

EVENING SITTING

COMMITTEE OF FINANCE

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 very much, Mr. Chairman. I'd like to introduce, to my right, Brian Kaukinen, the president of the Saskatchewan Water Corporation; behind him is Wayne Phillips, vice-president of finance and corporate services; and behind me is Wayne Dybvig, the vice-president of water resource management.

Item 1

Ms. Draude: — Thank you, Mr. Speaker, and welcome to the minister and his officials.

Mr. Minister, before I ask you some of the questions that will allow you to brag about Sask Water this year, my first question is I see that your profits have doubled. And being a business person, I just have to get you to tell me how you account for this marvellous increase this year.

Hon. Mr. Lautermilch: — Mr. Chairman, I guess there are two main areas of revenue that really have increased over the past years as the member will know. We have done very well with respect to water sales under The Water Power Act. The economy of Saskatchewan has been very vibrant in the last year as you well know, which has meant increased electrical sales, and as well it's meant increased power sales under the Act . . . water sales under the Act. As well the utility side of it has done very well. Potash is . . . the water sales are up substantially.

So you'll find as the economy grows and as business grows, the busier business is the busier the support services, of which SaskPower is part of supplying that support.

Ms. Draude: — Thank you, Mr. Minister. At the same time, I notice that the expenses are actually down compared to '95. Can you account for this? How do you?

Hon. Mr. Lautermilch: — It's part of the management of the Crown corporations that I think can be shown as experience, not only in Sask Water but in other utilities. The operating expenses are down due to good management; and looking at efficiencies, it might be created and internal to the corporation.

So I think that signals good news for the people of Saskatchewan in the way the management of the Water Corporation has managed this asset.

Ms. Draude: — Mr. Minister, last year you had an opportunity to explain to me what the actual mandate was and what the goal of the Water Corporation is. Has this changed substantially this

year?

Hon. Mr. Lautermilch: — No, the mandate hasn't changed. We've been very diligently working on internal costs of the operation of this corporation — this Crown corporation. And that continues.

And I think with respect to the stewardship of the . . . of water in this province, our position hasn't changed. We continue to work with local governments, municipal governments, with the federal government, to be sound stewards of this water resource in our province and that continues as well.

There are a number of water management infrastructures around the province that we continue to manage and operate. And so basically the corporate mandate hasn't changed. It's very much similar to what it was last year.

Ms. Draude: — So could you explain the corporate mandate as far as SPUDCO goes?

Hon. Mr. Lautermilch: — Well as part of economic development in Saskatchewan, one of the opportunities that business people around this province have recognized are in two areas. One, what we might be able to do with seed potatoes and other potatoes that might be grown on irrigated land.

In Saskatchewan historically, the people of this province have invested around \$200 million in irrigation infrastructure. And I think quite clearly that people would expect for the investment that there be some diversification and some value added crop growth in those areas. And one of the areas that has been identified quite clearly is potato development.

A number of farmers on a small scale in the province have invested in potato . . . in growth in agriculture through potato development. In order to attract manufacturing, all the analysis that's been done would indicate we need to build a critical mass, a number of acres, a base number of acres, to ensure that there is enough stock to be able to support that kind of development.

The Water Corporation has been instrumental because of the management of the irrigation facilities and working with the people in the farming community in identifying some specific areas where in fact development may take place. And so we have been partnering in a number of ways with the agriculture community over this in this province over the past years — the development of the irrigation initially, and now we're working with them to identify some opportunities where in fact we might be able to create some value added in this province.

So part of what we see within the corporation is the facilitation of value added agriculture, not dissimilar to what has been happening in the Department of Agriculture with pork production and other areas.

So I think we see opportunities for developing our economy and growing our economy and that's part of what SPUDCO does.

Ms. Draude: — Mr. Minister, the mandate for the Water Corporation is really to manage, to administer, to develop, control, and protect water and related land resources in Saskatchewan. I guess I'm having difficulty seeing how SPUDCO fits into that. I guess I can see value added as being something that's more along the line of an opportunity for Economic Development. How did you determine that SPUDCO should be part of Sask Water?

Hon. Mr. Lautermilch: — Well, madam, under the Act, as the Water Corporation was established, it was established as a commercial Crown and as part of the Sask Water Act it is mandated with commercial activities. That's part of the legislation under which it operates. Certainly the utility side is one component of what has been developed under the corporation and that too is part of the mandate under the Act.

Ms. Draude: — Can you tell the people how much money has been spent on the SPUDCO project so far?

Hon. Mr. Lautermilch: — In the year under review there was around \$11,000 spent.

Ms. Draude: — Thank you, Mr. Minister. And what is budgeted for this year, this upcoming year?

Hon. Mr. Lautermilch: — To the member opposite, the one area where there is some funds allocated for this year is with respect to potato development as you indicated earlier. There's about \$4 million allocated. We've been partnering with farmers in that area on roughly a 50/50 basis, so the upcoming year there will be in the neighbourhood of \$4 million.

Ms. Draude: — There are a number of farmers throughout this province that are involved in potato growing, seed farming, and commercial potato growing. What percentage of the farmers in the province do you feel are covered under SPUDCO and will actually benefit from this program?

Hon. Mr. Lautermilch: — Well what you have is an individual business arrangement and partners with some of the irrigators in the area and some of the people who own farm land in the area. Of that \$4 million we will, for this year, be investing roughly 50 per cent of that which is around \$2 million.

And what we're attempting to do is, first of all, encourage and assist with the development of and the understanding of growing potatoes in the area. There are a number of farmers who have some experience. There are others who have indicated and express interest in being involved in the development, and so we have entered into a business arrangement.

I want to indicate to the member opposite it's a straight business, the same as any other investment. When the crop is sold, we'll be returning our portion of the profits back to the corporation. So I want to make it very clear to the member opposite this is not a subsidy. This is a business arrangement whereby we are investing in developing a critical mass with the farmers in that area up to a total at this point for potato growers

for \$2 million and the profits from that will go to pay off that \$2 million investment.

Ms. Draude: — I'm sorry, Mr. Minister. I guess you misunderstood my question.

My question was what percentage of the farmers are actually going to be benefiting, what percentage of farmers in the potato business? You had indicated that farmers in that area or ones that you are working out an arrangement with will actually benefit. I'm wondering . . . Across this province, there are a number of farmers growing potatoes that aren't lucky enough to be in this area. Can you tell me what percentage of farmers in Saskatchewan will benefit?

Hon. Mr. Lautermilch: — I would want to report to the member opposite there are a number of farmers around the province, not only from the areas where there is irrigated land, who have invested in this. The percentage in terms of the . . . (inaudible) . . . number of farmers in the province quite clearly would not be large. It's a very small number of acres that'll be seeded into potatoes, but there are people who are from the area who have invested; there are people from outside of the area who have invested. And what we have done is looked at their business plans and worked with their business plans before making the decision to proceed with it.

Ms. Draude: — Mr. Minister, could you clarify what you mean when you say that people outside of the area have invested. How do they do that?

Hon. Mr. Lautermilch: — Well what I was saying to the member opposite, that people who live outside of that area who have traditionally developed agricultural land, outside of that traditional area, have shown interest and seen it as a business opportunity and have entered into a business arrangement with SPUDCO to invest in the development of some potato fields and the growth of some potatoes in that area.

So what I was saying to the member is there are people from outside of the Lucky Lake-Riverhurst area who have invested in this partnership because they saw it as a good business venture and a chance to return on their investment.

So I haven't got the number of people who are involved in the contracts. I can get that for the member, if you would so wish.

Ms. Draude: — Thank you, Mr. Minister. Yes, I do wish if you will get that number.

And when you say that they are becoming involved, does that mean that they have the opportunity to sell to SPUDCO or what will they be doing?

(1915)

Hon. Mr. Lautermilch: — Well what we were attempting to achieve was 50 per cent-plus investment from the private sector in the initial stages of this. And what they do is bring a 50 per cent investment.

And there are costs. There's the cost of seed, the cost of chemicals, the cost of land at so many dollars an acre. That's all put together. An investment package is put together, and whatever profits are at the end of the year based on their investment, that's what kind of a return that they regenerate. So it's a straight partnership arrangement with SPUDCO.

Ms. Draude: — Could the minister explain if each one of the farmers that are involved have an individual type of business plan that they present on an individual basis, and if there's an interest rate charged for the money that was lent to them.

Hon. Mr. Lautermilch: — There was no money lent; let me make that clear. SPUDCO invested money. Farmers, people who were interested in partnering with SPUDCO, invested money. Individual business plans were put to SPUDCO based on the type of the potato that they wanted to raise, and that business plan would be put together and a contract signed based on that business plan. So it's a straight partnership arrangement. There's nothing fancy about this. There's no subsidy. It's a straight return on the amount of investment that you put in, in terms of what you're going to achieve for a return.

Farmers, business people, whoever, invested with the corporation, and we'll get the number; I don't have the number with me tonight. But it's a straight business arrangement, a straight partnership, and your return is going to be based on the percentage of that contract that you have and that you own and based on the quality of the crop the end of the crop year.

Ms. Draude: — Is there a time frame for this agreement?

Hon. Mr. Lautermilch: — We've signed our contracts for this year, but it would be on an annual basis. And if SPUDCO were to pursue a partnership arrangement next year over the course of the fall and the winter, people would be more than welcome to pursue that kind of investment by contacting the Water Corporation.

