would have a greater opportunity than they now have under the surface lease. However, I would point out (if I'm not mistaken) that I think four or five people from the Waterhen Reserve are employed at the Cluff mine.

There are a number of people from reserve and other native communities south of the NAD line. It may be or may not be a problem that some people have who move to Saskatoon to secure their employment. I am aware of several people who have their employment secured there — people who (unlike the specific cases you point to) do live in a community which is a designated pick-up point — as a matter of their own choice. It is a matter of desire. I suppose, growing out of some job and economic success, to choose and prefer to live in Saskatoon rather than one of compulsion to live there to secure employment. I think it cuts both ways. Some people, as their confidence and their view and understanding of the world of work grow, and as their income grows, have a desire to spread their wings (as many have) and seek alternative places to live. I think that is their right, and it should be.

MR. McLEOD: — I don't disagree with what you say. The examples I cited to you are of

people who, out of frustration and because of their location at Canoe Lake, have to move to Saskatoon. This seemed to them to be a ridiculous situation and it certainly was to me when it was explained to me. I certainly wouldn't deny them the right which any of us has to go to whatever city they wish to seek work. Hopefully they would succeed at a job and that's fine.

You say that with respect to the Key Lake surface lease which you will be negotiating, and some of the problems you have had with Amok, you will try to bring some of these things into consideration. Would you have any influence at all on Amok and the present Cluff Lake situation to have them move a pick-up point to a different location to be able to accommodate others, say, even in the southern part of the NAD and those who are just bordering there. Would you have any influence there? I think you know what I am asking. It has to do with the community I represent right in Meadow Lake. I was also thinking of a community like Big River. You mentioned Turtleford constituency, but certainly the community of Big River within that constituency has always considered itself a northern community. I think you know that is rightly so. If Green Lake is, certainly Big River is. Is there any way you could put some pressure on Amok for pick-up points at locations like Meadow Lake?

HON. MR. HAMMERSMITH: — Well, I am not sure it is so much a matter of putting on pressure. There is, as you are probably aware, a monitoring committee with public representation through which that issue can be raised. We do have a representative on that committee and can raise it. I think there are probably limits to how wide-ranging their pick-up operation can be and it depends on the number of employees there, as well. I agree with the hon. member. The community I come from, Prince Albert, thinks it is a northern community. A fair number of people from down here think that where you come from or where I come from is in the far north.

Like I said, the department's mandate, the reason for its existence was to address a specific set of circumstances in a specific area. I suppose, from someone's point of view the area would always be designated in the wrong way. For one reason or another there are those who would feel that the line should be somewhere else. I don't think we can satisfy all of those concerns. I point out to the hon. member (I know that it is something that you are well aware of) that the social and economic conditions which existed on the other side of the NAD line, regardless of the propriety of the location of that line, were unacceptable situations. That is what we are trying to deal with, with this department.

MR. McLEOD: — Well, I will move on, Mr. Minister, to another department. It has to do with an area which I thought you may have mentioned when you were talking about phasing out some aspects of your operation. That has to do with the area of transportation. As you know, certainly, there has been representation for many years on the west side (you people always refer to it as the west side) regarding the all-weather road to the south shore of Lake Athabasca. I was surprised in a way that you didn't mention that this is an area which you may phase over to, say, the present Department of Highways and Transportation, because I know they are already involved in there with the construction of the winter road from year to year. Certainly, they have their camps in there, and so on. I think they have them as well on the east side, which I am not as familiar with, I will admit.

Will the minister give me some type of indication as to what his position is, or what his timetable would be in terms of the possibility of a road to the south shore of Lake Athabasca with a connecting ferry system or whatever, to get across to the community

of Uranium City? It is a long-standing problem, I know. Certainly, I think an argument could have been made at one stage about the feasibility of it, but certainly I think the feasibility is there now. I think there is something in the order of 70 miles to go. I understand the problems of building roads in such terrain. Certainly, with increasing resource development in the North of all descriptions, this can be considered a necessary step and an obvious move.

HON. MR. HAMMERSMITH: — Well, it may not be clear. The jurisdiction for provincial highways has always remained with (and is still with) the Department of Highways and Transportation. The particular road which you mentioned is within the jurisdiction of the Department of Highways and Transportation, and not within the jurisdiction of the Department of Northern Saskatchewan. Roughly, the situation is that any provincial highways or any numbered highways are under the jurisdiction of and are the responsibility of the Department of Highways. Community access roads and other roads are the responsibility of the Department of Northern Saskatchewan. At the point where, for example, the Key Lake Road is completed to provincial highway standards, the jurisdiction and responsibility for that road will be turned over by DNS to the Department of Highways. I'm afraid that I can't give you even a good guesstimate regarding the roads of the south shore. I'm aware, as you are, of the history of the desire for completion of that road and for a facility and possibly a ferry service or some other kind of service across Lake Athabasca. That's something the Department of Highways will have to address and will have to consider within its overall priorities for the construction of highways.

I agree that the community of Uranium City and the business communities in Meadow Lake and North Battleford would like to see that road proceeded with. I have no doubt that one day it will be there. But I'm sorry, I can't give you an estimate.

MR. McLEOD: — I understand that it's under their jurisdiction. As the minister responsible for that all-encompassing area, including municipal affairs and fisheries in the North and also transportation, I believe you're providing a transportation subsidy into some of the communities. (I know Uranium City isn't there. We'll get into that in a few minutes.) Certainly, your department is responsible for those kinds of things. You're involved in it at all times. Certainly you would be making recommendations and have some feelings about how necessary and important those extra 70 miles of road are. There's no use going into it any further. I can go into it with the Minister of Highways at a later time.

You've indicated here tonight that you believe it's a necessary and desirable thing. It's fine for us to talk here in Regina about how desirable that road is. That certainly doesn't build the road or help the community of Uranium city. While we're talking about Uranium City, what is the present situation with regard to the fishing industry or Lake Athabasca? I know there have been some real problems there. I'm not just sure how much of it is your department's responsibility. I'm not going to put all the blame on you, but I know that you're involved there. Freshwater corporation is in there. I know of the problem with the Gunnar plant and the transport of fish, pricing and all of that sort of thing. What's the present situation at Lake Athabasca in regard to the whole fishing scene?

HON. MR. HAMMERSMITH: — The present situation is unclear in the sense that, over the last few years, the Gunnar plant has operated at a loss. But because it was felt that the employment, both in the plant and the jobs created for fishermen, was of economic importance and benefit to the entire area, a joint subsidy of the operation of the plant

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has been entered into over the last few years by the Department of Northern Saskatchewan and by the federal Department of Indian Affairs and Northern Development.

The majority of fishermen in that area are treaty Indian fishermen. They are the responsibility of the federal Department of Indian Affairs. Currently the federal government, through the Department of Indian Affairs, has said that it will not agree to pick up its share of the subsidy for operating the plant. It has said that it's really not concerned whether the fishery operates or not. As I said, that's a pretty serious situation because the majority of fishermen are treaty Indian fishermen.

