

EVENING SITTING

COMMITTEE OF FINANCE

General Revenue Fund
Energy and Mines
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Item 1

Mr. McPherson: — Thank you, Mr. Chair. And I welcome the minister and his staff here this evening.

Just a few things — and I guess we're probably following up on questions earlier today — but they had to do with some of the mining concerns that have been raised by people today, and I just want to hear, Mr. Minister, your view on where some of their concerns . . . how they're going to be addressed somewhat.

So I'd like to start, Mr. Minister, by just touching on a few things. I notice that in my notes, it shows where some of these mines take years by the time they come to fruition and start producing and the companies can actually see some returns. And in fact I believe one fellow today mentioned that the McArthur River project took some 22 years in becoming a payer to the people that invest in that mine.

And so I guess what the concern is from our point of view and the point of view of the people that are the owners of these mines and investing in these mines is, what in fact is the provincial government doing to shorten the process, if in fact the provincial government is part of a problem, you know, environmental reviews or whatever that process is. And so could you give me a quick explanation of how the process works — not only, I guess, from your relationship to the mining industry but also to other levels of government and where some of the hang-ups are.

Hon. Mr. Lautermilch: — Thank you, Mr. Chair. With respect to McArthur River specifically, the mine was discovered in 1979 and since then, as you will know, there's a lot happened in terms of uranium development and development of mining opportunities here in Saskatchewan.

And I guess it would be fair to say that I will acknowledge the process by which a uranium mine is brought on stream, it's a very slow and it's a very costly process. It is a joint initiative of the federal and provincial government and I have represented the concerns of industry at provincial Energy ministers' meetings. In terms of the cost of the process and in terms of the length of time it takes to make those decisions, now I can't say to you nor will I say that there aren't some things that we can be doing and would like to see happen at the review process level to speed it up, because it is a costly proposition for shareholders and for the developers.

I think the one thing that I'm as much concerned about as anything is the duplication at times I see at a federal and a provincial level. And we've been working with my counterpart, the minister of Resources Canada, at that level, to see what we

can in terms of stopping and alleviating some of the duplication in terms of process. I can't say that we've been terribly successful, but we're certainly working on it. We understand the implications on industry, and we certainly would like to shorten the time. I certainly don't want to abdicate the responsibility of this provincial government because we are now the stewards of the process. It was set up jointly in the previous administration to do the reviews.

I'm comfortable with the fact that we've put together a process whereby due diligence environmentally does occur, and I think all of the people of Saskatchewan are concerned that that happen. On the other hand, we want to see the development. We want to see it happen as quickly as we can and at least cost to the proponents as we can. And we have been working and will continue to work to shorten that process, to lessen the cost of development of some of the new mines that are coming on stream.

Mr. McPherson: — Thank you, Mr. Minister. Now when you talk about the duplication of regulations, I'm uncertain as to why we have to duplicate. And I'm not sure which is the lengthier hold-up in the process, whether it's federal, which I guess you and I directly can't influence as much as we would like, perhaps. But if you look at the provincial regulations, Mr. Minister, are there some regulations that in fact if you dropped the provincial regulations in its entirety, if it's covered federally anyways, would that shorten the process, or is there something that the province is requiring over and above what the federal government does?

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman, and to the member opposite, as you will know, the regulations with respect to this review on a provincial basis are put in place by SERM (Saskatchewan Environment and Resource Management), by our provincial body. The federal regulations as it pertains to the environment would be put in place by Environment Canada. So you have two arms, one provincial and one federal, I guess, both trying to ensure that due environmental diligence is done. I would think it's fair to say that we will continue to pressure, as the Department of Energy and Mines, to ensure that we aren't doing twice what can be done appropriately once.

With respect to uranium development, I guess I would want to say that this resource is . . . it's a Saskatchewan resource. This is where the activity, the mining activity, takes place. I think we could appropriately deal with many initiatives that the federal government has involved themselves in. I certainly don't want to preclude their right nor their ability, nor would I suggest it should be done.

To do due diligence in terms of environmental concerns, I can only say that it will take some cooperation between the provincial and the federal governments, both understanding that mining development in Saskatchewan, whether it be uranium mining or whether it be mining of other forms in other jurisdictions, is viewed worldwide by a global investment community.

And it concerns me that sometimes Saskatchewan is not viewed as Saskatchewan *per se*, on a global basis, but is viewed by what takes place in Canada, what takes place with national environmental regulations and environmental process. I would think that there is some room for streamlining. I think we can do it without damaging the integrity of the process, which we're all concerned about. It's not a matter of developing for development's sake. We need to ensure that we're doing it in an environmentally safe manner.

But I worry sometimes that the reputation that we get as a country is sometimes one of too much regulation, too much control, too much due process. I don't think that that case can be made in all circumstances, because I think of Europe as an example. I know that some of the scrutiny and some of the processes that have to take place in the European community makes it very difficult for any kind of a development to take place. They don't work in times of five years or even ten years. They work in time frames of 30, 35, and 40 years in terms of planning, putting in place a process for development.

So although I think that we do have a process that can be sped up, I wouldn't suggest to you, nor do I believe, that we have the most cumbersome rules in this country in terms of putting developments on stream. I think we have, in some cases, a happy medium and some I guess it maybe takes a little longer that we'd like to see.

But I can say to you that I certainly wouldn't want to be, nor would I suggest this government should be, part of a process that doesn't involve itself enough in terms of the decisions. There are some countries that are I guess so starved for development that due diligence won't take place and I don't think any of us want to see that. I think with respect to development, it's got to be done in a responsible manner. Shortening the time frame is important and we will continue to work with industry and with the federal government to attempt to do that.

Mr. McPherson: — Well, Mr. Minister, you know I don't for a moment want to have you think that we don't, you know, wouldn't want you to go through your due diligence. The concern would be whether in fact there's part of a process that's done, I guess, by SERM in regards to setting up environment review panels and we're having some public input. Is this not something that your department or another body, I guess, could handle in a shorter time frame?

I don't know how much public input or what the length is allowed for a project like McArthur River. But you know, I think the perception of the people is that in fact we've got a lot of environmental groups that you're trying to appease. And I don't know that, and I'm not going to accuse you of that, but is there some of that in there and could we shorten it up.

Because there's no doubt, I mean we've got a couple of the richest ore deposits in the world, or maybe several, but a few that should be coming on stream sooner rather than later. And perhaps with the richness of these ore deposits it doesn't matter; we're going to have companies continuously coming here regardless. And I hope that to be the case. But I'm just asking, I

guess, if there's some way we can shorten this up.

And so if it's SERM, you of course are monitoring . . . your department would monitor this to a great degree. And what I guess I'd like to know firstly, is there a separate review panel for each project, or does SERM have a set group of people on a panel; or are we constantly having to train new people? I'll leave it at that for a moment.

(1915)

Hon. Mr. Lautermilch: — Mr. Chairman, and to the member opposite. I think some of these questions, certainly more detail, could be given in estimates, in SERM's estimates. In terms of details and a more detailed overview, what I can say is the background of this is that SERM entered into an agreement with Environment Canada so that we could put together a panel that would view more than one development, keeping in mind the legislative requirements of the province and the legislative requirements of Canada. They are reviewing a number of proposals: McClean Lake, Cigar Lake, Midwest; and so it's a process that goes on. And as the information comes to the panel from the proponents, they're reviewed, they're studied, and recommendations are made, decisions are made.

I think the one comment that you made that I would maybe want to clarify to a degree is with respect to the position we take in terms of the development. We have legislation in this province that has certain requirements that need to be met. There are people on both sides of this issue, both pro-development and those who are opposed to uranium mining. There are people in northern Saskatchewan who take the position that the development activity and the benefits of that activity should be more for the northern folks. It becomes a very broad-based debate; broader, some would argue, than may need to be.

But I want to say that we try to balance the interests of those with environmental concerns. Those who are shareholders and stakeholders in the development side of it want to see a return for their shareholders and we want to see development and job opportunities for Saskatchewan's northern people and for northern businesses. Quite clearly a lot of that activity takes place outside of the North; a lot of it takes place in the North. And any development that creates jobs and creates wealth in this province we welcome, but keeping in mind that there are a number of people who have differing views. Those views should be and are heard in the panel discussions.

And yes, we will continue to try and reduce the time it takes to go through these processes and the costs that it takes for the process. And as I've indicated, we will be working with our federal counterparts to see if we can't do just that.

Mr. McPherson: — Thank you, Mr. Minister, and I'll throw out an offer to you. In fact if there's anything that the official opposition can do to aid in ending some of this duplication — which will be giving in on your part somewhat, I suspect — and perhaps in dealing with the federal government, please just give us a call.

Mr. Minister, I see on page 16 of the *Estimates*, we have a break . . . well it's not a breakdown as much as I need it to be, in the non-renewable resources. Well let's take uranium as the example. Can you tell me how much of this is tax, and what would be in royalties, and how is that royalty structure or tax structure to the mines?

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. With respect to uranium, it's just about all Crown royalties. There's very little in terms of taxes.

You mentioned what you can do to speed the process. I think what's probably already happened is the leader of the federal party, the Prime Minister of Canada, had a cabinet shuffle recently and removed Sheila Copps as Environment minister. So let me tell you if there was anything that's holding a process of consolidation and removal of duplication, that would have been already done.

But I want to say that I certainly accept your offer. We need, I think, a strong voice from Saskatchewan representing Saskatchewan's concerns in Ottawa. Certainly our Premier and the ministers on this side of the House attempt to do that, and there are times when we can use the benefit of the, I guess, the knowledge of our federal counterparts from the official opposition. And certainly we will, have been, and continue to call on you for some assistance in that regard in the years to come.

Mr. McPherson: — Well thank you, Mr. Minister. Getting back to the non-renewable resources, it looks like all of those . . . well of course they would, they'd fall under your purview. Is it possible — and you may have those figures with you this evening that you could send across — the breakdown of tax versus royalties for each of those commodities, would you have that with you?

Hon. Mr. Lautermilch: — If I could, to the member from Wood River, we can either read them into the record verbally or we can send them across for you with the breakdown. And I'm assuming you'd want those for uranium, potash, gold — you're talking minerals here now? Okay. We'll send those across then in writing. I'm not sure if they have them . . . they'll have the figures here but I'm not sure if we'll have enough copies. Well I'll check and if they got them, we'll send them tonight. If not we can send them over later.

Mr. McPherson: — Thank you, Mr. Minister. Beyond minerals, you're also going to include all oil and gas?

Hon. Mr. Lautermilch: — We can include oil and gas royalties and taxes as well.

Mr. McPherson: — Mr. Minister, do you have a breakdown as to how the royalty structure works for each of those?

Hon. Mr. Lautermilch: — I have them in the form that I can read into the record, if you'd like . . . (inaudible interjection) . . . Okay, we'll send them across then.

Mr. McPherson: — Mr. Minister, just getting back to that

environmental review panel. And I appreciate what you were saying about perhaps we should ask these detailed questions of SERM when they come up. But surely your department must stay in very close contact with what's happening in the mining industry as far as how the environmental review panel is affecting it.

And as I'd asked before — and I don't know if you addressed, gave an answer, to it — but does SERM take care of the assessment, the review itself? Do they create a panel and then who is on the panel? And what influence does your department have on the panel, if any, whether it be just to have some of the members, perhaps of your department or of the industry, that you will ensure become panel members?

Hon. Mr. Lautermilch: — Right. Well I think it's fair to say we don't, as a department, have any input into the appointment of panel members. Once they're appointed I think it would be inappropriate for us to make comment because of the fact they are an independent panel. That's the nature of the panel; that's what was struck; that's the reason it was set up.

I can say that the concerns of industry, as they are brought to us and as they are brought to me as the minister, are shared with the minister of SERM as well. You know, I know there are times when industry will be having a difficulty with an environmental regulation or a process, and ask that we do what we can to press upon our colleagues that it's creating difficulties for them.

So in those cases we will make presentation or representation to other departments to describe industry circumstance for them.

And you know, in working closely with industry you become fairly familiar with their day-to-day concerns and their day-to-day problems. Some you can fix and some you can't fix. Some you can fix internally, some require some small adjustments that you can do within the department, and at other times it's under the purview of another ministry. And so those are the things that would be discussed with a minister directly or at the cabinet table, and that's sort of the process.

But with respect to the panel, this is an independent panel set up by SERM. We work with it. When we find areas where we think there would be positive changes that could be effected, we bring it to the attention of certainly our minister, we bring it to the attention of the federal Resources minister, and we'll bring it to the attention of the federal Environment minister. So that's sort of the process and that's how it works from our perspective. I hope I've answered your question.

Mr. McPherson: — Mr. Minister, getting back to the tax royalties, I guess the questions will have to be broad because of course we haven't had time to view the packages that you're going to be sending across.

But one of the concerns and comments that I've heard from industry people, mining industry people, is that in fact your tax and royalty regime is the highest in the world right here in this province. And I'm not sure if they view it as a gouging, but would there be more industry, would there be more mining

industry, in the province if we had a different rate or a different tax structure?