Ms. Draude: — So is there a relationship between Sask Water and the Department of Economic Development within this SPUDCO project?

Hon. Mr. Lautermilch: — Well we work very closely — the Water Corporation and the Department of Agriculture and the Department of Economic Development as well as Crown Investments Corporation on this project. So there have been a number of government departments involved.

Ms. Draude: — Does your government view this involvement in the potato business as a short-term involvement, or is it something that you plan on getting out of in a number of years when this is up and running?

Hon. Mr. Lautermilch: — No, we would see this as a short-term rather than a long-term investment. What we want to do, as I indicated earlier, is work with business, with investors, to create a critical mass so that we can hopefully put together some secondary manufacturing. We don't see this as being a long-term item for Sask Water. And as soon as we can facilitate that base of acreage and the number of years, that expertise

farmers develop by doing that . . . much of it has already happened. But as we expand on the number of acres, quite clearly there will be no need for Sask Water to help to facilitate this kind of economic development in Saskatchewan.

Ms. Draude: — Mr. Minister, I'm not sure if a Crown corporation has to do the same type of business plan that an ordinary business does when they're doing their planning, but you mentioned secondary manufacturing. So does that mean that, within your business plan, you have arrangements or projections for getting into secondary manufacturing?

Hon. Mr. Lautermilch: — We've been working with a number of private sector operators who have viewed Saskatchewan's agriculture base as a very good opportunity to develop the industry. We've got some of the best farm land; we've got, as I indicated, \$200 million of irrigation around this province. And there are businesses who are involved in the potato business who see Saskatchewan as a place where development can in fact happen.

We have worked on a larger-picture, big business plan that would hopefully ultimately include a French fry plant because that's really the area where you can develop the most value added in terms of the potato resource. So quite clearly we think that there are some opportunities here. We see it as a short-term, facilitative investment by Sask Water. We don't see this as being . . . the corporation being in the potato business over the long haul. We're only attempting to help facilitate the development of that critical mass.

And I would point out to the member, if you look at our sister or brother provinces — Alberta and Manitoba — those are both two jurisdictions who have actively pursued a potato industry and a number of different forms their involvement has taken. But in each case both of these governments have invested a lot of time, a lot of expertise, and a lot of due diligence in terms of attracting an industry to their province.

So we chose this route. We work with farmers in the community and other business people who saw this as a good opportunity and a good process by which to establish an industry; start the nucleus, the groundwork, for this industry. And I'm hopeful that we can facilitate as a government, and the corporation can help to facilitate, the development of a very viable, long-term industry in that area.

I think quite clearly the local interest that's been shown to this point would indicate that the people of Lucky Lake and the Riverhurst area see it as a very positive opportunity as well. And I think the number of people that we have pursue contracts with SPUDCO would indicate that it would make some business sense.

So quite clearly the opportunities are there. We're working with those communities to help to facilitate this development and hopefully over the long haul we can be creating jobs here in Saskatchewan as opposed to jobs in Manitoba or Alberta. Because that's, I guess, what this is all about. Governments are all pursuing economic development opportunities and we're no different.

We chose this vehicle because we felt it was the least cost involved and clearly we could, through this vehicle, stimulate some activity, incremental activity in that area. But most, I think, importantly is to maximize the benefits of the infrastructure that has been spent; hundreds of million dollars in successive years in that area.

So that's sort of where we've come from in terms of making this decision. As I indicated, we see it as a short-term investment. Sask Water is only there to facilitate and I'm certainly hopeful that over the long haul we're going to see the agriculture community grow in that area, creating hundreds of jobs for Saskatchewan people.

Ms. Draude: — Mr. Minister, I know that we got quite a number of calls when SPUDCO was announced from seed farmers and commercial potato growers that were of course uneasy that government had gotten involved in a business that had been growing, though slowly, very responsively to the needs and to the production and marketing requests outside of the province. And now all of a sudden they feel that government involvement is going to tip the ship and probably make a number of people uneasy.

How many calls did your department get from businesses and growers that were not as delighted as the farmers around the Lucky Lake area?

Hon. Mr. Lautermilch: — Well I can say to the member opposite that we have — I have, my office has — had some calls, some requests for information. As well the Water Corporation has had some inquiries from existing seed potato producers, some small irrigators in the province. Let me say, let me say this: quite clearly it's not our intent to be competing with some of the producers in the province. That's not the intent. What we're hopeful is that we could set up some seed development, hopefully some export in terms of value added product.

And I want to remind the member that the percentage of production of potatoes here in Saskatchewan as it relates to the North American market, and as it relates to the amount of the mass of potatoes that are grown in North America, is really quite minuscule. You look at the numbers in terms of the production in Saskatchewan as it compares to even Manitoba and Alberta, and you'll find that we are very, very much under our potential in terms of developing both seed potatoes and fresh-packed potatoes; as well as, hopefully at some point in time, an export of French fries.

Ms. Draude: — Mr. Minister, everybody looks forward to economic development and job creation and growth in this province, but the farmers who have been working very diligently to make sure that their investment in the potato industry before the time of SPUDCO is not upset because of government involvement do not feel that minuscule is a number or a word that should be used with the effort that they've been putting in. Can you explain to me what you tell people when they talk about the worries of NAFTA (North American Free Trade Agreement) and the involvement that SPUDCO may have in that?

Hon. Mr. Lautermilch: — Well we've had opinion from all of the powers that be and interpretation from both your federal administration and our provincial people, who are very much understanding of countervail and NAFTA and the kind of impact that this may or may not have. The fact is that we have been assured in both instances, by the federal government and by our provincial people, that there are . . . there will be no opportunity for countervail as a result of this and because in fact there is no subsidy.

I want to just say to the member if you look at the number of potatoes that are imported — fresh-pack potatoes that are imported — to our province on an annual basis, it would say to me that quite clearly there are some opportunities for expanding the potato industry here in Saskatchewan.

And I think that there are always . . . when someone enters a market-place there will be some changes and there will be some shifts. And I think that is quite accurate. But certainly our goal is not to be competing with existing producers here in Saskatchewan. Our goal is to be competing with the people who are producing the potatoes outside of this province and shipping them to our province for resale.

And I think it's quite clear that I would, and all of us would, view French fries that come from Manitoba as not necessarily a positive economic development opportunity or jobs for Saskatchewan people. And if we're going to ever change that, quite clearly we have to develop that critical mass here in our province.

So I guess when you make the decision, and you make the decision to expand your growth base and create job opportunities, you have to have looked very clearly at where you're taking those jobs from. Well our goal would be to take them from the people who are exporting fresh-pack potatoes for consumption here in our province and who are exporting French fries — creating jobs in their jurisdiction — to our province because ultimately what we will want to do, and what we're going to attempt to do, is shift those job opportunities from people outside of our jurisdiction to job opportunities for people inside of our province. Because I mean that's what economic development in Saskatchewan needs to be about — creating opportunities for your people.

And it's easy to do a critique and I understand that, and there's always some concern when change happens. And no one is more critical of change than the Liberal opposition is I have noticed in the last few months in the legislature, in particular since we came back to this session. And I understand the difficulty you have with change. I recognize that. But I want to assure you that we're attempting to make change for the better, to create job opportunities for Saskatchewan people. That's why we've got the lowest unemployment rate in Canada and that's why we've been creating hundreds of jobs in this province. That's why our provincial sales are up, retail sales. That's why manufacturing has grown in Saskatchewan and that's why people in this province have a good feeling about them. They've got a good feeling because the economy is buoyant, it's positive, and we've worked with industry and with business to ensure job opportunities for Saskatchewan people.

So is there change? The answer: quite clearly, there will be change, change for the positive. And I think that this is one instance where government has been able to work with industry to create some very positive opportunities for Saskatchewan people.

Ms. Draude: — Mr. Minister, I think there . . . one of the first sentences you said. I have difficulty understanding how you can talk about my federal people when we are in the same province and we have the same federal government whether you're Liberal or whether you're NDP (New Democratic Party). We're all trying to work with the same federal guidelines.

Mr. Minister, we're talking about creating opportunities and the government is of course responsible to create opportunities, but my problem with projects like SPUDCO is that this government has decided which opportunities should go ahead in this province and which ones should not. This Liberal opposition does not have a problem with change. We would like some change, and that's what we've been asking for: this government to change their mind in the way they work with businesses in this province. We talked about the lowest unemployment rate. Well that's because most of our young people are not here, Mr. Minister.

I would like to ask you, when we talk about the land prices in the area where SPUDCO is working, I have a number of people who have told me that land prices are considerably higher now that the government is involved in land deals. Could you tell me if the land prices have indeed gone up?

Hon. Mr. Lautermilch: — I can say to the member that, you know, quite clearly if you look at agricultural land in the last few years in Saskatchewan . . . I can describe my area of the province, in the Prince Albert area, where land was selling for seven times assessment three, four years ago. It's now in some case 10, 11 — I've heard as high as 13 — times assessment for sale value. So quite clearly there's been a positive outlook in terms of farm land, and people are paying more for it because they feel they can get a better return on it.

I don't know to what you refer in the area you describe, but I can say if land prices have gone up in the Lucky Lake area, I don't deny that that's in fact the case because land prices have gone up all over this province. To target one particular initiative as being the result of land prices increasing, I don't think is accurate nor do I think can be documented because I think it's something that has in fact taken place all over the province.