We have, through the Department of Northern Saskatchewan, been picking up 100 per cent of the transportation subsidy on behalf of those fishermen, to attempt to assure a reasonable return on their work. We are currently attempting to continue discussion with the Department of Indian Affairs. We were made aware a couple of weeks ago of a resolution passed by the all-chiefs conference of the Federation of Saskatchewan Indians, sponsored by the bands from the Athabasca area, calling on Indian affairs to re-implement its participation in the subsidy program. Right now the matter is still hanging up there. Of course, the lake is still covered with ice and they are in no way ready to begin fishing. But we view the situation with some sense of urgency and are attempting to convince the federal government that they have a continuing obligation there. We are prepared to pick up our share of it, but we think it hardly fair that we should be expected to pick up all of it.

MR. McLEOD: — Who owns the fish plant?

HON. MR. HAMMERSMITH: — I think it is owned by the Department of Indian Affairs.

MR. McLEOD: — Okay. When you talk about DNS picking up the transportation subsidy basically it gets back to what I was talking about when I mentioned the importance of that road. And that's where your department comes into this, because certainly you're paying a lot of money out there for subsidies in the transportation area. My information is that fish from Fort Smith and Hay River in the Northwest Territories get to Winnipeg more cheaply than the fish from Athabasca. The road into Hay River, I suppose, is the reason for that, but certainly there's a lot of difference in distance there and I would say that there is something for you to look at. I didn't realize that the Department of Indian Affairs owned the Gunnar plant. I would emphasize to you that it's really important that your department, through some representation, get to the fresh water fish marketing corporation (FFMC), because I think they are in limbo at the present time. Freshwater is sending a plant manager out to Gunnar. And what's the situation going to be at Athabasca? Are we going to send the plant manager somewhere else, or is it going to operate there? I think you are aware of that situation. Maybe you could just comment on that briefly.

HON. MR. HAMMERSMITH: — Yes, That plant is owned by Indian affairs. It has been leased to FFMC. Our officials in the department are in continuous contact with FFMC on that. They are aware of the situation, and would like it clarified, as we would.

I think it's not absolutely clear in terms of capital investment in the road and the facilities which would be required on the south shore, such as ferry facilities and the like. It is not clear what the cost advantages would be and whether it would get those fish to Winnipeg any more cheaply. But I agree that it is something that should be

looked at and we are looking at it.

In the project management sector, the transportation people are actively assessing the economics of that situation. With regard to the plant, I couldn't agree with you more. And, as I said, yes, I think we do have some obligation but we don't think it's all ours. We're attempting to keep the pressure on the Department of Indian Affairs. We want to see the plant operating and the people fishing.

MR. McLEOD: — Okay. Mr. Minister, we are talking about the northwest corner — the Uranium City area and so on. I recognize that you have a transportation subsidy for fresh produce into isolated communities. I think there is that subsidy into some of the communities around Lake Athabasca, not including Uranium City. I'm not sure if that is right. Maybe you could tell me which communities in that area receive that subsidy.

HON. MR. HAMMERSMITH: — Yes, what you say is accurate with regard to the food transportation subsidy program. It's available to Black Lake, Stoney Rapids, Wollaston Lake, Fond-du-Lac and Kinoosao.

With regard to Uranium City, the Eldorado store provides subsidized perishables and fresh foods. They apparently have stopped making the subsidized perishables available to a number of small private grocery stores but they still have them at their own store, so subsidized perishables are available in Uranium City. They aren't available at the Hudson's Bay store, but they are at the Eldorado store.

MR. McLEOD: — That's really the point I wanted to make here, because Eldorado is a retail store. I think if you go to Fort MacMurray and Syncrude, Syncrude doesn't operate retail stores; other businesses are allowed to go ahead in there. I think DNS should certainly have a position with regard to this. Certainly in some of the other communities which you mentioned, I know this is not a problem because of only one store in the community and so on. But, in Uranium City, you have a private business community of certain small stores, and the situation was that they were able to receive this from Eldorado — a federal Crown corporation again. I'm criticizing them again and they should be criticized for this.

As a department in the North you should have a position on this and make that position clearly known, because these guys are being cut off. What position is a small businessman in if he is cut off from that produce?

Another example of what Eldorado is doing to the community in Uranium City in terms of transportation is that they are providing (as I understand it) free and almost unlimited travel (maybe unlimited is a little heavy) for employees and for their friends and families, both in and out of Uranium City. Where does that leave the rest of the business community in terms of the amount of time people are travelling at a subsidized, free rate? What is it doing to the whole community? I know people have called Uranium City a one-industry town and all that, with Eldorado being the company which is on the scene, but certainly some of those people did struggle along when Uranium City's fortunes were down from what they are today. I don't think it's fair for any level of government to allow that to go on without raising a stink about it. I'd like your comments on that, Mr. Minister.

HON. MR. HAMMERSMITH: — Well, I think we can't answer for the personnel policies of Eldorado. That's a matter for Eldorado and its employees. But, in terms of some of the other operations, I would point out, first of all, that the program is a program for people,

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not a program for the Hudson's Bay Company or other businesses. We, in the department, are discussing with those other merchants in Uranium City some means of achieving in that community what the program achieves in the other communities in the Athabasca region.

One of the difficulties in those discussions (and it may end up not being a difficulty) is that it is our view that if we are going to provide that kind of subsidy, the fresh goods purchased should come from Saskatchewan merchants and wholesalers, and they should be transported by Saskatchewan carriers. At this point the Hudson's Bay Company in Uranium City, and I don't know how many others, supplies itself out of Edmonton. We don't feel we should be using a Saskatchewan-generated and based subsidy to assist businesses or carriers in Edmonton.

That's part of the discussion, and the door is not closed; the discussions are ongoing.

MR. McLEOD: — That's what I say. I don't want to hear you closed the door, because as you say it's an ongoing program for people. Certainly, I agree with that and I know the costs are outrageous in trying to transport these items in there. I'm not really advocating any help for the Hudson's Bay Company. I'm sure it can look after itself as well, but there are other merchants there. I know you chose to make it appear that the Hudson's Bay Company is what I am advocating, but that is certainly not the case. I'm concerned about the small operators — the small businessmen who have contributed to that community for a long time, and shouldn't just be left out in the cold now at this stage.

I would move on, Mr. Minister, to the lumber industry I guess you could say or the forest industry in the North where you are presently operating sawmills and planing mills and so on. A couple of them are fairly close to where I live, in fact. Can you give us the status of the sawmill that was at Buffalo Narrows a year ago or so? What is the status of that mill now?

HON. MR. HAMMERSMITH: — I am informed that the reasons for the closure are basically two-fold: (1) equipment in bad shape and really too costly to repair and (2) poor lumber prices and poor market so that it didn't make economic sense to repair it. Although it was closed in the spring of 1980, it's unlikely that the department would re-open that mill or operate that mill again.

MR. McLEOD: — What are your plans for the equipment that is on the site, because my information is there is some equipment? You say some was in bad repair and I believe that to be the case, but certainly you brought equipment there within just a matter of months before you closed it down, which is still there on the site and it is just deteriorating now. So what is happening to it; what are your intentions with that mill that is at Buffalo and not operating?

HON. MR. HAMMERSMITH: — There is some of that equipment that will be usable and can be used in some of the other mills. We've also informed the community and local people that if someone locally wishes to operate a significantly smaller scale operation than what we had, we would be prepared to enter into negotiations to sell the mill to them and see that a smaller local operation could get under way.

MR. McLEOD: — So you've just let it be known that it's for sale or somebody can come in and operate it on a small scale or whatever? I am talking about some equipment here. A guy gave me an example of just what is out there like something that costs in the order

of \$37,000, a bull edger. I don't profess to be an expert in the sawmill industry although I've been around some (more than most guys in here I would think). But anyway that is still there. The electric motors from that mill have just disappeared; they are just not anywhere in sight and so on.