Hon. Mr. Lautermilch: — Well I think it's always fair to say the lower the tax and royalty structure, the more opportunity there will be to attract investors. What we try to do is to find a balance between that royalty structure and taxation level and the shareholders, the people of Saskatchewan who own those resources, and a fair return on the investment of the proponents of developments, and a fair return for their investors. And that's always the key.

And I think as I said earlier, there are always areas where governments, jurisdictions, are willing to see a lower rate of taxation based on their circumstance, than others. What we attempt to do is work closely with industry to try and find a balance where they can attract investment and where they can put together partnerships that will develop our resources.

It's always a tricky subject. On one hand, you have people who say, tax the large corporations more; the resource sector has got room for more taxation. And on the other hand, industry will say that they are taxed to the limit.

There is no doubt that our royalty and taxation regime, with respect to both potash and uranium, are high. We try to work on the basis that they should have a fair return on their investment, and that the resource is owned by the people of Saskatchewan, and the return should come to them. In particular, when we're looking at non-renewable resources that we'll never see again, we want to be able to leave some type of legacy for the people of Saskatchewan for the resource that's being developed, one that we know will never, never again come back for development.

So it's been our position to try and take a proactive, partnership approach with industry to work out a fair regime for their shareholders and for our shareholders, the people of Saskatchewan. And I would think it's fair to say that we've been fairly successful.

If you look at the oil and gas industry as one example, the number of wells, of horizontal wells, that have been drilled in Saskatchewan and the production and what we have done in terms of expanding our known renewable resource, I think we've done a fairly good job and we've been able to find that balance with that sector.

But those discussions are ongoing with mining, with the oil and gas sector. And we continue to work closely with them. The department is very accessible, and I certainly try to achieve accessibility within my office and the people I work with in my office so that we can maintain some understanding of both's needs, both the people of Saskatchewan and shareholders and developers of the resources.

(1930)

Mr. McPherson: — Mr. Minister, I guess you've actually touched on it. It is a balancing act; it's a tough balancing act. I would agree with that. But I think from an industry point of

view, where I can see their concern is on one hand, they're saying you're the highest tax/royalty jurisdiction in the world. Okay, and if they find that they can do their business with that tax/royalty environment and find success here, then I guess you do have some sort of balance with the industry on behalf of taxpayers.

But on the other side of the coin, you then should do what you can to ensure that they don't have these lengthy, lengthy periods and that duplication. So it's not a question; it's just a comment. From my perspective, it looks like they're getting sort of a tough ride on both ends of the stick, and I would encourage you to do what you can to have them so that . . . because your point is good about the legacy, with our own children. We want to ensure that there's resource and resource revenue for years to come. But on the other hand, we don't want the environmental review processes to hold it up to the point where other jurisdictions start to entice these companies to go elsewhere.

Mr. Minister, moving on to oil and gas for a moment, can you tell us how in fact in the last few years your royalty structure has changed? And I believe there has been some change with horizontal drilling. And I'm not . . . I guess, probably that's got a structure all of its own, tax and royalty. Can you just give us sort of an overview of how this works?

Hon. Mr. Lautermilch: — Well you're talking as one here who is . . . I'm not a technocrat, believe me. And when it comes to the details of what is a very complex royalty and taxation structure, it's difficult to describe the changes.

I can say to you the changes were made that created incentives, and we think the incremental activity . . . and as a matter of fact, the oil and gas industry credit the changes in early '94 with the increased land purchases and the increased activity. We changed some from time- to a volume-based royalty. We introduced a third-tier vertical drilling which is a low rate for new wells, for new development. I'm told that there was put in place then a new incentive for development of natural gas wells. They're, as I've said, they're very complex. I've had a look at them, and I think when I look at them initially, I believe I understand them. But as you get away for awhile and haven't seen them, they're very complex.

But I can say the oil industry itself has taken a very proactive approach since those changes have been introduced, and I think the area that you and I both come from in south-western Saskatchewan and south-central Saskatchewan is evidence. The activity out there and the number of wells that have been drilled, and the number of people that are working, the number of service rigs, and the number of developments out there have been a good indication that it's a policy that's well received by the industry.

And on the other hand, the royalties that we've been able to generate and the revenue been able to generate through those changes, that's certainly helped with our financial position here in the province.

Mr. McPherson: — Thank you, Mr. Minister. Well that's a

good place to start, in the south-west. In fact I guess most people don't realize where . . . that you're from my riding and probably wish you were still there.

Mr. Minister, as you know, in the south-west we have a number of these high water producers, some low barrels. Now I appreciate what you're saying about some of the new start-up wells having a lower royalty structure, and I'm sure that's helping drive some of the industry right now.

But on the other side of this coin, you have wells that because it's volume based . . . and I don't know, I think it's about 18, 19 years average life span of the well. Correct me if I'm wrong. But now in those later years when that production falls off and they're dealing with high water, low production — we're talking six, ten barrel a day wells — there we have some concern. There's a number of these wells, and if they're held by larger oil companies, wealthier oil companies, they're more likely to shut them in. I'm not sure what the rate is where they find them to be not profitable any longer. But what can the government, the provincial government, do to help the low producers, the high water producers?

Hon. Mr. Lautermilch: — Mr. Chairman, I am told by my officials, who have a pretty good handle on this, and I am told by them that the royalty rate structure as it exists now, is both . . . is price sensitive and I guess volume sensitive, in that as the volume goes down . . . and it's dependent of course on the rate. We try and build in a rate of return as the production on these wells will decrease.

But I think it's also fair to say that on an ongoing basis we work with industry. And where royalties need to be modified . . . some need small tinkering here, there. We try to develop a royalty structure that will last for the long haul. That isn't always the case because sometimes markets will change fairly dramatically, more than ever anticipated. So we, over the course of the years, will continue to work with the industry to adjust these royalty rates as the markets demand and to ensure that they get a fair rate of return on their production.

Mr. McPherson: — Mr. Minister, now when you're talking about this being price sensitive and volume sensitive, I recall seeing your graph at one point where in fact your volume sensitivity didn't start at zero. There were so many barrels per day production before you were charged a royalty. Is that still happening today?

Hon. Mr. Lautermilch: — Yes, that still is the case today.

Mr. McPherson: — Thank you, Mr. Minister. I was actually hoping that you would offer up more, perhaps the graph or the breakdown of what that structure is. In fact can you supply us with that, for each well, starting at zero? And I don't think that's a lot of work for your department because I've seen this stuff before, and I'm hoping that you have it.

Hon. Mr. Lautermilch: — We're just looking to see if we have some visuals, but I understand that the cut-off is five barrels a day, that there is no taxation at five barrels.

Mr. McPherson: — In your estimation, Mr. Minister, is that a low enough figure? Should it perhaps be double that? Would we save some of these family operations that are the ones out there operating these low producers or some of the smaller oil and gas firms that in fact are employing some of the local people, say in the Shaunavon-Eastend area? Or is this . . . you know, from the 5 to 10 barrels, does it make it just that much tougher to make a go of it?

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. I do, by golly, have a graph here and the officials have been kind enough to find it in the reams of material that they brought with us. And I'd like to send that across to you. You can have a look at it. It gives you some kind of an indication of how the royalty structure works.

When we set the royalty structure we look at an overall revenue base, what we're expecting from the resource, what the requirements of the government are. And I guess we could set it at 10 barrels a day as opposed to 5. But if you look at the number of wells that are producing between that level, and the amount of revenue that would be lost, it becomes very cost prohibitive. And if you're going to allow a royalty reduction in one area, if you're looking at a global number, you're going to have to pick it up somewhere.

So where then do you go, you know? And that becomes the balancing act that we talked about a little earlier. And that's why we continue to work with industry and with producers to try and find a balance across the range of slower producing wells, medium producing wells, and our higher producing wells. That's why we work with them to develop a royalty structure that makes some sense with respect to horizontal drilling.

So all of these things are a balancing act. And you can make an argument that one should be changed, you know, in favour of another, but as we did the analysis and when we were putting the royalty structure in place, it was deemed that the five-barrel level would make some sense. I don't see a page here but . . . there we are. I'll send this across to you.

Mr. McPherson: — Thank you, Mr. Minister. Could you give me some understanding as to what neighbouring provinces do in respect to these very low producers or high-water producers?

Hon. Mr. Lautermilch: — Thank you. I am told that no other jurisdiction gives a break for a water cut. It's not in Alberta, not here, not in any jurisdiction that we're aware of. They don't give a break for water cut.

Mr. McPherson: — What about just low producers then, Mr. Minister? Is there . . . well do you have information on what provinces do for just low producers, without getting into the water cut?

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

Hon. Mr. Calvert: — Mr. Chair, with leave to introduce some very special guests.

Leave granted.

INTRODUCTION OF GUESTS

Hon. Mr. Calvert: — Thank you, Mr. Chair, and I thank the members of the opposition and the minister for this intrusion. I want to introduce some very special guests. Mr. Chair, there are few guests who actually come to our Chamber and pay to be here. These are paying guests, Mr. Chair, and let me explain that.

In our church in Moose Jaw, the congregation of Zion United, once a year we have what we describe as a service auction and members of the congregation donate services. I donated, this year, a tour of this wonderful Legislative Building of ours, plus supper out in Regina, reasonably priced, and 15 minutes free complaining time. And my guests tonight have paid a substantial dollar to be here. So I would like to introduce them and I would like all members present to welcome them. They are the Hogg family from Moose Jaw — Lloyd Hogg, Carol Hogg, Evan and Jason Hogg, and Val Janko. Please welcome our guests from Moose Jaw.

Hon. Members: Hear, hear!

COMMITTEE OF FINANCE

General Revenue Fund Energy and Mines Vote 23

Item 1

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. What a price to pay. But welcome to the legislature.

The rate in Alberta is that they don't have a five-barrel cut-off; theirs is zero. So that I guess is the difference between us in Saskatchewan. The royalties and the rate structure in Alberta is different than is ours, but I guess they base theirs based on their needs and their production; we base ours on our needs and our production. But that's the difference in terms of your previous question.

Mr. McPherson: — Thank you, Mr. Minister. However, looking at the graphs that you've sent across, and I appreciate having those so soon, once it hits five barrels a day then it increases dramatically. It's quite a dramatic increase. And I'm just wondering then in — we'll use Alberta as the example — do they have a much lower increase to their per cent of royalty rate?

(1945)

Hon. Mr. Lautermilch: — Well, Mr. Chairman, I guess what I'd want to say, there would be . . . and I think there is no sense trying to or attempting to compare the royalty structure in Alberta as with Saskatchewan. We have, I guess, over the course of years, always had a different rate structure based on the kind of oil and the kinds of production that we have. Our average production in Saskatchewan is somewhere in the neighbourhood of 16, 17 barrels a day, where in Alberta the

production is much, much higher from the same well.

It's again, as I've said, a matter of finding what you can generate in terms of return for the taxpayers, but at the same token allowing producers still the opportunity for investing and creating jobs through the activity here in Saskatchewan. I would think it's fair to say that Alberta can afford much lower royalties based on their production. And that's been the case.

But what I think is interesting is that we have been able to, and what I find encouraging, is we have been able to find a lot of producers who like doing business here in the province. And that's why they're investing in land sales, and that's why they're drilling out in the area that you and I both know very well. That's why it's busier than all get-out around Swift Current right now with respect to production and with respect to exploration and drilling of actual oil wells.

So I guess in one respect, it's unfair to compare a graph with respect to Alberta royalties and ours because I think what we do is we tailor our royalties to the Saskatchewan condition and the Saskatchewan market. We tailor them to a fair rate of return. I think Alberta plays in a much . . . is a much different circumstance than we are. But the fact that we have been able to generate the activity that we had since 1994 in Saskatchewan tells me that we've done something very positive, and that's evidenced by the activity in the oil patch.

Mr. McPherson: — Mr. Minister, I won't disagree because several of those wells are being drilled on my own land, so it is appreciating when you see as many rigs coming out and putting pumpers up and helping economies out there.

But yet we're talking about something quite different when we're talking about existing wells, low producers, ones that have actually reached the end of their life span. And you and I both know that those are the ones that are being dropped by the big players, but in fact they become the family operations, the small firms of one, two people, operating these low producers.

And some of the concern that has been raised — and so now you'll see where I'm coming from — some of the concern that has been raised by these people that are trying, you know, to make a living on these low producers, in fact help economies in places like Shaunavon, is in fact the amount that . . . perhaps the difference between 5 and 10 would make it profitable.

And I'm not sure how closely you monitor this or see how many wells are just shut right in at say eight barrels, where in fact if they were ongoing with just a small amount more break . . . And I agree, we won't do the comparison with Alberta, but you and your department must have done some analysis of what would happen if it were at seven barrels, or eight barrels, or nine barrels.

And I just think that would be a lot better, to keep those operations going if in fact there were just that small amount of latitude given to these producers. Because on the other side of the scale, they have a very hard time getting any capital to purchase these from the larger oil companies that in fact are going to shut them in or putting them up for sale.