And I guess it's fairly good news — not necessarily for young people who want to enter agriculture; it makes it much more difficult to get into agriculture. But certainly for those people who are looking towards their retirement, it's a very positive thing.

But I only say to the member, and she would look around her area, I'm sure that she will admit or agree with me that land prices have increased fairly dramatically in the last three or four years, but it's certainly not as a result of SPUDCO's operations in the Lucky Lake area any more than the increase in the price of land in Prince Albert is as a result of SPUDCO's operations

in the Lucky Lake area. That's a pretty long bow to draw.

I think if you look at, just look at the retail sale, look what land has been selling for, it's certainly not isolated to one area of Saskatchewan; it's all over the province. And good news for agriculture.

(1930)

Mr. Toth: — Thank you, Mr. Chairman. Mr. Minister, and to your officials, welcome. I'd like to pursue some questions along this area of potato growing in the province of Saskatchewan.

And the first question: I'd like to know where SPUDCO is marketing its potatoes. And I'm asking that because there are a number of small producers in this province have created a market-place for themselves, and the concern they have is they're now going to be competing against an agency that has actually got some government seed money. And I'd like to know where the potatoes are being marketed and roughly how many acres of potatoes to date are covered under this agreement with SPUDCO.

Hon. Mr. Lautermilch: — I'm told by my officials that the market analysis would be really quite diverse. One of the areas for export opportunities I'm told, is in Manitoba where they just aren't able to produce enough to feed the French fry plant that has been built there.

With respect to seed potatoes, there is a large North American market that development in that area has the opportunity to feed. I'm also told that South America, Mexico, there are export opportunities.

So quite clearly there's a large packaging plant in the Lucky Lake area who will be focusing on export development. That would be the key areas of focus.

You know, I think, let's put the cards on the table. Both the Liberals and the Conservatives tonight are trying to make an argument that if we expand the number of acres that are going to be growing potatoes in this province, we are going to push some of the small producers — people who have historically market-gardened, grown 1, 2, 3, 4 acres, some even larger; but that we're going to be pushing them out of business. Well I say to the members opposite that that is not the focus of competition and that's not the area where we're attempting to market this production. We've identified many, many export areas which will bring money into this province. And if you're suggesting that there should be no economic development or there should be no expanded, secondary manufacturing opportunities in this province, I can't agree neither with you nor with her.

Mr. Toth: — Well thank you, Mr. Minister. I suppose Mr. Hansen would like to feel that he's termed a small potato producer in the province of Saskatchewan, because the article that Murray Mandryk writes here in the Monday, February 17 . . . And I hear the Deputy Premier is somewhat disgusted to hear Murray Mandryk's name and I'm not exactly sure why.

But, Mr. Minister, the individuals that have talked to me have worked hard and they're not growing 2 or 3 or 5 acres of potatoes. And in one case one individual has turned part of his farming operation, east of the city here some 160 acres, into a table potato. And he's developed a market himself. He's cleaning and he's bagging these potatoes, and he's got an agreement with Safeway.

And while you're talking of, and if the SPUDCO is certainly looking at, markets that are available outside of the province — like you mention about the French fry product in Manitoba . . . I know there's been a lot of development in the area of seed potatoes — I can certainly commend you for that.

The thing that these producers are concerned about, Mr. Minister, is the feeling that in order to be competitive, they would have to get much larger and they would have to expend substantial sums of money to put the equipment in that would give them the opportunity of bagging even more potatoes than they can on a daily basis right now to try and compete and maybe offer the Safeways of those world that they've already got contracts with their product . . . and try and compete against SPUDCO.

And I guess the question I have, Mr. Minister, is what assurances to date can producers out there have in feeling that they're not being pushed out of the market-place but are certainly . . . a part of and including in this market that they've worked so hard to develop, is a market that they still have the opportunity of continuing to compete in.

Hon. Mr. Lautermilch: — Well I think it's important for the member to have an understanding of the markets and the fact that we are a net importer of table potatoes. Many of those potatoes come from Washington and Idaho late in the season because for the most part, I am told, that many of our producers don't have storage facilities to be able to carry them in till late in the season. So late in the season the imports come from out of the province.

So I think it would make some sense for potato development, and people who are involved in potato development with adequate storage facilities, to be able to pursue markets late in the season. And I think that in all likelihood would happen. I certainly don't see the focus on sales from the development in this area targeted to existing Saskatchewan producers. As I've indicated before there are adequate export opportunities here. We can grow a very high quality of potato in Saskatchewan. There are some opportunities in Manitoba with respect to a French fry plant; that quite clearly some of these will be suitable for shipping and that would be a reasonable place to pursue that market.

And I think what we would attempt to do is optimize the market where there would be perhaps less competition and a South American market might just do that for us, as opposed to driving the price down here in Saskatchewan. I think that it would be fair to say we would be pursuing with all vigour out of the fresh-pack plant, out of the packaging plant, and that industry will be pursuing with all vigour some very positive, high-price export markets.

But I want to say there will be some change and no one will deny that. And I wouldn't suggest to you that there won't be opportunities lost for some folks. I would suggest that it would be very much minimal.

But what I want to say, the long-term desire and the long-term goal needs here to be creating job opportunities and develop an industry for Saskatchewan people. I guess in one respect you can make the argument that if we had no potash plant in Rocanville there may be more job opportunities for Saskatchewan people in Esterhazy. And certainly you can make that argument. But I want to say that without a potash industry in Saskatchewan there would be no job opportunities for anyone in Rocanville or in Esterhazy.

So quite clearly there's a market that can be developed. There are job opportunities that can be developed for Saskatchewan people and I think nothing that I have heard from arguments on the other side tonight would suggest to me that we shouldn't be developing this industry.

I think change is something that comes over a course of time, and when you're going to move ahead changes will happen. The expansion of this portion of agriculture in our province is no different. There are going to be changes if we expand the hog industry in Saskatchewan. There are going to be changes if we expand the number of chickens who are grown in this province and I think the member will agree with me. But then would he make the argument that there should be no expansion to those industries? I think not.

Mr. Toth: — Well Mr. Minister, when we raise concerns that have been brought to our attention . . . you talk about job creation, Mr. Minister. I happened to drop by one of the operations that had contacted me and there were five people there on that occasion, busy bagging potatoes. And to that small community, Mr. Minister, that's five extra jobs in the community that may not be there if this producer is forced to look at joining together with the producers at Lucky Lake.

And as the two producers that I've talked to . . . they've developed an area in their current farming practices where they grow table potatoes. They do have a market-place, and they feel that . . . they just want . . . none of them asked to be given a special privilege. They want to know that they're competing on the same level playing-field, that they're not competing against a corporation or a company that is receiving seed money from the provincial government when they've had to invest all of their own funds.

And so I'd like to know, Mr. Minister, what your department has done or what the Water Corporation has done to alleviate some of the fears that some of the smaller producers who have worked to develop their own small operations, what you've done to alleviate the fears they have, to let them know that they are part of the economy of this province, and that they certainly have a role to play as you talk about an expanded potato growing industry in the province of Saskatchewan?

Hon. Mr. Lautermilch: — Well, Mr. Chairman, I want to share a little history of the potato industry as it's described for

me. First of all, I want to say that there is no subsidy with respect to SPUDCO's involvement in the expansion of the potato industry, number one.

Secondly, there has been subsidy from the federal government with respect to these kinds of growers, and I'm told there are at least a half a dozen of them who have been given forgivable grants up to 35 per cent by PAWBED (Partnership Agreement on Water Based Economic Development) by the federal government over the course of the years. And that's fine. I don't mind that, and I don't think anyone does when there's an opportunity for Saskatchewan business people to create jobs and create stability for families in their community. We all support that and I support that.

(1945)

But I want to say to the member opposite that the fresh-pack plant in Lucky Lake is not a SPUDCO project. The fresh-pack plant is owned, controlled, and operated by private business people and people in that community, who as well are creating dozens of jobs. So, I understand that Mr. Mandryk writes a very interesting article on occasion, and fine that he should quote Mr. Hansen. But I would ask you at least to keep in mind the fact that in the Lucky Lake area, there are private enterprise jobs created by private enterprisers growing potatoes.

Now you can make the argument that that shouldn't be happening in Lucky Lake. I don't think that's the argument you're making. If you are, you should maybe clarify that, but I think that's not . . . because I've known the member for 10 or 11 years now, and I know he strongly supports private enterprise and private enterprise jobs such as the ones that are made through the fresh-pack plant. I'm also told that there are opportunities for smaller producers to deliver their product to Lucky Lake to have them packaged and exported through that facility as well. So they are, as well, a support to some of the smaller producers in the province.

I only say to the member that, if you're doing a critique of potato development in the Lucky Lake area, you might want to contact some of the owners who have invested an awful lot of money in that area. You might want to contact some of the producers who supply that facility, and you might want to contact some of the business people who work in that area in free enterprise jobs in a free enterprise business — totally, privately funded.

Mr. Toth: — I thank you, Mr. Minister. Mr. Minister, I'd ask what has your department been doing to alleviate some of the concerns for the producers who have been calling, raising the question?