I know it's a problem that's faced by any installation around the North; the problem we face is vandalism and theft and all of these things. But I would say that if you make the decision to close it down and there is salvageable equipment there on site (even though it is the sawmill or anything else), certainly there has to be some mechanism in your department. This is the problem I was referring to earlier, namely to dispose of it in an economical way or at least get as much out of it as possible. Transport it to a site that's operating, where the material and equipment would be put to good use and not just left to deteriorate and rust and whatever.

HON. MR. HAMMERSMITH: — Well, I, too, have been around a few sawmills. The edger is something that can be used elsewhere. The member will know that there's not a great demand out there right now for lumber, not a great line-up of people at this point seeking to purchase sawmills and sawmill equipment. That edger could be used in one of our other operations, but at this point we're not seeking to increase production anywhere, given the current market situation.

MR. McLEOD: — How long was that mill in operation before you shut it down?

HON. MR. HAMMERSMITH: — Is it acceptable if I give you a rough guess and then find the specific date it came into operation? I think in the neighborhood of four or five years. But I would want to go back and get the specific date it started and supply that to you, if you wish.

MR. McLEOD: — Okay. Just the last thing regarding that Buffalo Narrows mill. Now, it just seems strange to me, but I understand that when you did decide to close it down there were about three million feet of logs there and they were trucked, using five big trucks. They trucked them all the way down to Green Lake, 120 miles, to be sawed there. Now, is there any reason why that couldn't have at least been done at the Buffalo Narrows site? Or had that mill deteriorated to the stage where it couldn't be used or what? What was the case?

HON. MR. HAMMERSMITH: — That was the case. The mill had already broken down and it was a matter of either spending far more on that mill than it warranted, just to saw the logs that were there (I'm not sure whether it was three million or what it was) or leaving the logs to deteriorate, or moving them to an operational mill and sawing them.

MR. McLEOD: — Is the sawmill at La Ronge for sale as well? Is that the case at the present time?

HON. MR. HAMMERSMITH: — It isn't currently for sale, but in all of those sawmill operations we are discussing with local communities and local organizations, and we will be discussing even more, through the proposed economic development corporation (that's part of the legislation now before the House), the mechanisms and the possibilities by which those could be turned to local ownership of one form or another without any predrawn conclusions about what the local ownership might be.

MR. McLEOD: — Okay. I'll leave that. Can you give me some details on (and I hope you would have these types of figures here with you) the co-operative post plant at Beauval?

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What's the level of subsidy there? Just give a bit of description about what benefits are accruing to northern people and to the northern communities from them and the level of subsidies in the last three or four years.

HON. MR. HAMMERSMITH: — I'll get the date for you. That operation is not operating. Well, I'm not sure when it shut down. It has been shut down for two years. The subsidy part of that was \$150,000 per year.

MR. McLEOD: — What was the reason for the closing?

HON. MR. HAMMERSMITH: — There was just no market for posts at that time. It was at a time when the bottom fell right out of the post market.

MR. McLEOD: — Is there any intention to start it up if that market should increase?

HON. MR. HAMMERSMITH: — There are no specific plans at this time. That's something that obviously would have to be reviewed if the market looked like it were possible that that would be a feasible operation again. All the economics would have to be reviewed.

MR. McLEOD: — A similar question. What about the Methy Co-op at La Loche? What level of subsidy has there been, say, in the last three or four years?

HON. MR. HAMMERSMITH: — It's approximately \$150,000 per year.

MR. McLEOD: — Is that an operation that you see as an ongoing one? You've said that the market for posts was down. From what I understand, the Methy Co-op initially was in processing, and harvesting and so on has continued. You say \$150,000 per year. Was there any other subsidy to that from any other levels of government that you know of?

HON. MR. HAMMERSMITH: — There were no other subsidies that I'm aware of. One of the major differences is, as the member is aware, that La Loche is a much larger community with fewer options in terms of economic activity and employment than Beauval. At this point that's one of the few employment generating projects right at the community.

MR. McLEOD: — I know this is a difficult question in a way, but at what point do you draw the line between benefit to the community in terms of the only employment to the community of La Loche (and I've been to La Loche, and I know of what you speak here) and the injection of money into a proposition that is just absolutely ridiculous for lack of a better word. At what point do you draw the line between just a ridiculous injection of money and continual dependence created by that (which is exactly what's happening) and a time when you say, "Well, we've got to shut this down because there is just no possible way that there is any benefit in terms of training and in terms of whatever else the initial idea may have been"?

HON. MR. HAMMERSMITH: — Well, I think as the member points out it's not a matter of a hard and fast line, and I would disagree that the attempt to create employment for the people in La Loche who suffer from very high unemployment can be categorized as

ridiculous. I'm a little surprised that the member for Meadow Lake would categorize that effort as ridiculous, because I think that the people in La Loche would disagree rather strongly. As I said, in a situation like Beauval, there are more opportunities. There is a wider variety of options than at La Loche. At La Loche there are very few alternatives.

The alternative is that there will be more people on welfare, and that much greater perpetuation of a welfare syndrome. While it is not an operation which is sufficient to employ everyone, it does make a difference in terms of having a job to go to, an earned income and the kind of social and economic benefits which come from that.

MR. McLEOD: — This is the point I was making. I think I have made this point to you in the past, that it's important to get rid of that welfare syndrome to which you referred. But is the alternative a job situation that doesn't really represent what many of us would think of as an employment situation, that is something which just creates a dependence on more giveaways, a waste of resources and time and people quit the job? I know these are ongoing problems when people quit, then go on unemployment insurance and are there for a short period of time. There comes a time when you are not solving the welfare syndrome by injecting more money into a problem that is just as serious. This gives a whole wrong attitude toward working. That is the problem and I would like you to comment on that.

HON. MR. HAMMERSMITH: — I don't know whether the hon. member would apply the same logic standards to Chrysler Corporation and all its employment. Perhaps it's the level of subsidy that he disagrees with. If it's in the billions, it's all right; but if it's \$150,000 for Indians, somehow that's bad. I am a little disappointed in that point of view. It is necessary to seek options and a wider variety of alternatives. One of the things being done in La Loche is that the people have established a development corporation which is actively looking at a number of alternatives which show promise for economic viability and feasibility. I think everyone would support the view that, if it is at all possible, we should move toward and encourage operations that are economically viable and feasible in their own right.

I think we can find examples right across this country and across North America where that kind of approach has been applied to a number of situations, not only to a little post operation in La Loche at \$150,000 a year, but where billions of dollars have been spent to keep a corporation alive and to save people's jobs. It was felt and it was widely agreed (regardless of political stripes) that it was a necessary action and a good thing to do at the time. While we are working with the La Loche Development Corporation on some of its proposals and we are actively negotiating with Cluff mining and Key Lake mining, it would not serve any purpose to pull skids out from under that little post operation at this point.