And I've had it raised by some firms that in fact they can't get financing in this province and they're having to go to out-of-province financial institutions to get financing if they were to purchase low producing wells here in this province.

So as Energy minister this has got to be a concern to you and I just want to hear your view of it. So that's where this was going.

Hon. Mr. Lautermilch: — Well I think it's fair to say that the department monitors the number of shut-in wells on a regular basis. And whether it be a low producing well, or whether it be the amount of activity in the patch, all of these things are monitored.

Those figures come to the department on a regular basis and I would think it's fair to say that if it's felt that there's a difficulty, if there's a problem in one particular area with respect to a royalty, if it's felt that it's stifling the action in that area, certainly we're willing to have a look at it.

If it's deemed that there could be activity and quite a bit of incremental activity created by a tinkering with the royalty structure, certainly we'll look at that as well.

And I hear what you're saying with respect to your area and your concern that the lower producing — say eight barrels a day — wells are perhaps being shut in because of the royalty structure. What I will undertake to do is have an internal look at what has happened with respect to the activity in that kind of a well in the last while. And our people will . . . I will have a discussion with them with respect to whether or not it would make some sense to do some changes to that particular royalty regime.

Mr. McPherson: — Mr. Minister, have you, your department, given any consideration to having some way that these smaller firms can access capital for the purchase of these lower producers if in fact they are handcuffed, as I know some of them are, in this province? And rather than have them shut in or, you know, purchased by out-of-province holders, is it not worthwhile to look at some vehicle to help these people out?

Hon. Mr. Lautermilch: — Well I think we take the position that if the royalty structure will allow for a reasonable rate of return, it shouldn't be the Government of Saskatchewan that would have to be in a position, nor do we want to be in the position, where we're financing that kind of activity.

I think as you look at your royalties, you look at what the markets are. You look at what the return should be on particular developments as the banks will do. And if there's a reasonable rate of return and if the credit worthiness of the company is such that the banking institutions, the lending institutions, want to do business with them, I guess it would be my guess that that shouldn't be a difficulty. Just as investors will look at annual reports of different oil companies, whether they be small or whether they be large, to see if they've been doing well for their shareholders. If they've been doing well for their shareholders, there shouldn't be a problem in terms of generating capital for development.

But we don't believe that we should be in the lending business. It's certainly not our intention to move in that direction.

What we at Energy and Mines feel is appropriate, that we understand the people who work in the industry. We understand the industry, understand the markets. And they've spent . . . this particular department has spent many, many years, and they've got decades of expertise to be able to put that together and to be able to do that. So based on the information that they compile in their corporate memory, it would be my suggestion that the royalty structure should be able to create a reasonable amount of return, thereby creating investment opportunities.

Mr. McPherson: — Thank you, Mr. Minister. I guess we would agree. I mean if you can stay out of being a lender or getting involved in the financing side of this, that would be . . . we'd far sooner that you do as you've promised and look at the royalty structure and see if there's some relief or some benefit to the province by making a small amount of change to in fact make it better for lending institutions to help these people out.

Just to change gears here a little bit, Mr. Minister, in the *Supplementary Estimates* on page 3, I see we have Energy and Mines. There was additional funding required for expenses relating to out-of-court settlements and some downsizing costs of just about \$8 million. Do you have a list of what those out-of-court settlements were, who they were to, and for what purpose?

Hon. Mr. Lautermilch: — Thank you for the questions. I have a short note that I think I might send across to you. As a matter of fact, I will send across to you. It sort of outlines the background and the history of the out-of-court settlements. And I think it might be somewhat helpful in terms of an understanding of the history of these. These are not initiatives that had been very recent. Some of the were from a considerable time back, Scurry going back to 1974. And I think if I were to send you these explanations, it would probably be more helpful than to try and describe over a longer period of time what the background of these were. So I'll send this across with the page.

Mr. McPherson: — Thank you, Mr. Minister. I'll review this, and perhaps the next time you're back with your officials, we'll have a few questions on this.

I guess the last thing that I'd like to ask this evening, I recall back a few years — and you may think I'm doing this to have a little political fun, but truthfully I'm not — I recall some research done by I guess it was then Mr. Craig Dotson in regards to some \$8 billion of debt that was created by oil and gas firms and put onto the backs of the Saskatchewan taxpayers. And could you explain in what way did that happen, and what have you and your government done, Mr. Minister, to change that. And I see you enjoy it; I think you remember the paper that was done, and I'd like to hear your comments on that.

Hon. Mr. Lautermilch: — I guess, Mr. Chairman, I'd say to the member, if he has a copy of that study, I'd like him to send it over because it's not one that I'm familiar with. So I would

have a difficult time commenting on it. But if he has a copy and send it over, I'll certainly study it and be willing to make comment.

Mr. McPherson: — I will have that undertaking, Mr. Minister. I think you recall the document. I agree it's been a few years, and you probably don't have it as accessible as I may, and so that's all the questioning I'll have this evening.

(2000)

Hon. Mr. Shillington: — I move we report progress.

**General Revenue Fund
Saskatchewan Water Corporation
Vote 50**

The Chair: — I would ask the minister to introduce his officials, please.

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. I'm pleased to welcome my officials back again tonight. To my right is Brian Kaukinen, the president of Sask Water Corporation. To my left, Wayne Dybvig, the vice-president of water resource management; and on the other side of Mr. Kaukinen is Dave Schiman, the manager of financial planning.

Item 1

Ms. Draude: — Thank you. Thank you very much, Mr. Chairman, and welcome to the officials. Mr. Minister, I have a number of questions today, and then one of my colleagues will be asking specific questions on the Humboldt-Wakaw pipeline.

My first question is: the smaller rural communities have made significant investments in their water and sewer systems. These systems create local employment and they require local supplies. The revenues generated by these systems stay in the community and they're reinvested in the community and in their infrastructures. Does Sask Water realize that by taking over these community systems, such as Humboldt, that they are depriving these communities of the economic benefits derived from operating their own utilities?

Hon. Mr. Lautermilch: — Well in response to that, let me first describe the process. This was initiated by the communities and requested to Sask Water to put together a regional system. There were meetings throughout the area, throughout the different communities.

As you will know, there was quite a bit of controversy in the community of Humboldt. There was community meetings. As I understand it, there was a vote in the community. The community decided through that vote, through their democratic process, to be a part of this regional system.

I think it's important to understand that the Sask Water Corporation is there as a resource when requested by communities to help put together technical engineering expertise, to put together the engineering for water systems. This was not a matter of Sask Water asking the communities to

become part of a proposal that they had put forth. This was something that many communities banded together to see if they could improve the quality and the supply of their water and if they could do it at an affordable rate.

Sask Water Corporation works with the PFRA (Prairie Farm Rehabilitation Administration), a federal arm of the federal government, in terms of working on financing. We provide technical and engineering expertise. We were at many public meetings to help to facilitate so that there could be an understanding of what would be proposed on a project of that scale.

The corporation officials would attend public meetings when requested, but I want you to know and I want you to understand this was not initiated by the Water Corporation. This is community-based initiatives by communities — Humboldt being one of them — and you will know as well as I know that it wasn't without some controversy in Humboldt.

And in terms of changes to the costs of operations, I would suggest that you're probably right. And I don't know the numbers. I might be able to find that for you, but it's important as well to understand that this water system only delivers to the town gate. This water system does not include the infrastructure within the community. So in terms of what happens within that community, if there was local employment, in all probability there will still be local employment.

But the source of water will now be secure and it'll be a long-term supply of water. So in terms of changes and in terms of initiation, certainly there will be some changes but I want you to know that this was an initiation of those communities that you were well aware of.

Ms. Julé: — Thank you, Mr. Chairman. First, Mr. Minister, I would like to welcome your officials, and beforehand I would like to relay a thank-you to them for coming and helping us to understand some of the details that we need to know.

Mr. Minister, you just mentioned that the initiative taken was by the community, that they in fact wanted to have water as such, and they were the ones that determined whether or not they would in fact use Sask Water or whether they would use an EDR (electrodialysis reversal) system.

From what a number of people tell me, they are not too sure that they had enough information to make a proper determination. Now we can simply say that that's no one's fault but their own because they had opportunities to come to meetings.

What I'd like to ask you, Mr. Minister, is that at one time, if I have my figures right, the EDR system calculations, of how much it would cost to have an EDR system in, was around 24 million, and the Sask Water projections were 32 million. At that time I understand that there was a sheet of calculations of what it would cost for power for the EDR system to operate over 30 years. Those calculations were indicated to be up to 6 per cent more per year for power to operate the EDR system. And that 6 per cent was carried on every year for the next 30 years.

Now, Mr. Minister, my question to you is, is that what the people of Saskatchewan have to look towards as their increased cost of power for the next 30 years, is 6 per cent per year over the next 30 years? Because that's the calculation that these people were given. And of course when they consider that, they realize that that cost of an EDR system would be much too much. But I find it very hard to believe that we all have to look at a 6 per cent increase in power over the next 30 years.

Hon. Mr. Lautermilch: — I would not want you to confuse consumption and incremental consumption, thereby incremental power use, with a 6 per cent increase in the power rate and the cost of power. Because I'm assuming that there was a consumption level factored in.

As you will know, the Power Corporation's rates have been frozen until the year 2000. And I would assume after that we will go through our review process to determine what realistic and reasonable power rates will be. But I wouldn't want you to misconstrue a 6 per cent incremental power cost, global power cost, for increase in the cost of power per kilowatt hour, because I'm sure that there was some consumption figures factored in.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, in the questions I posed to you during written questions during the session, I asked you a question with regards to the Humboldt-Wakaw water pipeline. And one of the questions I asked for was could you provide a breakdown of the \$201,000 that your department has quoted in a letter to the RM (rural municipality) of Fish Creek.

First of all you said the construction cost of that 17.6 kilometre-long pipeline, which would have been the area between the river and Wakaw, you said the materials were worth \$58,000. Now in the information given to the people at Fish Creek, they were told that the materials would be \$84,000. So I'm wondering why the change in your answers to me?

Hon. Mr. Lautermilch: — The initial estimates, I am told by the officials, was \$84,000. Upon reviewing and negotiating with those who would be in a position to supply the material, we came up with a cost of \$58,000. The balance of that would be for installation and the costs of installation.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, could I ask you if the word installation pertains to labour costs? The \$135,000, does that pertain to labour costs?

Hon. Mr. Lautermilch: — Yes, I'm told the 135,000 does include labour, the cost of equipment, and the depreciation on the use of the equipment, fuel. It would, as part of the labour component, it would require separating the fresh water return from the inflow, which means incremental labour. So it's not just the matter of throwing a pipe in the ground and covering it up. The estimates by the contractors are in the neighbourhood of 135,000. So a total cost — material, with labour, equipment costs — would be around \$200,000.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, what part of that \$135,000 is specifically attributed to labour?

Hon. Mr. Lautermilch: — I'm told by the officials that it's very unlikely that they would break the quote down on those bases, that it would come as a matter of labour, depreciation on equipment, and fuel, and then materials on the other hand.

(2015)

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, to come up with \$135,000, that amount, there must have been some calculation of costs, and labour must have been determined in that. You can't come up with \$135,000 saying, well let's just throw in this and that, and we would assume it's going to be about that. I believe there had to be a labour calculation, and I would very much appreciate if you could bring that to me, or in the next couple of days I would be most happy to receive that, if possible.

Mr. Minister, another question that I'd like to ask you is . . . when I asked you in my written question about how this operation is going to be financed, you mentioned that Sask Water's debt financing was a portion of the initial capital cost. Now I want to know who in fact is financing this project? Where is the money acquired from?

Hon. Mr. Lautermilch: — I'm told that it's all debt financed through CIC (Crown Investments Corporation of Saskatchewan), through the Crown Investments Corporation, which is the parent corporation of Sask Water Corporation.

With respect to a breakdown, on your previous question, I will undertake to pursue this through the corporation with the contractor to see if he can give us a breakdown of the fuel and the equipment and the labour. I think I know where you're going, based on your comments in question period the other day. And if . . . I think what you're trying to determine is the exorbitant costs, as you would put it, based on the Crown Corporation tendering agreement, which I won't happen to agree, but we will certainly be more than pleased to have the contractor break his quote down and I'll send it to you by letter.

Ms. Julé: — Thank you, Mr. Minister. So what you're saying is that Sask Water is financing its own project, is that correct?

Hon. Mr. Lautermilch: — The breakdown is this: CIC finances \$25.7 million and the rest comes from the infrastructure program and from PAWBED (Partnership Agreement on Water Based Economic Development), federal government, through federal initiatives. So that's how the financing is broken down.

Ms. Julé: — Thank you, Mr. Minister. I asked that question because one of my constituents simply asked me the question. They said, in fact, are these Crown corporations becoming a lending business and lending their own money out for their own projects and for their own, I guess, benefit in the long run for general revenue? So would I tell them yes, that in fact this is what's happening?