Now you mention that SPUDCO is certainly offering . . . offered some alternatives, but I'm sure your department has had some questions raised. And while you're expecting the business community who have invested in this and are putting money aside themselves . . . what have you been doing in view of the fact that we have a comment here . . . and of course what I'm taking is from an article. They're reading the same article that talks about the Crown corporation offering to finance as much

as 75 per cent of a new potato production.

And that does raise a goal, and I'd like to know where that has come from, number one, Mr. Minister. And those are some of the concerns that certainly need to be alleviated, and as people raise them they need to be addressed — not just shoved under the carpet hoping somebody else is going to take control and make sure that proper information, if you will, as you're trying to tell me, is made available to producers.

Hon. Mr. Lautermilch: — Well I indicated to the member from Humboldt, we have entered into a partnership arrangement with a number of contractors, people who have invested 50 per cent of the cost of developing and growing the potatoes, and in fact who will recover 50 per cent of the profits, as does SPUDCO. I can't say any more other than we're trying to develop a critical mass so that we can create and develop a base for potato production here in this province.

I think that that's a responsible approach to take. I can tell you that the Water Corporation has met with many, many people — both those producers and people who are interested in involving themselves in the expansion of the potato industry in Saskatchewan. And I think that's a reasonable approach to make.

I've also indicated earlier tonight that it's not the Water Corporation's intent, through SPUDCO, to be involved in potato production over an extended period of time. We are trying to encourage. We've been very successful in bringing new players to potato production in Saskatchewan. We're hopeful that that will be a long-term, sustainable initiative.

Farmers in this province who are investing something in the neighbourhood of \$1,200 an acre to produce potatoes . . . it's a very expensive industry to get into as you will know — which is part of the reason the federal government, though PAWBED, used to offer forgivable loans of up to 35 per cent. We are doing it in another way. We've decided to partner. I mean if it's all right for the federal government, through PAWBED, to invest through forgivable loans, I should think it's at least reasonable for us, as a provincial government, to help to facilitate interest in partnering with private business people in this province.

So I say to the member opposite, you may not agree with this, and it is a pretty weak critique that I've heard thus far, but I want to say that people on this side of the House want to protect jobs — not only with small producers but with new producers, people who come to this province to invest in potato production. And hopefully we can attract a major French fry plant to create hundreds of jobs for people in this area.

And I say to the member as well, we don't intend to choose between people in the Lucky Lake area and people in other areas of the province. Jobs are jobs. People's lives are important, and their ability to feed their families are important, whether it's in Lucky Lake or whether it's in Pilger, Saskatchewan.

Mr. Toth: — I find it interesting, Mr. Minister, that you would

be standing up here and speaking so well about economic expansion and private investment in this province, or even the fact that the government might promote, through some small programs, a development of an industry, when it seems to me I recall some of the debates that you entered into on this side of the House and totally and adamantly opposed to any investment that might create economic spin-off for the province of Saskatchewan.

I think the Bi-Provincial upgrader is a prime example or the Co-op upgrader here in Regina is another example. And the other day we see that both of these facilities are now paying dividends to the province of Saskatchewan. And I can remember the debate at that time.

I can only say, Mr. Minister, I guess it may take a little while for some individuals to recognize the positive aspects, and the fact that there are people in this province who knew how to invest and are willing to take a bit of a gamble.

And as an opposition member, it's my responsibility as well to listen to the concerns of other individuals and to indeed give them some reasons as to why they could look at working with . . . And I think part of this Lucky Lake project, if I'm not mistaken, a couple producers mentioned that they have been contacted about possibly investing in and putting some acres up in the Lucky Lake area and still running their small facility.

And I just wanted to make sure that your department was aware of this; that your department has been doing due diligence in making sure that the individuals who are substantial distance away aren't left out in the cold. And I think that would be only appropriate and we need to work at that. Certainly economic development is important. And while you talk about job creation in the province of Saskatchewan, Mr. Minister, I think you're going to need to find even more than just potato development to really generate job creation in this province of Saskatchewan. Because while you were right when you said hundreds of jobs . . . because most other jurisdictions are talking in the thousands or the ten thousands of job creation over the past few years.

Mr. Minister, there was, two or three years ago, I believe a company called Cole's and another company called Sask Ida came into the province to buy up, I believe it was a potato plant that was developing export markets for locally grown seed potatoes. And SGGF (Saskatchewan Government Growth Fund Ltd) had actually put some funds into that. And I'm wondering what's happened to the Sask Ida proposal or if that still continues to operate as a company in this province?

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told that initially Sask Ida farms did have an investment by the Saskatchewan Government Growth Fund and to the best of my knowledge, at this point, it is a small shareholder in Lake Diefenbaker potato company, which is the fresh-pack company in that area with a packing plant.

I have no knowledge of the other company that you spoke of. I'm not familiar with them at all. And that information may be available through Economic Development estimates as I believe

that would be the entity that would be familiar with the Saskatchewan Government Growth Fund's portfolio, perhaps in their operations.

Mr. Toth: — Well thank you, Mr. Minister. If I'd just read down a little further . . . and I forgot to mention this. I believe that it was the Cole's Potato Company, and it's bankrupt. And Sask Ida, I believe, came in through SGGF (Saskatchewan Government Growth Fund) and did a small investment in the Cole or taking over the bankrupt company.

I'm wondering, is Sask Ida continuing to operate and produce fresh potatoes? You said it's a packaging company. Is it continuing to facilitate packaging? And where does it market? Does it market outside of the province as well, Mr. Minister? Or is it's market-place mostly inside the province?

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told by my officials that Sask Ida is part of Lake Diefenbaker potato company, which is a small packaging plant. I'm also told that they had some unfortunate circumstance awhile back in that they had fires, I understand, problems at Clavet. But that has been resolved, and the operation hopefully will be viable long term.

Mr. Toth: — Mr. Minister, is that what you consider the less than acceptable return: fire?

Mr. Minister, I think, I think Saskatchewan people have certainly shown initiative in the way they have taken the environment around them and used it to their advantage and providing for themselves as well as providing job opportunity.

And I can only suggest to you from what I've seen, while on a smaller scale out in my area, as far as potato production, I was quite surprised — to be quite candid with you — that there was that production and to hear that it's even getting larger . . . is something that anyone in the province of Saskatchewan . . . I think as we look at diversifying the economy of this province . . . and in agriculture we've diversified and to a number of commodities that even 10 years ago we didn't grow. And the addition of potatoes to the diversification is certainly something that's positive.

I think an effort was made in potato production a number of years ago. I believe some time in the '70s there was an effort made, and I can remember driving through that Outlook area and all those fields in potatoes. And it wasn't long thereafter that those fields ended up going . . . being put into alfalfa. So possibly with the new varieties of potatoes and new markets out there, there might be even a better chance of the industry certainly expanding and being an economic benefit as well as a job creator for the province of Saskatchewan.

Mr. Minister, I'm wondering if you've had the opportunity in the last few days to tour the Rafferty-Alameda, and if you could give me an idea of the amount of water in both projects and amount of water flow that may be coming into the facilities at this time. And what levels does the Water Corp. anticipate we may see by the end of the spring run-off?

Hon. Mr. Lautermilch: — Thank you. Mr. Chairman, we were just having a little chuckle here. My officials were trying to describe to me how many decametres of water and I said, whoa, let's talk about metres here; it's something I can understand.

I say to the member opposite I haven't had the opportunity to be to the Rafferty-Alameda facilities this year. I was there last spring, and it was really gratifying to see the water in those two facilities. Many professionals, people who maybe didn't have the vision of your former leader, would never have believed that we could capture that amount of water, at least not for many, many decades, based on past forecasts of what we might expect for moisture in that area.

I'm told by the officials that in fact the water levels will be higher this spring than was the case last year. Alameda is operating at the interim level, 552 metres, as per the Tetzlaff agreement that you will be familiar with; and Rafferty is operating at an interim operating level.

(2000)

Mr. Toth: — Well thank you, Mr. Minister. Mr. Minister, I never thought I'd hear the day when we'd hear the word "gratifying" being used about the Rafferty-Alameda project.

And unfortunately, Mr. Minister, the agreement that was reached with the Tetzlaffs is certainly still of concern to the people in the Alameda area, especially when they feel that it's a water basin that could be more than full right now.

But be that as it may, Mr. Minister, when does that agreement with the Tetzlaffs run out?

Hon. Mr. Lautermilch: — Mr. Chairman, this is the last year of that agreement. As the member may know, there will be hearings, public hearings, in the fall. The corporation will be around talking with local people, to work with them to determine what an ongoing operating level should be for that particular facility. Certainly the amount and the hundreds of millions of dollars that were invested in that particular facility, I think really does require that the Water Corporation and the people of Saskatchewan who have invested so much in that particular infrastructure should have the opportunity for . . . and say as to how it's managed, or for input as to how it's managed over the upcoming years.

So it's been agreed that we will be meeting with people in the area to determine what would be a reasonable operating level, keeping in mind their desire for infrastructure and all of the things that their dreams are built on with respect to the operations of that particular facility.

Mr. Toth: — Thank you, Mr. Minister. Having just been down to Estevan about a week ago, I found it interesting, Mr. Minister, that there are a number of people in that area certainly are talking of investment along the Alameda and along Rafferty. I think, Mr. Minister, a number of us are quite familiar with the debate that took place, even though most of us were probably just following that when we were in our schools days yet, regarding the Diefenbaker project and Gardiner dam.