MR. McLEOD: — I know you say it is a small operation. In terms of the big \$90 million budget which you are operating within the North, it is. I am as concerned about the welfare syndrome as you are, there's no denying that. I believe very strongly that there is such a thing as spoiling people (I say this very sincerely), by giving them the wrong attitude about what work really is. That's my contention about what DNS does in the North. As a department, it has a tendency to spoil people because the impression that people have of work in northern Saskatchewan very often is that you can go and work for the DNS. The big boss is DNS and DNS is into everything and they are everything. There is a thing there that spoils it. Now, certainly I am not saying that they are working for DNS in the post plant. They have some contracts with L&M Wood Products Ltd. in

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Glaslyn and different areas there. Often something goes wrong — and there are some very ridiculous things that go on there and I can give examples to you in a few minutes if you like. But I want to get your philosophy on this because there comes a time when you have to draw that line.

There is no question in my mind at least that that is the case. That line has to be drawn in terms of what is nothing less than throwing money away, good money after bad, if you will. Now maybe it's necessary to do some planning and think of some other area. I know that is difficult in a community like La Loche. But certainly they must have some other alternatives rather than just to go in and misuse the resources as they are doing. I don't think anybody would deny that. My information is, at least, that the government loans and grants — now there is probably some federal money in here too, through Special ARDA (Agriculture and Rural Development Act) and so on over the years . . . These have been just the grants — \$843,643.45. Loans are \$59,700. The total government grants — federal and provincial — in there are \$843,000, as I mentioned. The approximate total cost to government since the inception of that little plant that you mentioned is \$1,058,601, plus some private loans in the La Loche community of \$28,000.

Now what happens whenever we talk about loans — and this is another thing within your department — is that you say these are loans and these are grants for economic development. But it very often turns out that these loans become written off so that they are nothing more than grants in the first place. There comes a time when some of this money must be determined for some other things besides just social benefits.

I hope you don't agree with what you see happening with some of these people in the North. I know some of them that I call professionals at filling out grant applications, but I won't put the whole blame on your department. I think the federal government with the program originally called Opportunities for Youth or something and whatever the program was that replaced it, is also to blame. There are some people in northern communities, as well as in southern communities, who became professionals at filling out grant applications and received tremendous amounts of money for just the most nebulous types of jobs. With these jobs or what they would call jobs in some of these programs, DNS has come in and just picked them up again and continued the same dependence.

They give people money for things like a training program for handyman work, and certainly that sounds good on paper, if you are sitting in the Manpower office in Prince Albert or in the DNS office in La Ronge or in Ottawa or in Regina. But you and I both know, Mr. Minister, that in those communities the person that is going in and getting paid by governments for doing little handyman jobs cuts wood for somebody who absolutely sits on a block of wood right beside him. You won't deny this. They say, "I don't have to do this because DNS is going to hire somebody to do it or they are going to give me a grant to cut the wood to burn in my own stove to keep warm." You know that this is true and so do I. That's what I am pointing out to you and those are the dependence-type jobs that I am really against and so are a lot of people that live in the North, because they see DNS as an agency, and governments in general, spoiling people. They really do spoil the people; there's no question about it. Now, I'll let you respond to that if you will.

HON. MR. HAMMERSMITH: — Well, the hon. member paints with a pretty broad brush in pretty sweeping generalizations and accusations. I think that he would do well on occasion to reconsider. Presumably from the position taken and the need to draw the

line, it doesn't spoil people to be on welfare. When the option is welfare, presumably it's his position that the employment generating activity should be shut down, because that's spoiling people and they should go on welfare and remain unspoiled. I don't really think he believes that. I think that he would agree that we must work on providing the alternatives and the options. I don't think he would disagree with the success of a broad range of programs that have resulted in a reduction from 47 per cent in 1971 to 14 per cent in 1981 of the welfare dependency rate in northern Saskatchewan.

If he's telling me that it's an imperfect world — yes, it is. But I would hope that he would agree that that's moving in the right direction. What he's saying is that there is still a ways to go. Yes, there is. But I hope he would agree that we're moving in the right direction. And it's precisely because of the existence of the Department of Northern Saskatchewan, and the programs of the Department of Northern Saskatchewan, and the success of those programs that people are now in a far better position to take advantage of opportunities that present themselves through renewable and non-renewable resource development and the other kinds of economic activity that are now taking place in northern Saskatchewan.

I hope that he's not suggesting that his approach, were he in government, would be to do what the Lyon government in Manitoba did to the programs of the Department of Northern Affairs. When it took operations like the Methy Co-operative (and it took any number of operations in communities across northern Manitoba) and pulled the rug out from under them, it provided no options, leaving hundreds and hundreds of people dependent on welfare. I hope that that's not the alternative that he's suggesting. I don't know where he gets his figures. Any of the figures that I have with regard to the Methy Co-op don't approach the level that he suggests, but if he has specific evidence to that effect, I would be pleased to have a look at it.

I think that always, in very human terms, you must give some consideration to what happens to those 50 individuals and their families if we do as you suggest. What are the implications of pulling that \$150,000 subsidy and of pulling the pay roll out of that community? What are the implications to the small businessmen who are just getting started and to the entrepreneurial skills that are starting to develop in that community? Yes, it takes time to bring about change, but surely if we're saying on the one hand, "Don't do this," then we should be putting forward some pretty specific options and alternatives. I haven't heard that to this point.

MR. McLEOD: — Mr. Minister, I've a memo here from one of your department officials, Susan Wise, I believe, to Mr. Alwarid. His question to her was as follows:

Your memo of January 8 with questions as to what is going on at Methy. Vic Ellis' report prepared for January month end . . . The ongoing saga of Methy from its dim beginnings to the present.

The February 5 note from the development unit on your current information on the Canada Employment and Immigration and AMNSIS project at Bear Creek in a February 5 analysis of the Methy situation from Peter Rosenfeld. Four alternative courses of action are suggested, together with the implication of each.

One of those suggestions was to withhold grants? One of the possibilities? And I'll quote this. He says:

A case can be made that Methy is an inefficient operation, provides

only temporary employment, serves no training functions, and misuses the forest resource. It is also not complying with its requirements as a co-operative, nor using northern-owned equipment for transportation, and not carrying out the value added factor of processing. Due to these factors, it should not receive further grants. The major implication is political. Therefore, that is, what will provide employment.

And that, certainly, I'll grant you, was your question. What will provide employment?

Another suggestion may be just a minimum intervention on behalf of DNS. And I think you have that document in front of you, Mr. Minister. I see you are going through it. "Minimum intervention by DNS will not tackle Methy's underlying problem." "Continues to require annual subsidies." "No opportunity for change." "Still involved in an unstable post market." "No assurances market can last." "Eventually will have to move camp to another location," which is understandable, certainly.

A couple of pages over there are just a couple of quotations like "problem of raising perceived commitments and expectations." And that's kind of what I was talking about — the expectations that are raised in people who are working there in terms of what the working world is really about. You were talking about the entrepreneurial skills being developed in a situation where it doesn't make any difference about any kind of a balance sheet at all because DNS has come with another grant anyway. It makes no difference. And I submit to you that they don't even address themselves to that problem — the individuals that we would hope would be developing some entrepreneurial skills.

I feel as strongly about this as you do. I would like to see that happen. I know some of these people. I have seen them and I know them well; some of them I know well and others I just know in a general way. Certainly I think we will never have a meeting of minds on this. It's obvious, but there has to be something done other than to have this kind of a situation. You said it all when you said that this is just one example, a small post operation. But I would say that this is an example of the thinking behind some of your other economic development projects, in the way that you pump money in when you say it's for the social benefits. I say that's well and good, and it sounds good. But there has to be a point where you weigh the social benefit against the injection of just horrendous amounts of capital that can't be justified to any taxpayer.