Hon. Mr. Lautermilch: — You can tell them that the project is self-financing, partially through federal grants, and federal funding through PAWBED, and through the infrastructure

program, and that the balance . . . (inaudible interjection) . . . You don't have to agree with me. I'm telling you how it's financed. And the balance is \$25.7 million that's financed through a loan from CIC. That's how it's financed. I can't change the facts. Those are the facts. I've given them to you. If you know better or if you have other information, then you share it with me.

Ms. Julé: — No, Mr. Minister, I'm not shaking my head because of anything except that it seems to me that PAWBED has put in \$3.8 million and that I can understand. But to have the rest, the \$25.8 million financed by Sask Water itself, in fact borrowing money from itself to finance this project, may be something that the taxpayers of the province would have a little bit of trouble with.

I would like to refer you to the infrastructure money, Canada-Saskatchewan infrastructure program grant of \$2.8 million. That is partially, I understand, federal government money and that was determined . . . I'm wondering whether the infrastructure money, when it's given over to the province, has been determined by the federal government beforehand and given over in a lump sum per year or whatever to the province; or in fact if the federal government, in conjunction with the municipalities and the provincial government, have got to come to some conclusion on a project that is going to be financed by this infrastructure program before the money is turned over.

And does the money have to be used for specific projects?

Hon. Mr. Lautermilch: — There were three areas where infrastructure money from the federal government were spent. The first was . . . and the largest lump was given to the provincial government for those to determine where they might go. The second portion of that went to the municipalities for them to determine which projects they might want to initiate. There was some funding left over and that was allocated to projects that were determined both by the federal administration and by the provincial administration to be worthwhile projects in the province.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, I'm happy for the people that want to have this water on the Humboldt-Wakaw water pipeline, but when I look at . . . I'm thinking also of the taxpayers of the province. When I look at \$2.8 million that is put towards a project that will serve about 7,000 people, and I look at the money that we need for all of the province to do with health care and education, I wonder if in fact this \$2.8 million is a very smart move. I question it and I'm sure the people of the province do. I'm wondering if the returns to the province are that lucrative that in fact you would assess it to be a great thing to do.

Hon. Mr. Lautermilch: — I want to say to the member, first of all, this is a self-financing program over the length of the project, over the lifetime of the project. It involves about 10,000 people in the area that it will serve, and I guess you can question whether or not government should in fact assist communities in putting together funding and financing for water projects. I would think it's fair to say that the vast majority of the 10,000 people to whom this will serve would

agree with me that it was a priority and that it will remain a priority, and that it will serve them well.

And I think over a period of time, the community of Humboldt and the people in Humboldt who voted for this project and supported it in a public vote will hopefully see the spin-offs of economic development opportunities in that community, based on the fact that many industries require a good deal and a great supply of water in order to position themselves or in order to determine a place where they might operate from.

So I would want to say to the member that it wasn't that this project didn't go without public scrutiny and without due diligence from the municipal governments and from the cities, from the towns, and the villages who are going to be served by it. And I think they've made their decision. We made our decision that we would look for financing for them. We found some, working with the federal government. Some of this funding, we'll remind you, comes from the federal government. Whether it's through PAWBED or infrastructure, it's federal tax dollars. But the bottom line is that we've been able to serve 10,000 people through this project that will be built over the course of this summer and into the fall, and will serve, I believe, the 10,000 people in the communities in which they live very well.

The test of time will determine whether it was a prudent decision to make. I happen to think that in Saskatchewan, an area where we have in too many areas very low quality water, people serving their homes and their livestock out of dugouts with very much substandard water, will think that it's very good investment.

I think the fact that we've been able to bring the costs down to something that's liveable is again another achievement. And we've done that by working with the communities, with the federal government, the municipalities, the provincial government, to bring it down to a cost that those people can live with.

And I frankly make no apologies for the way it was financed. I think it's a reasonable way of financing water projects. It's based on a cost-recovery analysis of rates over the capital cost, and determining, you know, the life span of the water lines.

So I think the test of time will show that those communities are going to be very happy with the decision they've made, keeping in mind it's been their decision and not the provincial nor the federal government's.

Ms. Julé: — Thank you, Mr. Minister. I want to sort of confirm to you that the reason I'm asking these questions is not because I don't think that the people of that area have made a decision. I know they have; certainly they had a vote. Some of my questioning is because of my concern about what might happen in years to come — not only to that constituency, which is primarily mine, but also to the province, as a result of this.

And I would like to ask you, Mr. Minister, is the \$6.13 per 1,000 gallons, is that rate guaranteed to these users on the pipeline for the next 30 years, or is there a chance that they may

have to pay more? And if they pay more, why would it happen?

Hon. Mr. Lautermilch: — The initial cost is \$6.13 per unit. This is administered by a local steering committee made up of local people within the area of the infrastructure. There is, built in, a four-year ramping-up rate, but it's their decision to make in terms of whether there be any increase in a given year, as I understand it. At the end of this term, at the end of the payback to the loan, that infrastructure becomes theirs; it becomes the property of those communities.

So in terms of what they might ramp these rates up, I guess part of it might have to do with inflation in the province, Canadian inflation rate, which might impact on ours, and what they deem their client group can manage in terms of rate increases. But I'm told it's 4 per cent.

The steering committee makes the decisions and if they were to increase it 4 per cent every year, I guess that would mean it would be paid off much quicker than if they increased it by zero for the next five years, and 2 per cent each year thereafter. I mean it's their decision; it's their infrastructure. Our only role now is to help put the project together and to ensure that it's built, operating well for them, and it then becomes their responsibility to pay off the capital debt.

(2030)

Ms. Julé: — Thank you, Mr. Minister. I think most of the people that had bought into this and wanted to use this way of receiving water were certainly under the impression that \$6.13 would be the cost to them to have treated water for the next 30 years, and that money would pay for the water, operations, and everything to do — in fact the maintenance and the whole works — everything that would have to do with them receiving the water.

And I think that's why the ones that did buy into it did buy into it, because they believed that that rate was what they were going to get. I just seriously hope that there's no major increases to their costs, and as you have indicated, there very well could be. So that's one of the reasons again I'm putting this forth, is because I think the people there deserve to know what the future may hold for them in this regard.

Hon. Mr. Lautermilch: — I'm told by my officials, and just in asking roughly how many meetings the Water Corporation had with local communities in terms of delivering information to the different communities, I'm told that, besides all of the letters of inquiry that were written to the corporation, that were written to the minister's office for a response, there were in excess of 30 meetings over a three-year period. It was our intention to offer ample information to as many communities and as many people who would listen and I guess partly because in order for the project to go, the communities certainly needed to have the public support in their areas, which they did and do. And so we certainly were wanting to be open to them.

In terms of the payback period and in terms of the overall costs of the project, other than the initial financing, the financing is fixed. The interest rate on the financing is fixed. The capital

cost is fixed. You will know that the operations in the maintenance will be a variable. You can do an estimate, but I don't think there's any way you can fix those to the penny.

But I think it's fair to say that the steering committee will use due diligence, as they would if they were running their own water system within their own communities. Right now municipal councils and town councils will make the decision on water rates based on the costs, the capital cost, of their pumping station, their treating plant, their management costs, their operating costs, what it costs for breakdowns.

So I don't know that any city or any community will fix costs for 30 years on a cost-per-unit basis because there are some variables, and this is, I guess, no different.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, what is the interest rate that will be paid on the debt?

Hon. Mr. Lautermilch: — I'm told that we haven't borrowed all the money so that the financing isn't as yet fixed. It will be soon. But they modelled it on 9 per cent. Hopefully that figure will come in less, depending on the cost of the money is when they go to the market. But I would assume that that should be fixed very shortly, and that should be done in a matter of months.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, this afternoon and in previous days, I have talked about the RM of Fish Creek portion of the pipeline. I would appreciate if once again, for my colleagues' sake, to tell me what was the rationale of relocating the water treatment plant from the river to Wakaw?

Hon. Mr. Lautermilch: — Important, I think, to understand that initially the proposal where the treating plant would be located on the intake site was a proposal by the steering committee who initially looked at this. And that's how they put together the proposal.

Upon review by the technical people within the Water Corporation, it was moved based on two elements — one was the cost, and second was operating efficiency based on where it would be technically most feasible to do the treating. And that determined that the existing site that has been chosen made the most sense in terms of economy and technical ability to deliver a clean supply of water.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, common sense would tell a person that the water treatment plant should be located near the river. In considering that the plant wastes are removed from the treatment stream, what are the estimated additional annual costs and the 30-year accumulated cost of pumping the waste water volume from the river to the treatment plant at the Wakaw site?

Hon. Mr. Lautermilch: — Well I guess maybe common sense at first blush may not be common sense, and I don't suppose we could say that all the time. And I guess once technical evaluations are done, and the people who are in the business of designing and building water systems can bring a technical

common sense and a cost-effective approach to some of these initiatives . . .

I'm told that at the existing site, there would have been no need for backwash because the existing sewer and lagoon system can handle the effluent from the treating plant. And it was much less of a problem at the site that was chosen than it would have been if it had been at the mouth of the river, because the infrastructure to be able to deal with all of that would have had to have been dealt with there; then infrastructure would have had to have been built, where it's already existing at the site that's been chosen. So as I've said, what appears to be common sense to perhaps you and I when you first look at a proposal may not be that way after the people who do it for a living and design these systems for a living have a look at it. And I guess such was the case in this regard.

I mean I can understand the people from Fish Creek and the RM of Fish Creek, in that you've got a raw water pipe running by their place going to a town down the road, and they were perhaps assuming or hoping that they would have treated water dropped off at their place as it went along. And so I can understand their concerns. I can also understand why they would want us to look at a proposal whereby we would run treated water back.

And I guess what has to be done now, as you and I discussed in my office the other day, if the folks in that area are willing to look at moving treated water back to their farms, that we can do that. What will be critical is knowing how many people would want to take that kind of initiative up, which is what I was hoping you would help me to determine in your conversations with the folks out there, to determine better what the cost per unit for them might be, because as you will know, the more utilization, the easier it would be to bring the cost per unit down. As well, it might be that the rest of the people within that whole distribution network may be willing to amortize that portion with the rest of the capital construction cost. And it may be that the steering committee would recommend service to those farms and tie it into the whole network.

And I mean, I think those are some of the questions that have to be asked. And those are some of the answers and the truths that we would want to search out before we go down the road too far here. It may be more economical for those farms to treat raw water on site. That might be a much cheaper solution for them, depending on, I guess, the volume they're going to be using, depending on how many of them would be involved.

And these are all questions that hopefully you and I can work together to determine some answers for.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, speaking of our meeting, after we had that meeting, it was truly my understanding that the two people sitting with you around that table, I believe, were an engineer and I can't remember who the other person was. But my understanding was that they were going to take this situation, and they were going to talk to the steering committee again, and they were then going to talk to Rick Kindrachuk, the administrator of the RM of Fish Creek. I had no understanding from you that you wanted me to talk with

you in talking with those people again. I thought you were going to take care of it. But if you would like me to talk with them and set up a meeting, I certainly can do that.

If I can go on just a little bit more here. When you talk about the common sense aspect and that Wakaw had a lagoon already, I understand that Wakaw's lagoon had to be expanded to accommodate the backwash water, and that expansion was at an estimated cost of \$300,000. Is that correct?

Hon. Mr. Lautermilch: — I can't give you the costs, I don't have those with me, but I can tell you that they were both costed out, the one at the river — or at the intake, and the one at Wakaw. And it was much cheaper to do it where the steering committee finally agreed to put the pumping station or the treating plant.

Ms. Julé: — So, Mr. Minister, is it a fact that the lagoon had to be expanded then?

Hon. Mr. Lautermilch: — I think what would be helpful is if we would supply you all of the details — the cost of the infrastructure at the intake if they were to take raw water and treat it right at the intake; the cost of expansion through the infrastructure where the existing treating plant will be; and the differential between doing it at the mouth and doing it where they've done it. And I will have my officials put all of that information together for you and I will send you, in writing, that material.

As well, I understood with respect to the meeting we had the other day, that you were going to do some legwork, but it doesn't matter. What I will do is I have asked Mr. Kaukinen to ask the official to deal with some of the questions that have come out of your questions tonight and out of your comments when we met a week or so ago.

And we will undertake to talk to the people in Fish Creek to see how many would be interested in the uptake base, and as well we'll talk to the steering committee to see if they would be interested in absorbing that capital cost into the overall infrastructure, remembering that it would be their decision. And we will undertake to do that and we'll get back to you with answers to all of that.

Ms. Julé: — Thank you, Mr. Minister. Mr. Minister, I would appreciate in all the information that you're going to give me if in that information you would tell me whether or not the lagoon had to be expanded at an estimated cost and what that cost was. I would like to know, if that lagoon was expanded, what was the cost of the land for the expansion? I would like to also know who that land was purchased from, and I would like you to, I guess, tell the people that are involved with the cost of this pipeline what the total additional cost was for that treatment plant at Wakaw and for that pipeline going between the river and Wakaw.