And we look at that area right now . . . in fact we're just talking about a project that possibly is going to be enhanced because of the development of water resources in the Lake Diefenbaker area. But as you look around Lake Diefenbaker, Mr. Minister, you can see a number of small, little communities — cabins have been out there; people have invested in private property — and I can see Rafferty and Alameda following something along the same lines. In fact while it may be a short distance across to get in and to try and ski across the Rafferty, I know you could certainly make a turn at the end of it, but I'll guarantee you'd get a long, long run when you get up on your skis, even in the Rafferty basin right now, Mr. Minister.

So I can only hope, Mr. Minister, that your government and the Water Corporation will look at any other avenue that can bring economic enhancement to our province. And certainly working with local residents or any other resident who would like to . . . as the water levels rise and as you maintain a level of water in that area, where people would start looking at possibly building little resort areas along the basin that can derive revenue for the province of Saskatchewan. I could only encourage that your government seriously take a look at that.

And I am pleased to hear, Mr. Minister, and we will certainly follow closely, that you're going to certainly sit down and listen to and work with local people as to how they perceive this basin operating. I hope you are better here than the Minister of Health has been in the last few days, but I thank you, Mr. Minister, and I'll let other members get in on with further debate on other areas and then I'll get back in a little later. Thank you.

Ms. Draude: — Thank you. Mr. Minister, I'm wondering if you can tell me how many orders in councils have been passed this year through Sask Water to allow for expropriation?

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told by the officials that there was one expropriation that we had to act on and I'm assuming that you're referring to the Humboldt-Wakaw pipeline. Provincially I don't believe we had any others, but I will undertake to check to determine if there were any acquisitions that had to be done by expropriation or orders in council. I'm not familiar — I just can't recall any others. I don't really think there were. We can recall one order in council that dealt with an expropriation on, how many kilometres? — just the pipeline easement.

Ms. Draude: — Thank you, Mr. Minister. The reason I ask this question is the proposed new legislation is going to allow Sask Water to undertake expropriations without going through orders in council. The decision to do this must have been made for some reason. I wonder if you could explain that?

Hon. Mr. Lautermilch: — It's only to facilitate, you know, I guess the flow of paperwork, and the work that's done internal to the corporation in these circumstances could be minimized. And really what we did was, we are proposing amendments to the legislation that would be consistent with all of the other Crowns, with SaskEnergy, with SaskPower. And so Sask Water would be treated in the same fashion in terms of expropriations. But it's to minimize the paperwork is, I think, the main reason that those kinds of changes have been proposed in this

legislation.

Ms. Draude: — Mr. Minister, I just understood this afternoon for the first time that Crown corporations, or the majority of them, are allowed to expropriate without going through orders in council. Is this something that you intend to do to all the Crowns? Is this normal procedures?

Hon. Mr. Lautermilch: — Mr. Chairman, that Act was . . . as I recall, passed second reading today. And I'm sorry I wasn't here this afternoon for the debate but that's . . . it's the Water Corporation. I'm not familiar with the other Crowns. That would probably be better asked to the Minister of Crown Investments Corporation or the individual . . . or the minister in charge of the other Crowns.

The two I am familiar with though are the ones that I'm responsible for, SaskPower and SaskEnergy — both have consistent legislation with what's being proposed under the Sask Water Act.

Ms. Draude: — Maybe, Mr. Minister, this isn't a fair time or place to ask questions on this. Should I be . . . would you prefer I didn't ask questions on it?

What happens if an individual who is involved in this — in an expropriation procedure — doesn't feel like they've had an opportunity to have their case heard; where will they go to now?

Hon. Mr. Lautermilch: — Well there is I guess a number of avenues. The process would be quite clearly that if there was a proposal and there was a facility that was planned and designed, it's been the historical background with Sask Water, as I have known it, and as long as I have been responsible for it, that the amount of community involvement sometimes, I guess, seems endless. But it's a process that really is positive and needs to take place.

So in discussions with municipal governments, with town councils, when a project is proposed, the communities are invited to have a look at what the communities are proposing to Sask Water. Sask Water is really the vehicle and the tool to help to facilitate the development of an infrastructure piece of water, infrastructure piece.

But as you will recall, there was a great deal of discussion. And the example I would use is the Humboldt-Wakaw water line because it's the one we just completed and it was a fairly large project. There was a lot of discussion that took place at the community levels, in town councils. There were people who opposed that particular project as put forth by the communities. They felt there was another way to do it. So quite clearly there's a lot of discussion at a local level.

The Water Corporation will, after the design and when it's decided where the project might go, they will do all measure of due diligence in terms of consulting with landowners in the area to describe to them the disruption to their land, the level of compensation, the time that their land would be disrupted, what kind of surface structures there may be after the line is

completed, and then to determine what's adequate and what's reasonable compensation. In some cases it's not a matter even of dispute between say the corporation and a landowner over the compensation.

I'm not a lawyer but as I understand it, the one particular instance that I will refer to you, was the one order in council who's passed was a result of an estate owning the land, and there was no other way to do it because there were some outstanding legal issues that required expropriation. Our goal is to minimize the number of expropriations on any of these kinds of projects and that's best done working in consultation with the people who are affected.

And I think over a course of time people have come to understand, in particular in Saskatchewan, if we want to have services in rural Saskatchewan it does mean that we have to travel under roads, and it does mean that we have to travel through people's farm lands, and it does mean that you have to cross rivers. And all of these things require a process of discussion before an ultimate decision is made as to how to proceed.

And there are some cases where you just can't get agreement. And certainly we want to minimize those as much as we can. But in areas where you can't find agreement there has to be a process. But the first step would have to be consultation; try and find a mutually agreeable situation; and ultimately the process, as it works before this Act will be passed, the Water Corporation will make a recommendation through the minister to cabinet, and cabinet will approve the OC (order in council) or reject it. I can't recall an instance of an expropriation since I've been in the government side of the House where an expropriation request was denied, because for the most part, it's a last resort. There are a very few number of people where that will be necessary for the most part. So I guess the best way is to try and do it through discussions and negotiations. But if all else fails, expropriation is a last resort.

Ms. Draude: — Thank you, Mr. Minister. I want to change topics here for a few minutes and just talk about the grant that is . . . I'm not sure if you call it a grant. The money is given from the General Revenue Fund to Sask Water Corporation. Since the corporation came into being in 1984 can you tell me how much money has been given from the General Revenue Fund to Sask Water?

Hon. Mr. Lautermilch: — I certainly don't have the numbers going back to 1984. We have for the year under review which is 4.888 million, but I don't have previous years. I would assume that that would be available through the library and *Public Accounts*, but my officials certainly didn't bring that back from that many years past. We just don't have that information with us.

Ms. Draude: — If that's the case then probably you also don't have the figures available to say how much profit has actually been returned then through dividends.

Hon. Mr. Lautermilch: — I'm told as well by my officials that the corporation has never returned any dividends. What they

have been allowed to do is have retained earnings which are reinvested back into infrastructure, whether that's investment in a water facility or in irrigation. But historically that's how this corporation has been treated during the budgetary review.

(2015)

Ms. Draude: — Mr. Minister, I was noticing in the annual return there was a discussion on a pilot project partnered with SRC (Saskatchewan Research Council) for developing quality water treatment in rural Saskatchewan. Can you give me an idea of what this project involved?

Hon. Mr. Lautermilch: — Mr. Chairman, I think the project that the member is referring to is the biological treatment system that we have been working in conjunction with the Saskatchewan Research Council and the federal government through their green plan to try and develop a commercial application to this technology for treating dugouts in Saskatchewan. I think the member will recognize that in many farms, in many areas, the quality of water is certainly substandard, and if we can develop in Saskatchewan some technology that's applicable to that kind of a water resource, it could have not only benefits for the people of Saskatchewan, but benefits for those in other parts of North America who are in flood plains as we are, and who use dugouts for supplying a lot of their water for their residential use.

I've seen some demonstrations of this project. It actually looks very encouraging and I would certainly want to commend the Water Corporation and the Saskatchewan Research Council for the work they've done in this regard. And I'm certainly hopeful that in a very short period of time we can have a commercial application for this because I really do believe it's something that's very much needed in rural Saskatchewan.

Ms. Draude: — I understand that this project was funded partially by the provincial government through Sask Water and SRC and also through the federal government. Can you give me a breakdown of how much money was spent and by who?

Hon. Mr. Lautermilch: — I'm told by the officials that the vast majority of that money comes through the PFRA (Prairie Farm Rehabilitation Administration), through their green plan, but we can forward a copy of the amounts and the breakdown to you. You're not talking millions of dollars, more in the line of thousands, but we'll get those numbers to you. I don't have them here tonight.

Ms. Draude: — Thank you, Mr. Minister. You discussed the possibility of a commercial venture that may come from this project and I imagine that would be something that would be looked forward to by many people. Would it be something that would be developed again through Sask Water or possibly through the Research Council?

Hon. Mr. Lautermilch: — Well I'm told that the ownership of the technology, just as a matter for explanation, is a combination of Sask Water and PFRA through the green plan. So if there was a commercial application, I guess our partners would be the Chrétien government, unless something would

happen during an upcoming election that he would no longer be there. I don't know that, but it would be a partnership, as I understand it, between the two levels of government.