HON. MR. HAMMERSMITH: — Well, a couple of points. I think that I do have the same document in front of me, and it indicates to me a very frank and honest and responsible approach by officials in the department, and the willingness to go into that situation and say, "Look folks, we have some serious problems here, and we have to deal with them." We said from the beginning that that was a marginal operation, but to take that operation and use that as a brush to sweep across economic development projects throughout the North and to paint a picture of massive giveaways and grants and loans-to-become-grants, just isn't accurate.

As a matter of fact, the loan fund in the economic development branch has the best collection and arrears record of any similar fund that exists anywhere in Canada. As a matter of fact, in the last two years overall, that economic development loan fund has operated at a profit. And it has collected more money than has gone out. It's operated at a profit with a relatively low interest rate. As a matter of fact, Northerners themselves sitting on the district loans committee, have made suggestions with regard to the policy, and we have acted on those suggestions. One of them was an increase in the interest rates.

There has been a very active assessment, particularly in the last two years, of a variety of loans and operations. There has also been a serious attempt, as indicated by the documents which you produced, by officials in the economic development branch to identify, recognize and deal realistically with those areas where there are problems. But in all fairness, I think to get any kind of picture, you have to look at it overall. Overall, the economic development branch and the economic development loan fund is a success story unmatched by any other northern jurisdiction in Canada.

SOME HON. MEMBERS: — Hear, hear!

MR. GARNER: — Mr. Minister, I have one question while we are still on this. What is the outlook for the selling of posts by this corporation and by the government?

HON. MR. HAMMERSMITH: — I think, as the hon. member is aware (and he will be aware more than others), it depends to a very large extent on the cattle market. The post market is affected pretty directly by the cattle market in western Canada.

MR. GARNER: — Okay. Mr. Minister, I will just lead right into it. This report from the economic development branch to an assistant deputy minister of economic and resource development, says:

The present demand for posts appears to be almost unlimited. SFPC (Saskatchewan Forest Products Corporation) would buy another million posts. Lehner Wood preservers is also looking for more posts. L&M wants more posts.

Mr. Minister, the demand is there. The wood is there. I know you are trying to help these people. You can't solve all problems by throwing money at people. That seems to be this government's direction. If you have a problem, throw a bunch of money at them. It is like Sask Housing and its program. They will spend \$162,000 in one town to build four homes for Indians and non-status Indians to do the jobs. They did the dry walling on it. And that was creating jobs; that was training? It wasn't training them. We want to see these Northerners get ahead but the solution is not to throw a bunch of money at them.

Loans and grants were \$92 million last year . . . (inaudible interjection) . . . Well, it was under proposed debts in this year. Mr. Minister, you can't keep throwing money at people to solve problems. Money doesn't solve all problems. You have to give them the opportunity to work. They sometimes need some guidance. They need some assistance. This corporation needs assistance. It doesn't so much need a lot more money thrown at it. It needs some help in management as to what they are doing. Now, surely you can see that. I don't think it is unreasonable to ask that DNS get a handle on this. We're not saying cut it out; get a bit of a handle on this. Give them some help in management. I don't want to see those people on social assistance or unemployment insurance any more than you do. But you just can't keep throwing money at them. DNS is up there so let's get DNS involved a little more in management, assist them with it. Don't just give them a bundle of money and say, "Go to it and spend it." They perhaps need some assistance in management. I don't think we're being unreasonable to ask that, Mr. Minister.

HON. MR. HAMMERSMITH: — I would point out to the hon. member that the document (and I think it's the same one that he has in front of him) is dated February 6, 1981, and is a very realistic and a very frank assessment of the problems. Precisely what is being

suggested is what has happened. That is a situation that has some problems and we need to go in there and address them. I think that the document shows a very frank and very open assessment by the department of the problems and options to deal with them.

I think that we should not let pass the suggestion that what's happening in the economic development loan fund is a throwing away of money. I would point out to the hon. member that the loan fund statistics over the last three years are that in 1978-79 the loan fund lost \$45,000; in 1979-80 it showed a profit of \$190,000; and in 1980-81 (the year just recently completed) the figures are not finalized, but the profit will come in somewhat between \$250,000 and \$300,000.

This is the fund that makes the loans to various bodies in the North. So, I think we are demonstrating that northern people can be responsible businessmen, that they are being responsible businessmen, that they're obviously paying back their loans with interest and that that loan fund has a better record than any similar fund in any development situation in Canada.

Now, with regard to being able to provide management expertise, I will expect that, when the act to provide for a northern economic development corporation comes up, the hon. member will wish to support it because that gives us the vehicle to do precisely the kind of thing that he's suggesting. The loan functions will be in an institution separate from the economic development branch. The staff in the economic development branch will then be able to work on the management, training and other difficulties that he talks about, and be able to provide that kind of support to developing northern businesses.

I would point out that we are working with La Loche Development Corporation and its staff, the local government and the Methy Co-op in addressing, in a very realistic way, this one particular problem. But that's one problem in a large and substantial economic development operation that through its loan fund is showing a profit. So, I think, by any measure of fairness, one cannot categorize that program as some massive giveaway of taxpayers' money because, in fact, more money is being returned to the fund than is being paid out. We think that's as it should be.

MR. McLEOD: — Mr. Minister, when I brought this document out I certainly . . . I don't disagree with you when you say that it's a frank discussion within the department and a study of just what the problems are. I give your people credit, at least, for going in there and trying to identify what's going wrong. I don't want you to get really defensive when we suggest to you that there are some wrong things going on there as well.

I'll just quote from the second and third page:

Since any form of intervention of DNS will have far-reaching effects the following are suggested as options providing a context for decision making:

1. The withholding of any future grants thus ensuring Methy's demise.
2. A minimum level intervention approach.
3. A maximum level intervention approach.

4. An alternative employment producing approach.

They go through all of the pros and cons and all of the problems at Methy Co-op and so on, and basically, throw the first three out. And then there is the suggestion at the end. Now we've had it pointed out that this little operation (as you called it a while ago) has used \$1 million in grants and government money from both levels (mainly from your own department) up to now. What is the solution according to the thinking within your department? The solution obviously is that we have spent \$1 million and haven't done it. If we spend 955,000 more dollars, that will solve the problem. There is no guarantee of that either. Why would you spend another \$1 million on a problem that is already there?

I will just quote from the options available to Methy Co-operative:

By any measure — economic, social benefit or resource utilization — Methy is in an intolerable position. The objective in Methy's operation over the past several years has been to minimize costs rather than maximize benefits. As a result, we are now faced with an increasing subsidy rate for production unit, decreasing labor component for production unit and a generally unacceptable resource harvesting program. In addition, there is practically no training value at any of the existing jobs at Methy. Total recapitalization will have to occur in order to address all of these problems.

An estimate of the capital requirements needed in order to get this thing going in a different direction but basically with the same kind of operation: forest extraction equipment, forwarding tractors or off-highway trucks and a crawler dozer — \$220,000; a loader — \$80,000; a maintenance shop — \$300,000; shop equipment — \$75,000; new post processing equipment — \$50,000; repair processing equipment — \$25,000; yard preparation and processing buildings — \$125,000; a highway tractor and trailer — \$80,000; for a total of \$955,000.