Because it seems to me that there's \$201,000 for those people in the RM of Fish Creek to pay, and if there is \$300,000 for the expansion of the lagoon, that's \$501,000. And even if you look at the \$300,000, and we talk about cost efficiency of where to

locate the plant, I'm not just . . . and also the accumulated cost over 30 years of pushing that water from the river into the treatment plant for 10 miles, I would presume that that kind of cost would come to much more than locating the plant at the river.

Mr. Minister, in a letter dated May 1, 1996 to the RM of Fish Creek, you stated — at least the letter was signed by you — that the site of the treatment plant was chosen after careful consideration and located at Wakaw to take advantage of pre-treatment chemical mixing and water temperature moderation in the long pipeline. This results in an improved and more consistent water quality as well as operational efficiencies. My question to you is, what chemicals will be injected into the raw water for pre-treatment?

Hon. Mr. Lautermilch: — I think one thing, one thing can be sure — there will be chlorine in it. I'm assuming that. The officials don't have a breakdown of what chemicals will be used in the treatment, but we will undertake to get a very technical briefing for you in terms of the chemical composition of the treatment that will take place at the treating plant.

Ms. Julé: — Mr. Minister, the reason that I ask that is because if there is a treatment of chemicals, there's going to be chemical reactions and so on occurring within the pipeline. So because of those pre-treatment reactions and that occurrence, there is going to be particle settlement in that pipeline. So I am just trying to estimate what the additional annual cost for increasing pumping due to reduced pipeline coefficients and for pipeline cleaning is going to be. I'm wondering, you know, whether or not you went that far, because if we're estimating the cost of this thing, we should estimate it thoroughly.

(2045)

Hon. Mr. Lautermilch: — You certainly have gained my interest now because I am more than interested to determine where you've developed your engineering expertise. I'm told . . . but nonetheless, good questions you ask. But I guess it might be cleaned or pigged out, perhaps, every two years as opposed to every three years. I'm just not aware of how quickly that process might take place, but we'll undertake to find out what chemical reaction there might be and what the cost of that kind of process might be on an estimated basis.

Ms. Julé: — I'm just also wondering if the capital and operating costs for the individual systems will increase because of those pre-treatment chemicals and the sediments, you know, over the years.

You want a good question? I'll give you a question, an interesting one here. This was brought forward to me by someone else and I guarantee you that it's something that I wouldn't have thought of. But I'd actually like to have you answer this question somehow in the days ahead — not necessarily here.

I'd like you to kindly provide the thermodynamic heat transfer analysis that would determine the water temperature moderation in the long pipeline and the impact it would have on water

quality and operational efficiencies. So if you can't remember that, you can always look in *Hansard*.

Mr. Minister, I just have some other questions here that I would like you to answer, if possible. Of the \$15.22, the amount that was given to the RM of Fish Creek users, I want to know how much of that was attributable to their share of the capital cost of the main pipeline system and the water treatment plant.

Hon. Mr. Lautermilch: — I have to apologize. I had the answer on the tip of my tongue to your first question. It just slipped away on me momentarily.

What I'm going to do is undertake to find the best engineer we've got within the corporation, with the most technical expertise, to put together the longest and most detailed answer that I possibly can. Because I think I'm going to sit down and read it because I'd kind of like to understand it too. You've twigged my interest right now.

So with respect to the costs that you asked, the per unit cost I guess is 6.15 . . . (inaudible interjection) . . . 6.13, I'm sorry, and the portion that you question is about \$4.50 per unit plus extra costs.

Ms. Julé: — Okay. I'm not going to ask you to have to get up. I'm just going to give you a few more questions, and please note them in *Hansard* and pass the answers on to me. All right?

In conjunction with the last question, of the \$15.22, how much is attributable to the share for the RM of Fish Creek — the users in the RM of Fish Creek — of the operation and maintenance costs of the pipeline system and the water treatment plant? Of the \$15.22, how much is attributable to the operation and maintenance cost of the reverse pipeline? And of the \$15.22, how much is attributable to the amortization cost of the reverse treated water pipeline?

The other question is, of the \$4.52 per 1,000 gallon for raw water, how much of that is attributable to their share of the capital cost for the raw water pipeline? And of the \$4.52 per 1,000 gallon rate for raw water, how much of that is attributable to their share of the operation and maintenance cost for the raw water pumping and pipeline?

And I thank you, Mr. Minister, for bearing with me. I have gotten some answers from you and I look forward to the rest of them as they will come to me in the days ahead. And I hope within the very few days ahead, because as you well know, the trenching is, I think, under way for this pipeline, and the RM of Fish Creek would like to certainly have some answers here and so would the rest of the people that are users on that pipeline.

So thank you very much, and I'll turn this over to my colleague.

Mr. Belanger: — Thank you, Mr. Deputy Speaker. Once again, welcome to the officials, and to yourself as well. And these questions that I have will be basically dealing with northern Saskatchewan.

Several days ago I was advised by a number of northern

municipalities that Sask Water's capital grants assistance program was discontinued and no longer considered a priority by the government.

Could you give us the background as whether there's any basis to some of these statements?

Hon. Mr. Lautermilch: — Yes, Mr. Chairman, to answer the question of the member, we don't have a capital project or program within the Water Corporation *per se* that would pertain to northern Saskatchewan. That would be an initiative of Municipal Government. We, as I've indicated before on these kinds of projects when there are requests, we'll do technical and engineering expertise, and we have those people available. Where we don't have in-house, we will work with communities to bring outside of the corporation expertise.

Mr. Belanger: — What involvement has Sask Water Corporation with the northern municipalities and towns and villages? Do you play a role in northern Saskatchewan?

Hon. Mr. Lautermilch: — Just, I guess, maybe even a more concise explanation — our role is basically that of project management. We will try to put together consulting expertise. If tenders are to be let, we would do an analysis of the bidders' proposals to assist the communities, ensuring that they get the best value for their dollar.

Mr. Belanger: — So for example, if Fond-du-Lac had a project and it's an Indian reserve, then Sask Water would go in there, and you would do an assessment of the project and you would determine that this is the best use of their dollar. And that's the extent of your involvement when it comes to Sask Water Corporation in northern Saskatchewan. And that if you done that, then these services would no longer be paid by the government. Then it had to be paid for by the communities that are getting the particular services?

Hon. Mr. Lautermilch: — The process would be such that Municipal Government, in their budgetary process, would put together a capital pool, I am assuming, working perhaps with some federal assistance if that were available, look at the number of projects that they might be able to assist with, then we would be called in to assist to cost out a project for a community, for an area.

Those aren't . . . earphones aren't working tonight. I found that out. It's very difficult to hear, so I'll try and speak up a little bit.

But we would assist in costing out a project, we would engage any engineers, any contractors, those kinds of folks, and once the project was put together and operational, we would send, if requested by the community, our people to train local people to run and manage and maintain the facility. That would be the role of the Water Corporation as a project . . . as it would pertain to a project in northern Saskatchewan.

Mr. Belanger: — I guess the second part of the question then. Suppose there was a water project in northern Saskatchewan, and because we always hear the \$15 billion in debt comment, suppose this project was \$100 and if you went in there and you

provided a consulting service or consulting and all the expertise necessary to ensure the best bang for that dollar, would there be a cost that you would charge to that particular community or is that service free?

Hon. Mr. Lautermilch: — Yes, it would be done on a fee-for-service arrangement and it would be invoiced to Municipal Government for whatever services we would deliver for that kind of a project.

Mr. Belanger: — Was this fee for service always available or just recently within the last few weeks have you changed your mind on offering this service free?

Hon. Mr. Lautermilch: — I am told that we have worked with Municipal Government in whatever form it happened to be around for years and years back to the old DNR (Department of Natural Resources) days on a cost-for-service basis. But again, if a project is initiated jointly by Municipal Government or by a community through Municipal Government, we would play the same role that we have for a long, long period of time.

Mr. Belanger: — Again, going back to that \$100 figure, from what I can understand, take a community like Stony Rapids, a far northern community, if they were to ask the government to put in water and sewer, the Municipal Government would then say yea or nay to the project, and if they do say yea, then Sask Water Corporation will come in there and charge additional dollars to that community for the supervision and to ensure that dollar's spent correctly. Is that a proper assumption to make?

Hon. Mr. Lautermilch: — Yes, whatever arrangement the Municipal Government would make with the local community in terms of cost sharing and revenue sharing, that would be the arrangement that they would . . . or cost sharing . . . that would be the arrangement that they would put together.

We haven't changed, I guess, our position with respect to developments from the old DNR days, as I've indicated. We work through whatever RM's delivering those kinds of projects in northern Saskatchewan in the manner that I indicated just moments previously on a fee-for-service basis, and it would be all part and parcel of their budget, what they would put together on an annual basis.

And once they've determined what they're going to spend, I'm assuming that dialogue would take place with northern communities to determine, I guess, the most need, and based on that they would put together an analysis of the costs of the project. If funding was available, they would ask us to come in on a fee-for-service basis, the Water Corporation, to do the services that I outlined earlier. And that's how that process would work.

Mr. Belanger: — I guess the other question that I have is: has your department ever been approached by the Municipal Government or by a northern community to do a feasibility study on having Sask Water Corporation actually own the water and sewer systems in some of these communities?

(2100)

Hon. Mr. Lautermilch: — I'm told, and I wasn't aware of this, but I'm told that we just recently turned back a facility to the community of Stony Rapids that was owned by the corporation.

I think what I would like to make clear here this evening is that the Water Corporation in itself is not a utility and we have no intentions of turning it into a utility, a utility corporation. The role of the corporation is to facilitate, to do the kinds of things I indicated earlier, to engage contractors, engineers, and basically put together programs and projects and make sure that they're done in a cost-effective and in a coordinated approach, and to work with local communities in training people to operate their facilities.

Mr. Belanger: — I guess that goes back to the next question. Obviously when you talk about communities, and we're all aware of the northern Saskatchewan communities where infrastructure has been one of the biggest set-backs in northern Saskatchewan. There are many communities that still haven't got water and sewer.

Has there been any effort by Sask Water in trying to tie in federal grants or a strategy to provide water and sewer to Stony Rapids, or do you guys just simply wait for the municipal government or the federal government to come and do some of that work and then you respond to it? Like, do you initiate some of these projects or do you just respond?

Hon. Mr. Lautermilch: — Well we're not project proponents. We would be there to act in the, you know, in the capacity that I indicated earlier. That would be the role of Municipal Government.

In terms of whether or not there would be some federal funding available, that quite clearly would not be a decision that we would make. We've certainly been encouraging, where we can, the opposition and the federal government, when we deal with them directly, to curtail the amount of cut-backs to programs, whether it be health care, education, or whatever it is, because our revenue's basically one pool. And when we lose funding dollars it means fewer projects go ahead. We have to prioritize education, health care, and social services here in Saskatchewan and have been struggling to maintain the funding. And unfortunately that means pressures on other arms of our budgetary process.

I can sympathize with the member. I'm somewhat familiar with northern Saskatchewan, certainly not to the degree you are. And if I were to stand in my place this evening and tell you that I think all of those communities have been served adequately for infrastructure, you and I would both know that I probably wouldn't be accurate because there are some of those communities in northern Saskatchewan that really do need an upgrade to some of their infrastructure and in some cases need infrastructure, period.

So I want to say to the member that it's one of the areas that I think over a period of many, many years in Saskatchewan, we haven't done enough in that area, up in the North. And I don't want to move off of the Water Corporation estimates, but I think I would like to comment that northern Saskatchewan, I

think, has had short shrift in lots of cases. Housing is certainly inadequate in many areas, as you will know, and it's something that needs to be addressed, and I think it's something that we need to look at as being a priority within our planning.

Infrastructure, I think the same can be said. It's a very costly process, as you will know, in the North to get anything done, to get anything built, to get things repaired. And it's something that we really, I think, as a society need to turn our minds to. There are many communities up there that I think have done quite a lot with quite a little, and I know that the member has great concerns about that. I hear him in question period, and I hear when he makes some his speeches during private members' day and estimates. And I recognize that you have some concerns with northern Saskatchewan.

I guess tonight I just want to tell you that you're not alone because many of us recognize there are problems up there that need to be addressed, and hopefully over time we can bring the level and the standard of living in some of the northern communities to a level with southern Saskatchewan.

Mr. Belanger: — I just want to confirm in a simple answer, I guess, yes and no. And I do appreciate some of the comments you're making. Has your department ever approached the northern village of Beauval to take over their water and sewer operation due to a fact that they needed an extension or expansion, and they could not afford to do it on their own. Was it ever a project plan? Was it ever anticipated? Was it ever researched? Was it ever proposed?

Hon. Mr. Lautermilch: — I think the situation would probably be somewhat reversed, but I'm not sure that the Water Corporation would be the arm of government that Beauval would want to approach. Municipal Government, that would be more their role. We wouldn't, in all likelihood . . . well I shouldn't say all likelihood. It's just it's not policy that we would accept that kind of a proposal.

The funding for those kinds of projects, for expansion to those projects, would be through Municipal Government. And we would expect if a package within their budgetary framework were able to be put together, that if we were asked to facilitate and do the project management, we would certainly be more than willing to do that as a corporation.