But I would think we would certainly be looking for partners in the private sector to, I guess, to process the sales and the marketing of that kind of a infrastructure if we could make it work.

Ms. Draude: — Well, Mr. Minister, unless the sun comes up in the west, I'm fairly sure what the answer to your question is, but I'm actually hoping that maybe the Research Council could possibly look at something that would allow some development of this process.

I just have one more question in this line for this evening, and something maybe you don't have any information on, but in the Parkinson's disease, one of Saskatchewan's lead specialists in it has determined . . . is looking at the possibility that it's caused by water in rural Saskatchewan. And I know there's lots of different possibilities for it. I'm wondering if, through Sask Water, if there's ever been any contact by Health officials to undertake some of this study or work.

Hon. Mr. Lautermilch: — Mr. Chairman, I'm told that we, as a corporation, have no medical expertise or no . . . (inaudible interjection) . . . we don't. We really don't. So there's no way for us to answer that, only to say that we certainly are well aware that there is a water quality problem here in our province. We have been large users of chemicals for many years, applying those to our crops. And so it's one of the areas that we are concerned with.

When municipal governments contact the Water Corporation and ask us to work with them in terms of the quality of their water supply, we're more than willing to do what we can. Whether it be through the Water Corporation, working with the Department of Health, or working through the Saskatchewan Research Council, we do what we can because, quite clearly, one of the most important things that we do every day is breathe air — and hopefully it's clean and fresh — and drink water.

Ms. Draude: — Thank you, Mr. Minister. I guess my question to you is if you had been contacted to see if you would work on a study or if you'd be interested in working with them. If they would contact you, is there any possibility that funding could be found to have a look at this very worthwhile cause?

Hon. Mr. Lautermilch: — Well I think we would certainly look at that in terms of our budget deliberations. For the most part, our money is allocated on an annual basis through the very process that we're going through now. But there may be areas during the course of the year where expenditures are decreased in an area that we don't foresee. And if it's a worthwhile project, certainly we would look at the opportunity of assisting in funding it, if we could.

Mr. Toth: — Mr. Chairman, I have a question before we may move off of this Sask Water tonight.

Mr. Minister, I'd like to know if you've received the global questions from our office. If you have, are they available tonight? I'm wondering if you could get them to us as quickly as possible, please.

Hon. Mr. Lautermilch: — I'm told that our officials are working on them right now, and they haven't yet been completed, but we'll be getting them to you very soon. I don't think there's anything in there of any nature that would give us any concern, so I would assume they'll be here. What I will do is undertake to get a hold of your office tomorrow. I'll have my staff get hold of your office and let you know when they're going to be coming.

Hon. Mr. Upshall: — I move we report progress, Mr. Chair.

**General Revenue Fund
Post-Secondary Education and Skills Training
Vote 37**

The Chair: — Minister, will you please introduce your officials.

Hon. Mr. Mitchell: — Thank you, Mr. Chair. With me tonight is Dan Perrins on my left, the deputy minister; behind Dan is Mae Boa, the executive director of finance and operations; behind me is Lily Stonehouse, who is the assistant deputy minister; and at the back are Tony Antonini, the executive director of finance and technical services in the New Careers Corporation; and Brady Salloum, who is the director of student financial assistance.

Item 1

Mr. Krawetz: — Thank you, Mr. Deputy Chairman. Welcome, Mr. Minister, and to your officials as well. I look forward to a productive time this evening.

The area of post-secondary education has had a lot happening in the area over the past year. When we take a look at the university programs offered at both Saskatoon at the University of Saskatchewan, at the U of R (University of Regina), when we take a look at the SIAST (Saskatchewan Institute of Applied Science and Technology) campuses, even to the fact that we've had a major fire at one of our campuses during the course of the year, a lot has taken place.

Now we start to look at the public consultation plan that occurred regarding job training, skills training, the apprenticeship program, the plan as far as what role the regional colleges will play. A lot has occurred in the area of post-secondary education, and I think, as you can see, Mr. Minister, there'll be a lot for us, I think, to talk about in terms of understanding where we're moving in certain areas and what kinds of things the Saskatchewan residents can look forward to.

I want to begin though by taking a look at the Department of Post-Secondary Education, sort of as a whole. What structure, what management structure, do you have at the department besides the officials that you've introduced today? What is your structure?

Hon. Mr. Mitchell: — Mr. Chair, and to the member, the department is divided into two broad areas. One is the university and the policy and intergovernmental areas. And the second broad area is training and skills programs including the relationship between the department and SIAST and the regional colleges.

There is a third area which is an area of shared services with the Department of Education where the units involved serve the needs of both departments.

That's it in a general way. I'll be glad to be more specific to more specific questions.

(2030)

Mr. Krawetz: — I'll become a little more specific, Mr. Minister. While Mr. Perrins serves as your deputy minister in charge of the entire post-secondary area, when you talk about the university and intergovernmental, and when you talk about the skills training area, are you working with managers of those areas or are you working with deputy ministers?

And more specific to that, could you identify in terms of the number of employees that you would have in those areas relative to the manager position?

Hon. Mr. Mitchell: — Mr. Chair, we had to do some pretty rapid calculating there. But I think that this is the breakdown that the member was asking about. There is of course, the deputy minister. There are nine people who are senior managers and are either branch or division heads, and there are then ten others who are at the director level — so that's a total of 19 managers which fall into the two categories I've just mentioned — then there would be 204 other employees in the department who would be reporting to one or other of those managers.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, I know last year you were very accommodating in terms of supplying information or having your staff provide me with information and I appreciate that. So maybe my next question won't be a question in that respect, but other than that I would like if you could instruct your deputy minister to provide me with information about the employees that are responsible for each of the subvotes, and I know that for instance subvote no. 2 would not have anyone I don't believe actually as a full-time equivalent in that area, but if you could supply the names and positions in terms of where those people are employed and who they are responsible for. That would save a lot of time and I would appreciate that.

Hon. Mr. Mitchell: — Yes, we'll do that.

Mr. Krawetz: — Thank you, Mr. Minister. As far as the budget item, Mr. Minister, how many employees are there — I know you've identified 204 additional — how many total employees are there in the area of post-secondary education?

Hon. Mr. Mitchell: — There are 223 full-time equivalents in the department.

Mr. Krawetz: — And how does that compare to last year, Mr. Minister?

Hon. Mr. Mitchell: — Mr. Chair, and to the member, there are 10 more full-time equivalents this year as compared to last. I am told by my officials that that's a result of positions being transferred from other departments to our department. Five came with the transfer of New Careers to the department, and five others came from various places around government into the Department of Post-Secondary Education and Skills Training, for a total increase in the complement of 10 employees.

Mr. Krawetz: — Mr. Minister, when you say that five employees came with the transfer of New Careers, I understood that New Careers was under the direction of Post-Secondary Education previously. Are these people that would have been responsible under the Social Services program, or where did they come from?

Hon. Mr. Mitchell: — New Careers reported to me last year but they were a free-standing organization in the sense that the people employed by New Careers were not included on the Post-Secondary complement. This year they are. Five of the positions are now to be found in our complement and that accounts for that.

I'll repeat my answer there. The New Careers Corporation, while it reported to me, were not carried in the Post-Secondary complement of employees. They were a free-standing, administrative body. And that's not the case this year.

Mr. Krawetz: — Thank you, Mr. Minister. For clarification purposes, Mr. Minister, for the area under training programs when you indicated New Careers Corporation was in your estimates of last year — and I note that of course now with New Careers changing or the skills training program going into basic education and literacy — we see a combination as identified in the position. So when you're looking at last year's expenditure of \$6 million, is there another expenditure then that would be identified in the budget document for New Careers last year?

Hon. Mr. Mitchell: — I'm advised, Mr. Chair, that if the member will look at page 104, the allocation to New Careers Corporation is included there under item 3 near the bottom of the page — 11.884 million.

Mr. Krawetz: — We'll come back to New Careers on another time, Mr. Minister, because there's a couple of things that I need to clarify in terms of expenditures for last year.

As you've indicated, you have some employees that are in the area of shared services and that you still have employees that provide information for the K to 12 system as well as the post-secondary. I guess this is the full year of operation also for the post-secondary area with you at the helm as the minister. Simple question — as far as the department and as far as your own position, is the entire department functioning as well as you had hoped?

Hon. Mr. Mitchell: — Mr. Chair, I just double-checked with my deputy minister, and it is working. It's working very well. As the member will know, there are three areas: finance and operations, and the communications and human resources. All three of those areas are working at least as well as they worked while it was one department and probably better in some respects. We think it's probably the way of the future, that it's going to be a pattern that other departments will follow in the future.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, when I look at the full-time equivalent positions that you've indicated of 223, and my question to the minister responsible for the kindergarten to grade 12 system had indicated that the complement there was about 283, so I take a combined staff of about 506, is I think the projection, if my math is correct.

I look back at '94-95 when there was one single department, and I see in the *Estimates* that there were 484 full-time equivalents at that time. Now I don't know what the breakdown was in terms of how many were responsible for the post-secondary system and how many were in the K to 12 system. And I wonder about efficiencies and about how the fact that now we've divided into two departments, whether or not we're getting value for the number of employees that we seem to have expanded to, if I compare the '94-95 year to the current budget.