This is to be spent in an operation that hasn't a hope of ever coming out of it anyway. Why would you spend another million dollars in a process like that? It's not reasonable at all in my view. We'll probably never reach a meeting of minds on this, but it's just ridiculous as far as I'm concerned. I don't know why you would want to spend another million dollars on something that has already blown a million dollars of public money.

HON. MR. HAMMERSMITH: — Well, I think the hon. member makes an assumption that is the decision which has been made. What he has and I have is one of the internal working documents of the department. No recommendation has come to the deputy or the minister at this point as to what should happen there. Something that's obviously needed is a very frank assessment of the situation in order to consider options. I think that it's wrong to make the assumption (and I hope that you're not making the assumption) that we've made a decision to invest another million dollars. I think that the document makes some reference to some other options and as I pointed out to the hon. member, the La Loche Development Corporation is looking at a number of options with regard to alternatives for employment, in that community, alternatives that are economically viable and feasible and show some promise of not only economic and social benefits but some promise of economic success.

MR. GARNER: — Mr. Minister, I've found what I was looking for to prove our point. This has been in trouble and these people have needed help with this project since 1975.

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Since you have it there, it is page 4 on this little document that we have.

On December 5, 1975, a loan application for \$7,589 was submitted for bunkhouse renovations. It was rejected as a loan but approved as a grant.

Now, they want to borrow money from you. You said, “No, we can’t lend you any money, but we’ll give it to you.” This is 1975. We go now to August 10, 1976 — a grant application for \$33,970.25 was rejected. This is August 10. On August 27, a grant is approved, not for \$33,000 but for \$40,000. We flip over to the next page. This is 1975-1976 when DNS should have been in there, should have been helping. November 12, 1976 — a \$50,000 loan was processed to interim finance. The September 8, 1976 treasury board submission has total DNS loans outstanding as of November 12, 1976, at \$10,000, \$29,700, and \$20,000 bringing a total of \$59,700. The total including accrued interest was \$68,626.86. The camp was shut down for a period of time in the spring of 1977.

Now, here we are in 1981, Mr. Minister. We’re not trying to argue with you. We’re just starting to point out to you that they needed help in 1975. They still needed help in 1976. What I was saying is just don’t throw them the money. They wanted a loan; you gave them a grant. On August 10 they wanted \$33,000 by way of grant and by August 27 of 1976 you gave them \$40,000. What they needed was some help, some assistance. Now surely to goodness, by the time we come back to this next year they can have someone in there assisting them. Don’t just keep throwing the money at them.

That is what we are saying. Give them the help that they need. Don’t give them a lot of excess money. If they need some money, fine. But give them someone to help them manage it and run their books or whatever it takes. They want a loan; give it to them as a loan but don’t say, “Well, you can’t have a loan but we’ll give you a grant.” If they ask you for \$33,000, you turn around and give them \$40,000. This problem is not going to be solved by our allowing you to give them another \$100,00 or \$500,000. They need some assistance in there. Could you respond to that, please?

HON. MR. HAMMERSMITH: — Well, I think that that process is already under way. Neither I nor any of the people here with me tonight were around in 1975 or ’76. I say that the document of February 6, 1981, that we do answer for, states very frankly that that’s an operation with some serious problems. I don’t think that I’m trying, nor do I think that the department is trying to paint the Methy Co-op as an outstanding economic success story. I think that we’re freely admitting that there are serious problems. I don’t think that the options that we’re considering are options of the kind that you suggested as a throwing away of money. We are attempting to work right now with that co-operative and with that community to assess the situation, to assess the management problems and potentials in that operation and also to look at a number of other alternatives.

MR. McLEOD: — Okay. Mr. Minister, we’ll move off that. I said before we certainly won’t have a meeting of minds. I said earlier that I wanted to talk about the white paper that you released regarding northern municipalities. I would just like to ask you a couple of brief questions, the first one being, just what has the reaction been? I know you’ve said that in the past you had input from municipal councils in the North and so on to the white paper now that it’s been tabled as far as you are concerned and can we expect legislation next year?

HON. MR. HAMMERSMITH: — Well, there has not been a specific reaction to the department or to me at this point. You will know that the white paper arises out of recommendations of a task force that we established last summer that consisted of representatives of the northern municipal council, the Saskatchewan Association of Northern Communities, Northern Lights School Division, and the like. Their recommendations were subsequently agreed to by the nine local community authorities. That resulted in the production of the white paper based on recommendations put forward by them. At this point the white paper is in their hands.

We have agreed to provide funding to the nine LCAs (local community authorities) collectively, as well as to the Saskatchewan Association of Northern Communities collectively, the Northern Lights School Division and to the Northern Municipal Council so they are able to retain their own municipal government and legal expertise to analyze the specific proposals and to provide us with their specific views, assessments and wishes in respect to the white paper. We expect that that process will be completed by the end of June, and we will then have an opportunity to meet with those organizations and their representatives to discuss specifically their concerns, recommendations, happiness, fear or whatever. It's our intention to try to bring in for first reading a new northern municipalities act in the fall of 1981.

MR. McLEOD: — I would say to the minister that I've looked at it carefully, and I don't want to prolong the discussion of this. Certainly it's been in front of us for a long time I would agree with you (and I want to put us on the record in terms of this), with the idea and the concept that basically you have put out here. Certainly, you haven't gone into the nitty-gritty details. I certainly agree with the idea of municipal autonomy in the North, or anywhere, and with the suggestion that you made at the beginning of the consideration of your estimates that municipal affairs would probably, in your mind at least, be one of the first departments to move into the provincial mainstream. I think that's a good step. So, we'll give you some credit there, Mr. Minister.

A couple of things just very quickly — I'll just flip through a couple of questions that I have here from the annual report. There is no real order to them or anything, but they're simple questions. First of all, what is the situation with the replacement of the Chisholm log mill at Weyakwin? Secondly, how much did it cost your department of fill orders from other sources? I know the minister knows I had a situation where I had a purchaser in my riding. I know there were others. How much did it cost the department to fill those orders for Chisholm logs from Ontario or Alberta, or wherever you obtained them? We'll go it from there for a minute.

HON. MR. HAMMERSMITH: — Okay. If you'll wait while I get the answer to the second question, I can tell you with regard to the first question that we have cabinet approval to proceed with the replacement of the Chisholm mill. The resources branch, forestry operations divisions has started the process to determine what needs to be done in that respect, and we will have the mill up and operational as soon as possible. It's a high priority with the resources branch and the forestry operations division, because, as the member knows, there is an increasing demand for the product and for recreational cottages, and it's an important source of employment for the Weyakwin area.

MR. McLEOD: — You can just send the information over to me at another time, or later, or whatever. It doesn't matter.

HON. MR. HAMMERSMITH: — Approximately \$25,000.

MR. McLEOD: — Okay, that's fine. There was another thing that I noticed in, I believe, a news release that you put out earlier. It has to do with your task force report in education. I know that I probably should have a copy of it by now. As you will know, it is a busy time around here during the session, but certainly I would hope that you would have a copy either with you or would send me one as soon as possible. I would like to have a copy of that report. I think it's a good undertaking in terms of northern education and the unique nature of northern schools and northern people in terms of how to provide education to them. I would say that there is difficulty, as you and I both know from our past experiences, in trying to provide a quality education when you are spending most of your time trying to convince people that it's a reasonable thing that they should go to school. I think you are facing that and at least you are addressing it. I will give you some credit for that, but I would like you to send a copy of that and any other documents relating to it which would help to study the problems, as some of your department people have done, in more detail.