Mr. Belanger: — I'm just going to bounce around again here. On the PAWBED, could you give me some of the examples of some of the northern communities that may have participated in applying for certain projects, and what these projects were and what the total costs of the projects, if there were any, within the PAWBED agreement with the federal government.

Hon. Mr. Lautermilch: — Okay, what I have is a fairly extensive list of PAWBED projects that we have been as a province involved in. It's a fairly lengthy list and it's not separated north, south, east, or west. It goes back for a considerable period of time. But I can undertake to send a copy of this, if the member's interested. And he can look through and that might give him some answers to some of his questions. If he'd be interested in this I can send it over. Okay, we'll

undertake then to send a copy over.

Mr. Belanger: — No, I'm just worried that in essence to PAWBED and many of the other opportunities associated with water, and of course all the opportunity with northern Saskatchewan . . . There's a lot of water in the North. And I guess my big point is that the Saskatchewan Water Corporation, in what it's supposed to be doing, I think should take a larger role in ensuring that a community like Stony Rapids and other communities that are having severe problems in terms of servicing the residents with safe water and proper disposal of sewer is done in an orderly fashion.

And I guess the other question, the point I want to make is when you look at PAWBED, there's been very, very few communities in northern Saskatchewan that have come forth with some projects under this joint effort by the federal and provincial government. And the reason that is being the case is that they lack the very basic essentials of running water and sewer.

So in that point, I just wanted to point out that I think there should be more of a proactive role at Sask Water Corporation to try and determine how best to address the situation in northern Saskatchewan. And although I see the mandate, as you explained to me, is to ensure adequate, reliable, and safe water resources for the benefit of the people of Saskatchewan now and in the future, so I would suggest that adequate, reliable, and safe water be the very essential thing that we all take for granted, and that's the delivery of running water and sewer services for Stony Rapids.

So with that, thanks again, Mr. Minister, and I know we'll have further questions as we go along.

Ms. Draude: — Thank you, Mr. Chairman. I'm wondering if the minister has ready or if he could supply the package of global questions that we have asked for. Are they ready at this time?

Hon. Mr. Lautermilch: — I think these are the packages that you requested, and I'll send one to the Leader of the Third Party as well as one to the opposition. As soon as they find the page. Oh we got better than the page here.

An Hon. Member: — Send them over under armed guard here.

Hon. Mr. Lautermilch: — Yes, exactly. They won't get lost.

Hon. Mr. Shillington: — I move we report progress.

Hon. Mr. Lautermilch: — Mr. Chairman, if I could, I'd like to thank members of the opposition for their questions and I'd as well like to thank our officials. The Water Corporation officials came in from Moose Jaw and they've been waiting here, I think, since about 3 o'clock this afternoon, so I want to thank them for their patience.

Some Hon. Members: Hear, hear!

(2115)

**General Revenue Fund
Saskatchewan Research Council
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The Chair: — I would ask the minister to introduce his officials, please.

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. To my left I have Ron Woodward who is the president of Saskatchewan Research Council, and to my . . . no, wait a minute — that's to my right. It's been a long day.

To my right, President Ron Woodward, and to my left is Crystal Smudy who is the controller for Saskatchewan Research Council.

Item 1

Ms. Draude: — Thank you, Mr. Chairman. And welcome, Mr. Minister, and to your officials. I'm very happy to see you.

Mr. Minister, can you give us a breakdown of what the main achievements you feel were for the SRC (Saskatchewan Research Council) in the past year?

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. I guess it's been a year of achievement and it's been a year of some change. I should indicate to members opposite that we have, and I've introduced tonight, a new president for the corporation, Mr. Ron Woodward. He has spent some time here in Saskatchewan. He spent some time with the research council in British Columbia and we were fortunate enough to retain his services as the president of the corporation. And I'm looking forward to some very interesting initiatives under his leadership.

We have done an internal restructuring with a focus to more internal efficiencies of operation. Hopefully, we can provide services in the most cost-effective manner possible, and the restructuring with respect to the organization has been part of that. We have also put a new focus on ag biotechnology and technical commercialization.

And I think that these, in fact, are exciting times for the Research Council. We, as you will know, attempt to work on a cost-recovery basis of operation. I think the Research Council, over the period of years that it's been functioning, has showed that and has shown that in fact we can achieve some major initiatives working with industry, in partnership with industry, and can advance economic development opportunities and expanding the way in which we develop economic opportunities for the people of Saskatchewan.

So I guess I want to say these are, I think, exciting times. Our economy continues to expand into new areas. And I think that the Saskatchewan Research Council can really be a very positive influence in facilitating new people with new ideas, new types of business to the province. Very exciting, what's happening.

In Saskatoon . . . we're having a little competition here, Mr.

Chairman. I'm having a very difficult time hearing myself. But having said that, I think that the developments that are taking place in Saskatoon at Innovation Place with respect to ag biotechnology and other new technologies are going to have a very positive influence on the Saskatchewan Research Council's role in developing and working to develop the Saskatchewan economy.

I think it's also fair to say that members of your caucus will have some firsthand knowledge of some of the good things the council has done over the past years, and certainly I think it's something that we hope will continue. I think that we've got a very good and capable staff, people of a good understanding of the Saskatchewan situation on the board. And so I think it's got a very positive future for us and will continue to play a very positive role here in Saskatchewan.

The Chair: — Order. Members, the din here is getting a little bit loud. If you wish to carry on a conversation, I invite you to do so much quieter. Order.

Ms. Draude: — Thank you, Mr. Deputy Chair. Mr. Minister, can you give me a breakdown of how the \$8 million in last year's grant was spent.

Hon. Mr. Lautermilch: — Under the headings of the grants, the research branch is a total of \$2.093 million; technology transfer, 1.208 million; extension services and C&D (conservation and development), 912,000; corporate, 250,000; and the subtotal under that particular grant structure is 4.463 million; SPMC (Saskatchewan Property Management Corporation) is \$3.423 million; for a total of 7.886 million.

Ms. Draude: — Mr. Minister, can you give us an idea of how many of your clients are private sector and how many are public sector?

Hon. Mr. Lautermilch: — The aggregate amount is \$18.212 million. From industry, the amount is 9.262 million. We receive from the federal government 2.998 million; from the province 1.489. And the operating grant is 4.463 million. And as I said, that's a total of 18.212. We've got those in percentages if you want them too or . . . (inaudible interjection) . . . Okay.

Ms. Draude: — Mr. Minister, has the money that was received from the federal government been going up or down in the last few years.

Hon. Mr. Lautermilch: — I can tell you that it's been going down, which is part of the difficulty we had with respect to restructuring. Some of the contracts that we had received in the past were no longer available because of their fiscal restraint programs, which meant a reduction in the number of contracts that we . . . people that we had contracted to service those contracts. I think we can share with you those numbers if you would like.

I'll just then read them into the record. Okay, in 1992-93 received a total of 2.732; '93-94, 2.696. It went up just a tad in '94-95, and we are receiving in this fiscal year a fairly dramatic decrease from the federal government.

Ms. Draude: — Is that due to one specific client or project?

Hon. Mr. Lautermilch: — One of the major decreases we've had is in petroleum research. We're down about 600,000 for this fiscal year that we're in, which is for us a fairly dramatic amount because we really have relied on the research and development dollars from the federal administration, coupled with what we've been able to put in on our own, and it's a major part of revenue generation, as you will know.

A lot of the horizontal well technology that's been developed in Saskatchewan was assisted by the Research Council working with industry, and so even though it's a very small number in the big scheme of things, for us it has a fairly dramatic impact.

I should say to the member opposite that this is going to be one of the focuses and one of the discussions that I will have with my federal counterpart, Anne McLellan. I know that her budget has been set for this year and I understand all that. I'm very disappointed that we didn't receive as much as we would have liked or as much as we feel the importance of our industry here in Saskatchewan would dictate should be delivered here. And it's one of the areas that we're certainly going to focus on next year to see if we can have the federal government more involved with research and development dollars as it relates to the petroleum industry.

Ms. Draude: — Did these research and development dollars from the federal government, were they just not spent this year or were they . . . did they give these dollars to another province, or to another research council?

Hon. Mr. Lautermilch: — I don't have the numbers here and we were just trying to recall from a briefing note that I know I had looked at just a while back. It was one of the questions that I asked of the officials, and Energy and Mines are somewhat tied into this as well.

But I know that Alberta got a fairly substantive increase. As well they've moved some research initiatives to Devon, to the Alberta Research Council, and you know, certainly there the oil and gas industry, the petroleum industry in Alberta is important, and it's important for them in their province. And I understand that there are areas of jurisdiction that might take precedence from one minister over the other and I'd never ever accuse anyone of . . . or that of even being the case. I don't believe that to be the case. But I think it's important to say that we will be pursuing incremental dollars next year to back-fill for what we've lost for this year. And certainly we're going to be very aggressive in those discussions and in that debate.

Ms. Draude: — Mr. Minister, we understand that Alberta is basically the headquarters for the oil and gas people. That's where they like to be seen. But also Saskatchewan has been priding itself on the fact that we are sort of the centre for the biotechnology. Have you been able to get more federal dollars for research and development in that area?

(2130)

Hon. Mr. Lautermilch: — I'm told by the official that a new

initiative that's jointly funded by the federal government and by the province is a \$4 million ag innovation fund that will be doing its work in Saskatoon.

I think the member makes a very good point when she describes Saskatoon as being, I guess, a hub and a growing presence in the world in terms of ag biotechnology and the understanding that we have certainly the research people here, we have the facility that's growing, we're attracting industries. And I think that there's one area that really does have a major potential for us.

I think in my opening remarks I indicated that ag biotechnology is one of the areas that the Research Council was structuring itself to be able to work with and to help to facilitate advancements in that area.

And it's really, I think, a bright and shining example of what we can do and what we need to do here in Saskatchewan to be able to expand our image around the world and our ability to be able to be part of the world market-place and attract large corporations here to do their work that they will spread throughout the world.

So I think that our involvement in that respect is very timely. It's been one that's been staged and it's been one that's been, I think, managed very well by the province in the last few years. And I think it just holds so very much potential for us.

Ms. Draude: — Thank you, Mr. Minister. I understand that we never like to lose some of the dollars we have from the federal government, but I also know that the biotechnology centre that we have here is something that we should be stressing very strongly, and there's probably lots of places that we could be marketing it to. Could you give me an idea of what you consider Saskatchewan's main emphasis for attracting new clients and opportunities to this province is.

Hon. Mr. Lautermilch: — Well I think there's no doubt that what will attract industry is a very high quality of research capacity and capabilities. And I think we really have positioned ourselves here in Saskatchewan with very capable and adequate post-secondary education facilities that have trained people who have gone throughout the world and have gained reputations as people in different fields of expertise and known to have been trained and educated here in Saskatchewan in our two university campuses. And so I think in terms of what we have as local researchers and a local research base, we can boast people who are second to none.

So I think the first thing in order to attract investment from outside of the province is our people. And I think the same can be said of our workforce, whether it be those that have gained post-secondary education or those who have come through trades training. We really have excelled in building a knowledge base within our populace even in spite of the fact that we're only a million people plus.

I think the other part is infrastructure and what we have there to house these kinds of expansion and what we offer when people are looking for a place to house their research facilities and

their developmental facilities. So I think those are two elements of what we have to offer and what we've been able to offer. And it's proven by the fact that we've got that kind of activity here in our province.

I think the third, and probably as important as anything, is that investors are looking for a stable political climate. And I think that that's something that we have in the few short years since our election in October of 1991 been able to . . . we've been able to put that in place.

I know when in 1991 when we started looking at our budgetary process and what were our priorities, well certainly the one priority was that we had to discontinue building the provincial debt that was eating us up inside. Fifteen billion dollars of debt and \$850 million of interest a year doesn't — when you're looking at a \$5 billion plus revenue base — really doesn't create a lot of excitement in terms of investment activity I would suggest.

And I think the fact that we've been able to curtail the yearly deficit budgets, and that we've been able to pay down some of our debt, and that we have a plan to continue to pay down some of our debt, and that we have a plan that when we can we will be looking at reduction in taxes — I think that those are some of the initiatives that investors are looking for. And I think all of that combination of things afford us the opportunity to look forward to a major expansion in the biotech area as well as other areas in the province, whether it be the mineral industry, whether it be oil and gas, or whether it be the retail sector.

I think that kind of a climate is something that, without, nothing happens. And I think we've shown, as people of Saskatchewan, that we really are serious about getting our fiscal house in order. I think we've taken some good first steps. We've got a long way to go but I think those are some of the things that will assist us in helping to develop and grow our economy.

And the numbers are showing it. The last three years the growth rate of GDP (gross domestic product) of 8.8 per cent, well over some of the neighbouring provinces, and so I think it's something that we can be pleased with and we can be very proud of.

Ms. Draude: — Thank you, Mr. Minister. I'm wondering if you could describe if there are any of the employees of the SRC have done any travelling to promote global marketing of the SRC?