(2045)

Hon. Mr. Mitchell: — Mr. Chair, it's a question we didn't anticipate, of course, and we would be pleased to give the member an answer for it. So I'd propose that we would develop the answer in consultation with the Department of Education and give the member an explanation.

We can account for 10 of those because we've already covered those tonight. But that still leaves 12 outstanding, and we'll provide an explanation to the member for that.

Mr. Krawetz: — Thank you, Mr. Minister. I look forward to that information.

A couple specific questions, Mr. Minister. What is the administration budget that you have for the area of Post-Secondary Education and Skills Training?

Hon. Mr. Mitchell: — Mr. Chair, I think the member is referring to item 1, administration and shared services, which is the minister's office, the deputy minister's office, and the shared services, shared support services that we were discussing a few minutes ago.

Mr. Krawetz: — Thank you, Mr. Minister. When I see that 2.4 million, Mr. Minister, what I was actually wondering about is, as described in that paragraph, it talks about communication, it talks about resource management, it talks about a number of issues. And I was wondering whether you had specific breakdowns of what is the administration costs?

And then the other question that I'd have, the one that I'm more

interested in, or also interested in, is in the area of communications. What portion of that budget is spent on communications? And could you identify some of the things that your department does and has expenditures for in the area of communications?

Hon. Mr. Mitchell: — Yes, I can. The communications function has budgeted for it . . . I'll just check my numbers, Mr. Chair. Sorry, Mr. Chair, we just had to recalculate our numbers to better answer the member's question.

The communications function in the department . . . I'll take the member through it sort of item by item. The kinds of things that are done there are: the printing of materials, print material production; public communications, which is to conduct programs to enhance awareness and understanding of the department's programs and policies and activities and information services; a telephone inquiry line in response to inquiries; and news releases and that sort of thing.

In addition there is a comprehensive communications program designed to provide the public with information about services available to them, and to promote public involvement in education and training, and promoting linkages to employability. And a good deal of that has to do with some of the new programming that the member was mentioning in the first remarks leading off this discussion tonight.

Now the total — that involves eight full-time equivalents and a budget of about \$730,000.

Mr. Krawetz: — Thank you very much, Mr. Minister, for sharing that information.

Mr. Minister, we'll switch gears a little bit here and move to . . . We'll move to something that I think is very, very important — very, very important — to the universities in both Regina and Saskatoon. And while some members may not think so, I think they are very important.

Last year the MacKay report, Mr. Minister, had indicated a number of suggestions. And I guess I'd first like to begin with asking the question that — you had announced last year I think, that the initial cost of the MacKay report was to be \$44,000 — do you have a final figure as to what the MacKay report cost?

Hon. Mr. Mitchell: — I'm advised that our expenditure was about \$59,000. That would be the 44,000 that we paid to Mr. MacKay and then another 15 in relation to the production of the report and related expenses. I don't have the particulars of that tonight but that's the total amount.

Mr. Krawetz: — Thank you, Mr. Minister. I think one of the most critical recommendations out of the report was the fact that I think Mr. MacKay recognized that there was indeed a need in Saskatchewan for two separate universities. But at the same time I think there was a lot of emphasis on the fact that dramatic changes have to take place at those two universities to ensure that they're both viable and that they both could do the job for the province of Saskatchewan.

I guess as the minister responsible for those two universities — and I know you've had discussions, as we've had, with Dr. Ivany and Dr. Wells — what are you most pleased with in terms of how the two universities have reacted to the fact that the MacKay report is suggesting that there's room for both universities within this province but yet they must make changes? What kinds of things are you happy with in terms of the two reactions?

Hon. Mr. Mitchell: — I am happy with the entire situation, but let me go through a number of things that have in particular caught my attention and are deserving I believe, of public notice.

One of the early developments that began at a rather rapid clip during Mr. MacKay's work was the discussions around the administration of the two universities. Those discussions quickly yielded an agenda that covered a couple of pages of matters that ought to be investigated to see whether they could be done more cheaply if the two universities cooperated — if they did it together to provide services to each university.

That project started quickly and it continues today and there are all sorts of exciting little developments that are taking place. None of them are big, high-cost items that would make a dramatic difference, but taken together they will make a significant difference.

What they're important for, in my mind, is the fact that these two universities, these two institutions, are working so closely together on such a broad range of subjects. And this in a situation where they had not distinguished themselves — should I put it that way? — for working closely together in the past. They had some contact with each other, but they certainly had never experienced the sort of things that they've experienced in the past year at any time in their history. And I think that this augurs well and it is a direct result of the facilitation of Mr. MacKay. So I'm very, very pleased about that.

The MacKay report also worked out . . . or the MacKay process worked out the establishment of three mechanisms between the two universities and involving the government for a number of things. One of these mechanisms has to do with the programming of the two universities, and to enhance the level of cooperation in their programming that they do offer and plan to offer in the future. We think that this is an essential part of the process that should go on between these two universities.

As the member and I have said on previous occasions, this province is too small and we are simply not able to afford to have two full-service universities here. And they must be at some pains to avoid duplication and overlap, and they should make a real effort to cooperate in that respect so that each of them isn't trying to be all things to all people. That process has begun and there are small examples of the two universities being sensitive to each other and drawing back from a proposal on the ground that the other university is already doing it.

Another mechanism that is in place as a result of the MacKay process is the committee that involved the two presidents of the

universities and the Premier and three other cabinet ministers — the Premier, the Deputy Premier, the Minister of Finance, and myself.

(2100)

And this committee has had one meeting and has another one scheduled for this week — Wednesday of this week. I can tell the member that the first meeting was very, very exciting for all of the participants. The discussion that took place was a discussion that I think had not ever taken place before involving the two universities and the government.

The government's careful not to interfere at all with university autonomy or independence; but on the other hand, has a public interest in these questions and began a discussion about the future and about how things might go and how, as a matter of process, the two universities can work hard to ensure that their programs mesh with a minimum of duplication and a maximum of efficiency.

So we're pleased about that. We're pleased about the extent to which the two universities are in touch with each other on a broad range of issues. I mentioned administration, but it goes beyond that. There are exchanges taking place and discussions going that don't really fall within the MacKay framework and yet seem to us to be extremely important.

An example would be the two colleges of Engineering. And the deans of Engineering are working very closely together to talk about the future and how they can fit their two programs together for the benefit of Saskatchewan. This is happening also in the College of Commerce at the U of S (University of Saskatchewan) and the college of Administration at the U of R. I know that discussions have taken place there as well.

So that is another aspect of or fallout from the MacKay process that is, I think, very encouraging, and as the member put it, one that I am happy with.

Taken as a whole and speaking very generally, I think that Harold MacKay — through the process that he conducted — changed the atmosphere completely and put the universities on a path towards a cooperation and coordination that will serve each of those institutions very well in the future and thereby serve the province of Saskatchewan well in the future.

Mr. Krawetz: — Thank you, Mr. Minister. A specific reaction to one of your comments and I'd like to know if you could tell us . . . You've mentioned the committee of the two university presidents, the Premier, and the cabinet ministers. And I think in the MacKay report it says that they should try to work towards a common agenda and discuss the items that are common to both. Could you indicate some of the specifics that you see in the future that they will be actually able to help, that your committee would be able to help both universities?

Hon. Mr. Mitchell: — The committee is intended to deal with the big issue items, with the big picture, and the way in which the process has begun. We are focusing on mandates. How do the two universities see themselves, and how do they see their

future, and how does that vision . . . how do those visions compare with each other and to what extent are they in harmony or what extent are they likely to produce frictions.

That discussion began, but at a very, very preliminary level during the first meeting and is something that will be on our agenda I think, for some considerable length of time as the two institutions work on these questions themselves and develop a clear idea of where they think they're going, where they plan to go, and what their vision is of their own institutions. So that's one thing.

The member has seen the document where we tried to express the public interest in the universities. And I believe that the content of that document will, in fullness of time, find its way onto the agenda. Each of the items raised there will, or could find their way onto the agenda of this committee.

The quality of the programing is, I think, something that will be of interest. The universities will want to raise it because they feel that in some areas they offer an excellent quality, while in others they're not satisfied with the quality of their programing. Usually it's because of the lack of funding or lack of finances. But for whatever reason, their quality is uneven at every university in the country, as the member knows. And that is always of concern to the public because the public is sending their kids off to school at these places and the quality can't help but be an issue.

Another matter which will be a subject of discussion — I call these issues; a subject of discussion is a better way of describing it — is the question of distance education, taking the university to the people, delivering university programs in some of the small centres in Saskatchewan.

This is a subject of great interest to me, because I think we're set up for that. I think we've got a province with the distribution of population that makes that a very desirable thing to do. And we have the technology to do it. And this is a situation that I think is a fortunate one for our province, and the way in which the universities approach that in the future can't help but be of interest to government.

And we can cooperate with our technical facilities through SCN (Saskatchewan Communications Network Corporation), for example, to help make that programing available. But essentially it has to come from the universities. This raises all sorts of little issues, but the big-picture question will be appropriately discussed at this committee.

And in general, I tell the member that the purpose of the committee is not to deal with the little, nitty-gritty details, but rather with the big-picture questions that arise in the relationship between the universities and the government.