HON. MR. HAMMERSMITH: — I just met with the task force to go through the report a couple of weeks ago. We felt that we shouldn't reproduce the report and distribute it until I'd had an opportunity to question them and they to question me. We are in the process of getting a number of copies reproduced. Certainly, as soon as we have them we'll send you a copy. I would be glad to discuss it with you at any time.

MR. KATZMAN: — Mr. Minister, could you inform the House where negotiations for renewals of leases on land in northern Saskatchewan are? I understand that leases for fly-in fishing camps and other things along that line are as much as 18 months to two years out of date. They should have been renewed 18 months or two years ago, and some haven't been renewed by your department yet.

HON. MR. HAMMERSMITH: — Well, if you have some specific situations where there are fishing camps that haven't renewed their leases for 18 months, I'd be pleased if you'd let me know. I think that as a matter of course we do attempt to renew those leases on an annual basis, but if it's a matter of a \$1,000 plane flight to renew a \$250 lease, we may not make that flight. We may try other means by which to get it up to date. Before any lease can be transferred (if an operation is sold) it must be brought up to date. We have on occasion cancelled leases because of refusal to pay.

MR. KATZMAN: — Mr. Minister, that's not what I am talking about and you know it. The fact is that operators in the North (and I've spoken to over a dozen of them already) are telling me they are having trouble sitting down and renegotiating their leases with your department. One of them stated that he was 18 months behind and still can't get your department together to get the thing settled. Your department is playing all kinds of games. I will give you the name privately. I don't assume you want that put in *Hansard*. This is the problem he is having. I spoke to all kinds of people in the North on this exact issue about three weeks ago. Every one of them was telling me that this problem is existing on renewals of leases which they have for the fly-in fishing camps and the commercial institutes.

HON. MR. HAMMERSMITH: — Well, I attend each year the annual meeting of the Northern Saskatchewan Outfitters Association and that problem was not brought to my attention there. I also meet each year, together with my colleague, the Minister of Tourism and Renewable Resources, with the executive of the Northern Saskatchewan Outfitters Association regarding resolutions that they bring forwarded on their concerns. That has not been brought to my attention through that means. If there is this specific situation, I would be glad if the hon. member would supply me with the name and I will

check into it. I am quite surprised that the individual has not made myself or senior officials in the department aware over a period of 18 months. I can't imagine why he would not have brought that to the attention of the Northern Saskatchewan Outfitters Association last fall or again last winter before we met with them, but that's not to say there may not be a problem; there may be. If the member at the appropriate time will give me the details, I will be glad to check into it for him.

MR. KATZMAN: — Mr. Minister, are you suggesting that all leases for these commercial institutes are being renewed rapidly and expediently, and that your department is not suggesting to them all kinds of new twists so that they may not want to renew their licenses, for example, cutting down the number of fishermen they're allowed, even though their plant is built for twice that size and has operated twice that size previously.

HON. MR. HAMMERSMITH: — No, I'm not aware of any situations like that. I am aware of situations where persons who had a lease and a licence permitting a certain number of guests, because of resource management implications, built in violation of their lease to a capacity larger than they were permitted to build. If that's the kind of situation, then there may be a problem. But it's a problem created by the operator, not by the department.

MR. KATZMAN: — Mr. Minister, we aren't travelling along the same line, but I will meet with you privately and give you the names and some cases and prove to you that what you are saying is wrong.

But the other issue I'd like to bring up with you this evening is that in the DNS with the uranium mines and all the other groups going up to do work in the North, I believe you have some regulations which indicate a certain percentage of the workers must be Northerners. Is that correct?

HON. MR. HAMMERSMITH: — No, we have no regulations within DNS to that effect.

MR. KATZMAN: — I assume that's maybe involved with the lease agreements then. And your department has some responsibility there.

HON. MR. HAMMERSMITH: — Yes. There are provisions at this point in the Cluff Lake surface lease to that effect, and we are responsible for negotiating and administering the lease and for establishing the monitoring committee to monitor those provisions.

MR. KATZMAN: — Mr. Minister, the conditions, I understand, are that you must live in the North for so long or half of your life. Are there exemptions to that rule?

HON. MR. HAMMERSMITH: — The definition of Northerner is the definition provided in The Northern Saskatchewan Economic Development Act, which defines a Northerner as a person who has lived either 15 years or half his life in the northern administration district. The act does give the minister the authority to declare someone a Northerner. I have not, in the time that I have been minister, used that authority in the case of any individual.

MR. KATZMAN: — I notice you carefully put "in the case of any individual." What about the case of a group or a contractor who may not be from the North but you have deemed him to be a Northerner?

HON. MR. HAMMERSMITH: — If the hon. member is referring to a corporation, one that

I can think of is a corporation known as SINCO (Saskatchewan Indian Nations Corporation) that was established by a number of Indian bands, many of whom are from the North and from the northern administration district. I can think of the Montreal Lake Band, the Peter Ballantyne Band, the Lac La Ronge Band, the Portage La Loche Band, and some others who are shareholders in that corporation. It also has as shareholders some bands who are not from the northern administration district. Yes, in that case, we said for the purposes of that act that company is considered a northern company. And that's on the basis of ownership and the fact that two of them are the largest bands in Saskatchewan; the Peter Ballantyne and Lac La Ronge bands and the population that they represent constitutes, just in those two bands, by far the majority of the company.

MR. KATZMAN: — Mr. Minister, I understand maybe the member for Meadow Lake spoke to you earlier on this issue. The Meadow Lake people are not considered to qualify, and I would wonder why you will qualify people in Saskatoon, through the corporation, and yet you won't qualify people in Meadow Lake who are bona fide Northerners — except that they are two miles from that line you have. And yet there are people in Saskatoon who, because of this corporation, you are deeming to be Northerners. I think that is kind of unfair.

HON. MR. HAMMERSMITH: — No. The hon. member is not understanding the situation. There are no individuals in that corporation who are deemed to be Northerners. The corporation is deemed to be a northern contractor for the purposes of the act and it does have an office in Saskatoon. It has other offices, but I repeat to the hon. member that the corporation is made up of a number of bands which own it. Several of those bands are from the northern administration district. If you look at the bands represented in ownership, the total population of each of them and the population of the northern bands which are participating, you'll find that the majority are from the North.

MR. KATZMAN: — Mr. Minister, you said you deemed no southern individual. If somebody lived in La Ronge for X number of years and then moved from La Ronge to Edmonton or Calgary for one or two years and then came back to the North, is he deemed a Northerner?

HON. MR. HAMMERSMITH: — If he has lived 15 years or half his life in the northern administration district.

MR. KATZMAN: — Even if he has been away for three or four years but he lived half his prior life there? I thought that when he applied for the job or was to be deemed a Northerner, he had to be residing there and his period of residence had to be unbroken.

HON. MR. HAMMERSMITH: — No, I don't think it has to be unbroken; 15 years or half his life is what the act provides. I want to make one correction though. I don't want to misinform the hon. member for Rosthern or the House. I am just reminded that I also signed an order (that I didn't recall) naming one individual from Meadow Lake, who is involved in developing a prototype of wild rice harvester for the North, a Northerner for the purposes of that act. I'm sorry for the mistake.