Hon. Mr. Lautermilch: — I guess I'll just sort of give an overview of the philosophy that we use, and the approach that we take in terms of marketing, and how we want to put those arrangements together.

We don't view the Saskatchewan Research Council as the vehicle, rather as the facilitator working with industry to help develop their ideas, their thoughts, their markets, and that's the approach that we take. We do it on a fee-for-service basis. Our goal is to make the Research Council self-sufficient and there have been a number of initiatives in terms of working with industry to help them solidify their markets. I'm asking the

officials to put together some examples and I'm sure you'll be aware of some of them yourself. Many of them are fairly well known. But I think it's fair to say that the philosophical base that we approach this with is that it's a partnership — the Research Council with private industry.

Ms. Draude: — Mr. Minister, while your helper is getting you these numbers, can you give me an idea if there's been any additional responsibilities or functions been added to the SRC for this year. Was the SRC given any additional responsibilities or functions for the coming year?

Hon. Mr. Lautermilch: — As you will know, we've made some changes in the budgetary process to another part of my portfolio, and that's the SECDA (Saskatchewan Energy Conservation and Development Authority), the entity that was operating in Saskatoon. It's now being wound down. Part of . . . and I'll just say a couple of words about that, if I can.

Part of the mandate of SECDA was to put together and assist us in determining what the options were for future energy supplies for the province of Saskatchewan. They worked very diligently over the short period that they were around. Their thoughts and what they brought to government was encompassed in the energy strategy — the *Saskatchewan Energy Strategy*. So that part of their mandate was fulfilled. We were charged — as all government departments were — with attempting to, I guess, cut the costs of operations because of some of the pressures that we faced as a government; and the decision in this budget was that SECDA would be wound down.

One of the projects that the people of Saskatchewan, I think, embraced and felt very comfortable with, and we still think, although not complete, that there is some potential for energy savings, the ice rink energy audit program — that will be transferred to SECDA and will be administered through SECDA . . . or through SRC, I'm sorry. Too many acronyms here and it's too late in the evening. But Saskatchewan Research Council will be looking after that part of it.

I have some areas that the SRC has been involved in, and the kind of initiatives that they've been involved in there. They've worked in Malaysia with respect to oil. There's been some work in Poland, sharing technical management. Central America, there's been some work there with respect to tech transfer. And Chile as well, we've done some of that there too. There's been some work in Japan with respect to oilseeds. So I think it's fair to say that you can see that industry is branching out, and that there is some technology and some information that we can be sharing with other areas of the world, and these are just some of the examples that the Saskatchewan Research Council has been involved in last year.

Ms. Draude: — Mr. Minister, I realize that you had the responsibility for SECDA as well as for SRC, and they're both very important facets of government. But I'm disappointed to see that when the responsibility for SECDA was given to the SRC, there was no addition funding went along with it.

I'm wondering if you can . . . don't you think this will have a negative effect on the ability of the SRC to actually carry on the

functions that were required of them previously?

Hon. Mr. Lautermilch: — We're expecting no impact on the other initiatives that the SRC was involved in. And I may as well move one step ahead, because I think you're referring to the jobs that were eliminated within the Research Council subsequent to the disbanding of SECDA. Part of that . . . and the staff complement in the Saskatchewan Research Council fluctuates; it varies, and it's all market driven. It's market driven based on the number of clients we have, the size of the projects, how labour intensive the initiatives that they would ask us to work with them on. And this basically determines the size of the staff complement.

So although we've had a reduction in the last while, and as we've indicated there has been a restructuring internally to focus on ag biotechnology and technical commercialization, I think that it's fair to say that that number will change, based on industry's demand. You will know that some of our contracts come from the federal government. Some come from provincial initiatives. And over \$9 million comes from industry.

So the demand that they place on the employee-staff complement in the SRC will change just based on the kind of work that they ask us to do. But I don't want you to be thinking that the move of the audit program over to SRC is going to put any pressure on the other work that they do because that's just not simply the case.

(2145)

I think the program will be continued. It will work well. Hopefully we can increase the uptake. We did a lot of audits that weren't picked up on, and hopefully we can expand that and make the program even work a little better over at the Saskatchewan Research Council. Not suggesting that the SECDA staff didn't do a great job because they did a good job in the program, and we were very proud of what they've done. But the reality that we had to deal with meant that there had to be some costs of administration reduced. We felt this was the most appropriate way within the Energy portfolio to be able to do that. And I think that there will be some very positive announcements made in a very short period of time with respect to energy efficiency initiatives that the government will want to embark upon.

Ms. Draude: — Thank you, Mr. Minister. I guess I find it a little hard to believe that if you have less staff, less money to work with, and you've given them more work, that it's going to be possible for them to carry on their job and carry out the mandate that you've talked about in glowing terms, about what the SRC's going to be able to accomplish.

I'm finding it . . . I'm hoping that we're not putting such an undue amount of pressure on them that they won't be able to actually make a difference. There's a huge opportunity out there, like you said, but I think that they are being negatively impacted by the budget that was given to them.

Hon. Mr. Lautermilch: — Well I think, Madam Member, it's fair to say that the Saskatchewan Research Council is not unlike

other arms of government, in that civil servants are being asked to do more with less — whether that's in the executive arm of government, or within the Crowns, or within sort of arm's-length corporations like the Saskatchewan Research Council.

The realities of economic pressures and fiscal pressures on government are such that this is the scenario we are dealt; these are the cards we're dealt; and so we have to play them through.

I think the same can be said for private industry, in that in a world of change, they're changing their structures and the way they do business. As well, people are asked to do more with less. I think SECDA is no different. We've challenged SECDA with respect to a change in their focus, in what they're going to be focusing on. I think they're going to be very successful. We've got some very hard-working and innovative people there.

And I understand what you're saying in terms of budget restraint. It's difficult for all of us to deal with it, but that's the reality in which we work, all of us, including MLAs (Member of the Legislative Assembly). I note around this room, there are eight fewer of us in this session than there were last time. Some of the rural ridings are a little bigger. And so, I guess, we're being asked to do a little more with a little less, even MLAs in this Chamber.

Ms. Draude: — Mr. Minister, has there been any other government departments that use the facilities and capabilities of the SRC, and is there any encouragement for other departments to use them?

Hon. Mr. Lautermilch: — Well I think, you know, we certainly try to utilize the executive arms of government. The line departments try to use Saskatchewan Research Council. I mean it's our arm, and it's our arm of expertise that we can use and we can draw on.

The Department of Highways uses SRC. Sask Water, we just dealt with some of the estimates on Sask Water Corporation, in terms of water quality. We were discussing the Humboldt-Wakaw pipeline and the need to upgrade a lot of the sources of water for rural residents in Saskatchewan. We use the Research Council to develop water quality technology for us, economic development.

So I think many departments focus on what Saskatchewan Research Council can do within the provincial government, but I think as well, the federal government recognizes that we have some abilities to assist them in their initiatives, as evidenced by the amount that we contract with them on an annual basis. And hopefully we can increase that amount. We can increase the amount of work that we do with them and for them and make it a stronger corporation over the years.

Ms. Draude: — Just a short clarification; if the Department of Highways has SRC do some work, do they pay them?

Hon. Mr. Lautermilch: — Yes, as I indicated, they do operate the test track for the Department of Highways, and they

reimburse the Research Council for the work that they do. As I've said, whether it's in-house, whether it's another arm of government, or whether it's industry, we work on a fee-for-service basis, on a cost-recovery level.

Ms. Draude: — Mr. Minister, one of the Acts that was passed lately was the addition of \$100 million to SOCO (Saskatchewan Opportunities Corporation) for a research and development park for Regina. I find it . . . I'm wondering if the Research Council has had some input into some of the work that might be carried on at that park, and what kind of dialogue is taking place to see if there is something that would enhance the SRC through this new park, through SOCO.

Hon. Mr. Lautermilch: — I am told that discussions have happened and have taken place with SOCO with respect to the role that SRC may play as the new park unfolds and as that concept develops, whether it be informational technology, whether it be assistance with respect to petroleum research. But I think nothing has been finalized, fair to say, but that SRC is very much involved with the concept.

Ms. Draude: — Mr. Minister, the PAMI, prairie agricultural manufacturers institute at Humboldt, has apparently been very busy and I'm wondering if there's been more work given to it, or if it has acquired more work in the last year, and how they are doing their marketing.

Hon. Mr. Lautermilch: — As you may know, the Saskatchewan Research Council had a management contract with PAMI (Prairie Agricultural Machinery Institute). That agreement ended on April 1. They have hired their own president, who is, I guess, taking on an ever increasing role in terms of developing marketing within that particular corporation. So the involvement between the Research Council and PAMI has somewhat changed, although I think that we would certainly be available to work with them on projects of mutual benefit.

Ms. Draude: — Is this going to result in a loss of monies to the SRC?

Hon. Mr. Lautermilch: — It was a very small management contract and on fee for service, so the net loss for the Research Council really will be minimal.

Ms. Draude: — At one time in the past the SRC had been working with people who were willing to donate money as sort of . . . no, in a fund towards helping the SRC with some of their projects. Has there been any continuation of efforts to receive donations from groups, and if so, what is the money being used for?

Hon. Mr. Lautermilch: — I am told that there are donations in the aggregate of around \$85,000 — 25,000 of which was last year.

The policy of the council is that the principal of the fund will be retained and that the interest that accrues on that will be expended in different programs. So as those donations will grow, if they do, it will mean more and more for doing these

kinds of projects. But it's basically a very small fund. As you can see, 85,000 wouldn't offer up much in terms of program dollars, but it's something, and it's a start. And certainly it's very much appreciated by the council.

Ms. Draude: — Mr. Minister, Alberta has as one of its mandates to play a critical role in bridging the gap between basic research and commercial applications.

Mr. Minister, I consider that a positive role as to many small manufacturers who need a hand with hands-on help, from entrepreneurial work to global marketing. How is the Research Council approaching this difficult problem in Saskatchewan?

Hon. Mr. Lautermilch: — I was afraid they were going to vote the estimates off before I had a chance to answer.

We have a fund called TecMark, a program called TecMark. And under that there's \$200,000 that's set aside for small manufacturing in terms of helping them to get their products to market. It's not a big fund and we recognize that.

I think that it's fair to say that Economic Development is looking at initiatives and partnerships that we may be able to put together with industry on a larger scale. I think in terms of some of the smaller manufacturers, that this is a very appropriate fund in that it can focus right in on a smaller initiative that sometimes get lost along the way. So as I've said, it's not a great deal of money, but I think to help to facilitate markets and discover markets for small business, it's a very good start. And certainly it's one of the focuses of the SRC for this upcoming year.

Ms. Draude: — Mr. Minister, last year the SRC was able to administer one of the programs that helped some of the students like engineers from the university for job placement. I think it was JobStart was the name of the program. Does the SRC still have that as one of its mandates?

Hon. Mr. Lautermilch: — It's job trust, is in fact operating. It's now in its second year. We believe it to be a very successful program and hopefully that it's something that can be maintained over the long term, depending of course on whether or not funding can be earmarked, but it's — as I've said — in its second year of operation and very successful thus far.

(2200)

Ms. Draude: — Was new funding put into it for this year or was it just the funding for the second year of last year's project?

Hon. Mr. Lautermilch: — It is the second year of funding from what was allocated for last year, so it was a two-year program. It's not new funding this year. So as I've indicated, we'll be looking to see if we can find some funding to extend the program. But as you will know, the budgetary process, such as it is, there can be no guarantees, but knowing that it is functioning for this year.

Ms. Draude: — Mr. Minister, I'm wondering if you have the global questions answered for this department. And if you're

... while you're looking for them or while you're discussing this with your people, I'd just like to thank you and your officials. And I appreciate the effort you had to put to come here to Regina and answering these questions. And I do appreciate the fact that the Research Council is a very important part of Saskatchewan's technical base, and I'm hoping that there's going to be money to put toward for projects such as JobStart, to let the people out there in Saskatchewan understand the importance of it and realize that there is hands-on help so that we can get involved in technology and the global market. And again I thank you.

Hon. Mr. Lautermilch: — I'd like to, Mr. Chairman, thank the members for their questions tonight, and I appreciate that. The questions in written form will be forwarded to you. I understand they're not quite in form that we're ready to send them across, but they'll be coming very shortly. They're, I think, very important questions that you ask. It shows frankly that you have some understanding of the Research Council and are interested in its ongoing operations, and I appreciate that.

Item 1 agreed to.

Vote 35 agreed to.

Hon. Mr. Lautermilch: — I just would like to take the opportunity to thank my officials for their work tonight and all members of the opposition that participated in the estimates.

General Revenue Fund Finance Vote 18

The Chair: — The Department of Finance last appeared May 13 and before that appeared before the committee April 29. I invite the minister to start by introducing her officials again, please.

Hon. Ms. MacKinnon: — Thank you very much, Mr. Chairman. On my left is Bill Jones, the deputy minister of Finance. Behind Bill is Bill Van Sickle, the executive director of the administration branch. On my right is Larry Spannier, the executive director of the treasury board branch. Behind me is Glen Veikle, the director of the taxation and intergovernmental affairs branch, and behind Larry is Bruce Gray, senior fiscal policy analyst.