Mr. Krawetz: — Thank you for that comment, Mr. Minister. In the report, I think Mr. MacKay supported the university position in terms of autonomy, in terms of both universities having autonomy. And when you talk about the cabinet committee — I'll refer to it as cabinet committee — you're now talking about a group of government officials who are actually

going to be talking about the big picture and possibly providing some mandate. And I'm wondering if those two aren't at a deadlock in terms of university autonomy and then involvement of government. How do you see that working and how do you see that being able to move forward?

Hon. Mr. Mitchell: — This is one of the most delicate balances that I have ever seen, and it is a real challenge.

On the one hand, you have institutions that are perhaps the most autonomous of our publicly funded institutions. They have a long history and tradition of autonomy and of academic independence and freedom that has to be taken into account at every step, at every stage. We on this side of the House — and I know it's the case with the opposition as well — respect those traditions, and we are all determined to respect them with respect to all of the work that we do involving the universities.

On the other hand, we're talking about taxpayers' money, and we're talking about the institutions that provide a fair slice of the post-secondary education of our children and our citizens. So there is a significant public interest in the way in which the universities function and the quality of the programs that they offer and the access to those programs.

Now that public interest can be thought of as being expressed in different ways, but certainly the voice of government is one of the ways in which it can be expressed. There are others, of course, and that is the other kinds of contact that the university has with the community, and they receive feedback from the public in that way.

But we insist — and I think properly so — that we represent a significant aspect of the public interest, and it was only appropriate that we express that interest, and we've tried to do that while balancing full respect for autonomy and independence on the other hand.

It's one of the trickiest balancing acts around, and I sincerely hope that we're doing it in an appropriate way. We don't want to ever be seen to be throwing our weight around and telling the universities what to do. But on the other hand, we don't want — none of us — want to fail our kids or our grandchildren. We want to ensure that the universities are operating in the real world, that they understand what the needs of society are as we see them, economically and socially. And it is that aspect of the public interest that we are trying so hard to convey to the universities as they do the important things that they do.

So the member has expressed it probably better than I did, but it is a delicate balance and one that is uppermost in our minds in all of our dealings with the two universities.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. MacKay also commented that I think he was optimistic — if not maybe cautiously optimistic — that the universities could develop reforms within their own systems, and that they could move forward collectively, with some guidance, probably through the committee that he suggested. And I guess I wonder, in the end . . . and we seem to see some evidence that indeed there are changes taking place. There are definitely changes taking place

that will probably be better.

One of the suggestions also that Mr. MacKay made I think, was that, you know, if the process breaks down I think his comment was that the government must consider that intervention in the public interest must still be there. And I know we're moving forward, as you've indicated — I think positively to a degree at the moment — but I guess it can always grind to a halt very quickly.

As Minister of Post-Secondary Education, if that process seems to be breaking down — and I'm not referring to the next month or two; I'm looking a little further down the line. As you've indicated, our future of post-secondary education for our children and our grandchildren is of utmost importance to us — if you see this grinding to a halt in the next little while, is there a possibility that you will as minister intervene with government action?

(2115)

Hon. Mr. Mitchell: — I hate to contemplate that situation. I accept what MacKay says; that if the universities just utterly fail to do the things that they must do in order to fulfil their role in society then a government may have to intervene. I put that in quotation marks. But let us hope most fervently that it never comes to that, because if government ever were to intervene in the way in which the universities function, it would cause great damage to the universities as we have known them. It would change their essential nature. And I for one don't think it would change for the better. I think it would damage them in a way that would be, in a way that would be very bad for our future.

I'm optimistic about this. Everything I've seen supports that optimism and I don't even think about the possibility that this may not work. But if everything hits the wall, we've got a lot of work to do to understand what government should do in that situation. I for one, and I think I speak for the member also, believe it will not come to that and that such intervention will just never have to be contemplated by government.

Mr. Krawetz: — Thank you, Mr. Minister. By my question, I was in no way trying to throw any doom and gloom on this and I — as an opposition member — and as opposition party, we'd encourage the universities to continue on that drive towards becoming better. And I think they are hearing the requests of the public, and indeed we have to make changes at the university level if we are to survive and my question was one of just saying what if, and I know you are not willing to . . . or not wanting to look at it and I respect that.

One of the other points in the report, Mr. Minister, was that Mr. MacKay indicated that the government should clearly provide a commitment towards sustained funding for universities. If the universities are to undergo change and make those reforms, they must have confidence, they must feel secure that indeed the provincial funding was going to be there. And I'm wondering what you as the minister, and the Finance minister, and your government in general, are doing towards sustained funding for the university program?

Hon. Mr. Mitchell: — Well we have, of course, improved the situation vastly with the budget now under consideration compared to the previous budget for the '96-97 fiscal year. And the universities recognize the effort that we've made in that respect and I think they are pleased about it. It doesn't solve the funding problem.

There are still needs on both the operating side and the capital side at both universities that are beyond our reach for the moment, for the time being. We are going to continue to do our best. It's one of those situations where you . . . that faces all governments — competing priorities. And you try and determine where you are going to put any money that you have. So we're not in a position to make a long-term funding commitment because of the uncertainty of revenues in the future, and the decision-making process that has to be made in order to balance the priorities that I just spoke of.

But we are committed to do the best we can for the universities, and I think we indicated the direction that we're prepared to take in this last budget. As I say, it doesn't solve all the problems but it sure is a step in the right direction.

Mr. Krawetz: — When we're speaking about funding of universities, Mr. Minister, I think Mr. MacKay also indicated that I think both universities were requesting a review or a re-evaluation of the block funding process. And I think Mr. MacKay suggested that probably a government-commissioned study be in order.

In talking with the presidents, I think there's support for that. And I'm wondering if you could bring me up to date, and the people of Saskatchewan up to date, as to what you see happening in the area of review and re-evaluation of the block funding?

Hon. Mr. Mitchell: — There are actually three, Mr. Chair, and to the member. There are actually three reviews that are in the works that are captured by the words that the member used. There is a review of the operating grant, the distribution of the operating grant; the distribution of the capital grant, and the question of the technology funds that are available, how they are to be distributed.

In the case of each of those, terms of reference have been developed and are in front of the two university presidents for their reactions. So that went to the presidents last week, and they of course haven't yet responded to them.

As to who will do the reviews, there are names that have been bandied about, but no one has yet been agreed on by all parties as the person to undertake the review.

Mr. Krawetz: — You've indicated, Mr. Minister, that some additional funding of course is provided in this year's budget towards implementation of some of the reports as recommended by Mr. MacKay.

And as we note in the budget of course, there's a university special initiatives fund of \$3 million. Could you indicate to us as to what you see that \$3 million being spent . . . how you see

that \$3 million being spent and how will that be administered and controlled when we're working with two universities? We're working with two presidents. We're working with a system that has not had one administrative structure to indeed say, we're going to spend the \$3 million collectively in the province on the two universities in this fashion. How will that money be distributed, and what will it be spent on?

Hon. Mr. Mitchell: — Mr. Chair, to the member, we're just not able to put our hand on examples of the use of the special initiatives fund, and our official responsible is not in the House tonight.

I'll give you a general answer, and then either next time we're up or in a letter to you, I'll describe it in more detail. These are joint initiatives to be undertaken by the two universities together. So that's the first thing about it. It is in the spirit of cooperation that MacKay refers to that the money is to be dedicated.

It covers initiatives like new methods of learning, new methods of instruction, new methods for the delivery of education — I have in mind here distance education — ways in which the two universities can work together to do what they do. And it's up to the two universities to work these things out and to develop proposals for the use of this money. And we're not telling them what these initiatives should be, but we will accept or reject them against that kind of a framework for criteria.

And it is at the stage that we've had meetings about it, and we're sort of defining what kind of things might be acceptable or not. But it will be within this idea of a joint effort by the two universities to work together to improve their programing.

Mr. Krawetz: — Thank you, Mr. Minister. I look forward to a further response from you on that one as well.

One final question I think in this area, Mr. Minister. While the universities, I think, both understand that they are at the control of, of course, how many students actually arrive, their enrolments, and as the enrolments fluctuate, I think there's a great difficulty for the universities to do their budgets and do their planning. And I think we're all very aware of the two years at the University of Regina here where student projections did not come near what actually enrolled; and in fact there were deficit budgets, even though those are things way in the past.

Mr. MacKay suggests that there would be an improvement to the post-secondary system, and in fact they would be able to do better planning if there was a more organized study of enrolment projections. And I found that recommendation quite interesting because I'm not sure how you would look at university enrolment projections by going back into the K to 12 system.

And I'm wondering if you, as minister, if you're aware if the universities are making any effort to carry this out? Are they going to be out lobbying in the high school levels and actually recruiting and being able to indicate as to the number of students that will be entering the university programs next year?

Hon. Mr. Mitchell: — We are not aware of what the universities are trying to do to get a better fix on their enrolment. It really is the case that you offer the programs and then you see who comes.

The member will be aware of the efforts that the two universities are making to attract the top students. And they do that not so much in competition with each other but to compete against Queen's and the University of Alberta and others who are in here trying to attract our top young men and women to go to school there. So they're kind of fighting that battle on a different front. And to some extent they compete with each other, but the main concern is the efforts by out-of-province universities to attract our best students away.

But generally I think they are still very much in the dark about how many students are going to come. You literally open the doors and see who shows up.

The committee reported progress.

The Assembly adjourned at 9:34 p.m.

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