MR. KATZMAN: — I think the member for Athabasca, Mr. Thompson, could tell us of another one, but we won't push that here. Mr. Minister, you have a group of airplanes (one in particular) which fly back and forth between La Ronge, Prince Albert and

Regina. It's a scheduled flight. Can you tell me who pays the bill when the minister flies on the aircraft rather than using the executive aircraft of the government?

HON. MR. HAMMERSMITH: — It will depend on the purpose or the capacity in which the minister is travelling on the aircraft. If it has to do with Department of Northern Saskatchewan, the bill would be paid by executive administration in DNS. If it has to do with representing the government in the minister's capacity as a member of the Executive Council, the bill would be paid by the Executive Council.

MR. KATZMAN: — Mr. Minister, during the Executive Council and Department of Revenue we spoke about the government aircraft and executive aircraft and how their charging and billing works. Besides the officials of DNS and, I assume, the cabinet ministers who may wish to hitch a ride, who else is allowed to ride the aircraft?

HON. MR. HAMMERSMITH: — The policy is the same as the policy with revenue, supply and services.

MR. KATZMAN: — That means any MLA or anybody else can hitch a ride on the airplane. Is that what you're suggesting?

HON. MR. HAMMERSMITH: — MLAs can ride stand-by, space available only. If an MLA is on stand-by and if a departmental official shows up to occupy the seat, the seat is used by the departmental official. MLAs are strictly limited to standby space available.

MR. KATZMAN: — Mr. Minister, would you be prepared to give us the list of passengers that have flown on these flights for the last year?

HON. MR. HAMMERSMITH: — We can provide the same kind of information that revenue, supply and services supplies.

MR. KATZMAN: — Mr. Minister, you keep a list of the passengers, from the way I understand it. They don't. So, therefore, you can supply more information than they can. I understand you keep a list.

HON. MR. HAMMERSMITH: — The person responsible says we do not keep a list.

MR. KATZMAN: — So you're saying the only ones that you are able to give us is when a minister books the aircraft, then? I'm asking what that scheduled flight carries, because you have a passenger list for that one, being a scheduled flight, by law.

HON. MR. HAMMERSMITH: — We bill the people who use the aircraft, but we don't keep a list, and it's not scheduled in the sense that Air Canada or PWA (Pacific Western Airlines) or Norcanair is scheduled. It's scheduled in the sense that a company or any other organization would run its own schedule.

Item 1 agreed.

Items 2 to 27 inclusive agreed.

Vote 26 agreed.

CONSOLIDATED FUND BUDGETARY CASH OUTFLOW

May 12, 1981

DEPARTMENT OF NORTHERN SASKATCHEWAN

Capital Expenditure — Vote 27

Items 1 to 7 inclusive agreed.

Vote 27 agreed.

HERITAGE FUND

BUDGETARY EXPENDITURES

DEPARTMENT OF NORTHERN SASKATCHEWAN

Provincial Development Expenditure — Vote 27

Items 1 to 14 inclusive agreed.

Vote 27 agreed.

CONSOLIDATED FUND BUDGETARY CASH OUTFLOW (SUPPLEMENTARY)

DEPARTMENT OF NORTHERN SASKATCHEWAN

Ordinary Expenditure — Vote 26

Items 1 to 7 inclusive agreed.

Vote 26 agreed.

HERITAGE FUND

BUDGETARY EXPENDITURE (RESOURCES DIVISION — SUPPLEMENTARY)

DEPARTMENT OF NORTHERN SASKATCHEWAN

Provincial Development Expenditure — Vote 27

Item 1 agreed.

Vote 27 agreed.

SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION — Vote 48

Item 1 (continued)

HON. MR. VICKAR: — Mr. Chairman, I would like to introduce at this time, my seatmate, the president of Sedco, Mr. Neil Overend, for the information of the members opposite.

MR. ROUSSEAU: — Mr. Chairman, the minister just referred to his general manager as a seatmate. I was just wondering when he got elected. I would congratulate him for this election, if he's a seatmate.

Mr. Minister, I just ask you this question. Would you provide me with a list of the reasons you need for the \$36,900,000 in the statutory vote?

HON. MR. VICKAR: — Well, that's very simple. Mr. Chairman, the \$36 million that you see in the subvote is only a partial budget for Sedco. Sedco's internal budget total is about \$65 million. The \$36 million that we get from treasury board at this time is the dollars over and above the dollars that we generate through the operation of Sedco. So if you subtract the \$36,900,000 from \$65 million you have approximately what figure? You approximately generate about \$28 million internally.

MR. ROUSSEAU: — Well, you haven't answered my question. What's the purpose of the \$36,900,000? Where are you going to use it? If for loans, what kind of loans? How much is it for losses that you may be incurring? What's what I want from you as an answer.

HON. MR. VICKAR: — Well, Sedco's mandate is to develop, to provide long-term mortgage funding, to provide loans to industries and to use money as equity participation where necessary. We don't have it broken down because we can't foresee the number of loans and the number of clients that will be involved during the course of the year. But we do have a rough estimate. We are estimating that our loan disbursements would be in the neighborhood of \$8 million. We're talking about investments in industrial parks in the neighborhood of about \$10 million, research and development in the research park fund of about \$3 million and share investments of about \$13 million. That's sort of the general idea that you might have. I'm sorry. The share investments were \$400,000 not \$13 million. I'm sorry about that. The figure of \$13 million was in lease options and property developments.

MR. ROUSSEAU: — So you have the budget prepared and you had that prepared before you came to this legislature and this vote last week when the member for Thunder Creek asked you these questions. It's the old story of grievance before supply. Mr. Minister, all you had to do was have the answers at that time. As you well know, when we go into Crown corporations, we're talking about history, we're talking about what has happened in the past. Okay? In this Assembly we talk about what's going to happen. It was a very simple procedure that you should have been able to follow at the time you appeared in this Assembly to answer questions on industry and commerce. Since we are voting the \$37 million to your department for Sedco, you could have been as prepared then as you are today. That is exactly the point we wanted to make the other day, Mr. Minister. We wanted you to give us the answers, to be prepared to answer the questions and to tell the people of Saskatchewan why you needed \$36.9 million. It really wasn't all that difficult, was it? It was really a very simple procedure. All we wanted you to do was to tell us what you did tonight and we thank you very much for that. I'd ask you some further question. I notice that last year you had \$44.9 million. Was it all spent? Was it all used up?

HON. MR. VICKAR: — Basically, yes.

MR. ROUSSEAU: — I wonder if the minister would supply me with a list of the budget that you have set up as you've outlined a few minutes ago for the \$39.9 million and you don't have to do it now. I'll accept it at a later date. I would appreciate having it for my records. Otherwise . . .

HON. MR. VICKAR: — Yes, that's no problem.

May 12, 1981

Item 1 agreed.

Vote 48 agreed.

The committee reported progress.

MOTION

Night Sittings

HON. MR. ROMANOW: — I would like to move, seconded by the hon. member for Saskatoon Nutana, by leave of the Assembly:

That on Wednesday, May 13, 1981, and on each Wednesday until the end of the session, rule 3(3) be suspended so that the sitting of the Assembly may be continued from 7 p.m. until 10:00 p.m.

Motion agreed to.

The Assembly adjourned at 10:06 p.m.