Item 1

Mr. Toth: — Thank you, Mr. Deputy Chairman. Madam Minister, the other day we were discussing the unfunded pension liabilities and you were leaving ... may have left the impression that the unfunded pension liability was under control or that you'd answered the questions. But I looked through *Hansard* and all the answers you gave me really never addressed the fact as to what you are doing, or your government is doing, to address the long-term, unfunded pension liability as it sits today, and where it will be tomorrow. And I'm still wondering, Madam Minister, whether over the past few days since we raised the question last time if you'd come up with a strategy to address this unfunded liability which the Premier is

taking a fair bit of interest in.

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, we will pay our pension obligations as they come due. We have made changes, or the previous NDP (New Democratic Party) government made changes in 1978, to ensure that the current plan is fixed. That is, every person who's been hired by the government since 1978 is in a plan which is fully funded, and which is very taxpayer friendly, inexpensive to taxpayers. And I guess the final thing we're doing is ensuring that the province is in a good fiscal position so that we are in a position to continue paying pension obligations as they come due.

Mr. Toth: — So basically what you've just said, Madam Minister, is that you're not really . . . you don't really have a strategy in place other than as the demand on the pension plan becomes obvious, and as the annual demand for the funds are there and if there isn't enough . . . aren't enough funds in the unfunded liability, then the province will make up the difference and you'll just tackle it on a year-by-year basis.

I think, Madam Minister, that we should maybe be looking ahead at trying to bring that fund into a position where it can carry itself, rather than allowing it to grow as we've seen over the last five years by — as the auditor has pointed out — this unfunded liability has grown by 500 million. Even if you just held . . . even if it just held its own over the last five years instead of growing, it wouldn't be that much a bigger burden as we're beginning . . . as we will see it.

And I think, Madam Minister, if you continue to allow the unfunded liability to grow on an annual basis, then when it comes to having to pay out on that plan, Madam Minister, it is going to become a major hardship for any Finance minister, you included.

And who knows, maybe two years down the road, Madam Minister, you're going to be facing the fact that you're going to have to dig into the treasury, which means less funds for health care and education and the other services that the Premier was talking about this last week, I believe, when he was in Ottawa, about the social programs and the infrastructure that we have to protect.

So I think, Madam Minister, what I've been suggesting, we need to have a strategy — not a strategy that says we'll address it when we get to it, but a strategy today that brings that unfunded liability into a manageable position.

And if you're going to suggest we're just going to address it as we get to it and when the problem hits us, fine and dandy, I can accept that, except for the fact, Madam Minister, all I see down the road is a greater reduction of the funds to the essential programs that your government and all governments talk about. Thank you.

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, this government is no longer in a position — no government in Saskatchewan is in a position — whereby they're going to be just able to just manage year by year, as occurred in the 1980s and before in this province.

We now have in place balanced budget legislation which requires every government to lay before the people of Saskatchewan a four-year plan as to how they're going to manage the province's finances, a four-year plan as to how they're going to deal with the province's debt. In that four-year plan the pension obligations for the government are covered for that four-year time frame. So it's not accurate to say we are going year by year. We actually have passed legislation to ensure that no government in Saskatchewan ever again can manage the province's finances on a year-to-year basis.

Mr. Toth: — So, Madam Minister, what I've heard you say is you basically have already acknowledged that there will be funds that you will have to draw on and you've already made provisions for those funds in the upcoming years, on an annual basis. You projected that this shortfall is going to start hitting us and we're going to need some financing and you've already planned for it. Is that what you're saying?

Hon. Ms. MacKinnon: — What I've said to the member opposite, Mr. Chairman, is we have laid before the people of the province a four-year plan which outlines all the government spending for the next four years, including the payment of all pension obligations.

And if in fact the member was accurate in talking about the crisis, I would note that no credit rating agency has yet identified this as a crisis for the province. Oh, they do talk about the debt. You would see the spending of the province going like that. And in fact what you see over the four-year plan is the spending of the province relatively flat.

So what we're saying is over the four years we have planned for the financing of all pension obligations in this four-year period. Claims that there is some dramatic crisis looming over the people of Saskatchewan are not borne out by the fact that that spending curve is essentially a flat or flattened one.

Mr. Aldridge: — Thank you, Mr. Chairman, and Madam Minister, and good evening to your officials.

Another matter of concern to us related to pensions is with respect to the MLA superannuation plan. I know the Provincial Auditor had some concerns with respect to the payment of spousal benefits. Would you be able to just outline for us in the Assembly here this evening what those concerns may be and what your department may be doing to address those concerns?

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, the point being made is this: if an MLA passes away, the spouse automatically gets 60 per cent of the benefits as they exist. We have taken the legislation as meaning if we give to superannuates a cost of living increase above the basic pension — that is, we index it for that year in some way — then we give the spouse 100 per cent, the surviving spouse 100 per cent, of the benefit if the MLA passes away.

So really what it is, it's a difference of interpretation. The auditor believes we really only need to be giving 60 per cent of that indexing to the spouse. We believe the requirement is 100 per cent.

We're talking about a very small amount of money though because it only applies to when we allocate. Normally none of the pensions in the government *per se*, the MLA pensions or the public service pensions, none of them are indexed to inflation. They're just flat. So it only applies when we actually grant in our budget an increase, and that we give 100 per cent of that to the spouse of an MLA who has passed away.

(2215)

Mr. Aldridge: — Thank you, Madam Minister. But with respect to these supplementary increases, if you'd have . . . would it not make sense though to make sure there isn't any grey area in this regard and to amend whatever legislation would be necessary so that . . . it's not that we're disagreeing with paying these spouses 100 per cent of these additional benefits. But should we not just do some housekeeping here in this regard? I know it's been mentioned previously that this would be undertaken at some future date, and perhaps is this not the time?

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite. This is not a big bone of contention between the auditor and us. You know, we don't fundamentally disagree, and I don't think he fundamentally disagrees. It's a matter of how we're interpreting what our obligations are and what the legislation says, and we're looking at it. We have no objections to making a change if we actually believe it's necessary. I think we've had a legal opinion which says we don't need to make the change. But we have no problem continuing to look at it and coming to some common understanding with the auditor on this one.

Mr. Aldridge: — Thank you, Madam Minister. It was of a serious enough nature that the auditor did feel necessary to make a note of it with respect to Department of Finance.

Another matter that he makes note of is concerning the losses with respect to purchases of annuities under the MLA superannuation plan and just what sort of a procedure you may have in place with respect to handling those, in fact. Might you outline that for the Assembly this evening?

Hon. Ms. MacKinnon: — Actually, Mr. Chairman, to the member opposite, in this session you'll see some legislation that will begin to deal with this issue. There's legislation before the House which will separate new annuities from existing pensions and annuities. And the new annuities will have the profits and losses taken care of in a way recommended by the auditor.

Mr. Aldridge: — Thank you, Madam Minister. Switching the topic here towards a matter that of course is of concern to everybody in the province. It's the matter of the PST (provincial sales tax) issue. I know the member from Regina Elphinstone and your Economic Development minister in a trip to the western part of the province discussed the provincial sales tax with people in that area, and I know he at that time was expressing support for a property registration system which would stop people from travelling out of province to PST-free Alberta for purchases. And I wonder if we could have the

minister's view on this issue, and could you tell us if your department has studied whether a system such as was suggested by the Economic Development minister is even remotely possible.

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, I think it's important to take measures to ensure that the taxes of the province are collected — all across the province, not just on the western border. And we do take measures to ensure that that occurs. There are protections in the system, because if you have large items — vehicles, for example — they have to be registered, and when they register the tax has to be paid. We do audits to ensure that taxes are being paid.

But the real bottom line that I want to emphasize is that, in Saskatchewan, we do not have a major smuggling problem as occurs in other parts of Canada. If you look at provinces like Ontario, Quebec, even Atlantic Canada, they have, in many, many instances a significant level of smuggling. I think what you would find in Saskatchewan statistically is that people here believe in paying their taxes, and the vast majority of people do pay their taxes. And I think that's the backbone of our compliance efforts, that we continue to reassure people that it is important to pay their taxes, because their taxes go to provide their health and education services.

Mr. Aldridge: — Madam Minister, I know at this same trip, I believe, the minister for Economic Development had in fact . . . I believe he's quoted in the North Battleford paper as suggesting it's immoral for people to cross-border shop with respect to avoiding PST. And I know the people in this province do like to see their leaders, in fact, lead by example. People are concerned about when people have power, whether they abuse such power, and I know I've asked other members opposite with respect to this and I'd just like you to perhaps just clarify this as well.

Yourself and other cabinet colleagues, do you undertake to make any major purchases out of the province and avoid PST?

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite. I think the people on this side of the House believe very strongly in Saskatchewan and in the strength of the economy and of course we would purchase everything possible within the bounds of this province. I find the question a little startling for that reason.

The Chair: — Order. Order. Order. Before we continue with the Department of Finance consideration, I'd simply remind the member for Thunder Creek that the Department of Finance questions should be related to the *Estimates* book as opposed to personal questions of hon. members all the way around. Therefore I'm just cautioning that that particular last question probably should not have appeared before the department . . . pardon me, before the committee estimates.

Mr. Aldridge: — Thank you, Mr. Chairman. And I've taken note of that. The minister made mention of not having any significant problems with respect to smuggling as it relates to PST issues and I know, however, though that tobacco has been

an issue that has been of concern, I believe, in this province where there has been occurrences of smuggling, I believe predominantly from provinces east of us.

And I would just like the minister this evening to outline what sort of procedures your department may have in place with respect to detecting smuggling of that nature. How many people may be involved in your department in that regard? And also maybe you might just make some comment if it would also entail some additional enforcement with respect to trying to curtail smuggling with tobacco.

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, this is actually a good example of what I was talking about — Saskatchewan people believing in paying their taxes.

When the federal government lowered tobacco taxes and made the offer to all Canadian provinces, the province of Quebec accepted the offer and lowered its tobacco taxes. Very quickly, Ontario and Atlantic Canada believed they also had to lower their tobacco taxes because there would be smuggling, not just from outside Canada but from within Canada.

It was one of the difficult moments in our relationship with the federal government, because we do not believe you should have two different tax regimes across the country.

Western Canadian governments believed that we could resist such a tide because people here would not decide that just because they could get cheaper cigarettes from another part of Canada that it was worthwhile to do that, even though they had to become involved in smuggling.

We do not take any particularly extraordinary measures to stop tobacco smuggling within the province of Saskatchewan. It's just part of our general tax compliance measures. We have an agreement with the province of Manitoba, because Manitoba has the border closest to Ontario, to help them in policing their border. Even there that's not a significant issue right now. Initially there was a belief that we had to ensure that people didn't think they could just bring cheap cigarettes across the border, but even there, there is not a significant, extraordinary effort required to ensure that there isn't tobacco smuggling.

Mr. Aldridge: — Madam Minister, in the last few weeks we've seen a number of the bond rating agencies release their reviews for the province, and those agencies have suggested that there has been some progress, and that is positive. But each of the agencies, of Moody's and the Canadian Bond Rating Service, have both expressed grave concern about the level of debt in Saskatchewan. And that concern is a very real one, and the agencies want to know how the government intends to attack that provincial debt.

The government's whittled away at the debt by selling off Cameco shares, but what worries the bond rating agencies is how Saskatchewan would be able to reduce the overall debt if we ever had an economic downturn in this province. Without the sale of Cameco shares, the government would in fact barely be producing a surplus today. With the recession, the government might in fact even be running in the red.

And given that the bond rating agencies are not confident that this government's debt reduction plan is adequate enough, will the minister tell the committee here this evening what she intends to do to present a genuine debt reduction plan, as I have asked for comment previously.

Hon. Ms. MacKinnon: — Mr. Chairman, to the member opposite, I will note with great interest the member's observation, and I'm glad it's written into the record that he believes the credit rating agencies lack confidence in this government's management of fiscal matters, particularly debt reduction. We will record that, and we will observe on that in future days because the member opposite is once again on record saying that he believes credit rating agencies are going to reflect on this province's financial performance in a less than positive way, and we will see exactly what the member will be saying.

I would say to the member opposite, what he needs to do is look at the budget. Every four-year financial plan put forward by the Government of Saskatchewan after an election has to include a debt management plan. No province in Canada has reduced its debt as dramatically as the province of Saskatchewan. 1994, the debt was 68 per cent of the gross domestic product of the province. By the end of this four-year financial plan, it's going to be down to 44 per cent.

And again, we must observe what other, outside independent agencies actually do say about our debt reduction. The members opposite, they are on record saying they do not believe that we have an adequate debt reduction plan. I say on behalf of the members on this side of the House, we have a debt reduction plan which is a model for the rest of Canada. And we will see what outside agencies do say about our debt reduction plan, and I will remind the member opposite again and again and again about what the outside agencies do say.

Some Hon. Members: Hear, hear!

The committee reported progress.

The Assembly adjourned at 10:30 p.m.

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