

EVENING SITTING

COMMITTEE OF THE WHOLE

Bill No. 12 — The Farm Financial Stability  
Amendment Act, 1997

**The Deputy Chair:** — I invite the minister to introduce his official.

**Hon. Mr. Upshall:** — I couldn't hear you, Mr. Chair. I don't know if your mike is not working or not. With me tonight is Merv Ross from Sask Ag and Food.

**The Deputy Chair:** — Committee members, I understand there might be some problem with the microphones this evening, so I remind all members of what Speakers have tried to do for some time, and that is to encourage private conversations to be carried on outside of the Chamber. I apologize for being more stringent this evening than normal.

**An Hon. Member:** — Is *Hansard* hearing us?

**The Deputy Chair:** — I hear a question of, is *Hansard* hearing us? I don't know the answer, but our job is to do the work of the people.

Clause 1

**Mr. Aldridge:** — Thank you, Mr. Deputy Chair. Sounds like we have our sound back again. And I'd just like to welcome the minister's official here this evening.

I am going to skip around a little bit I guess, and first go to essentially what is clause 7 with respect to the lien right provisions of this Bill. Now as I understand it, there's a new section that's being added here, subsection 50(10), with respect to the lien rights. And what it does, essentially, is, as far as I read it, it provides a contradiction to what are the lien rights as provided under the section 50(8) and (9). Now section 50(8) and (9), essentially it says that there are the lien rights in place if you don't sign an agreement.

Now section 50(10), the way I would read it, would basically say that you have lien rights if you do sign an agreement. Now in either case, I understand you can basically reverse that situation by essentially signing an agreement.

Now it seems to me that this is somewhat confusing, and I would think that perhaps there could have been a better way of preparing this particular aspect of this legislation. And I would just ask the minister if he sees any better way of having provided for lien rights within this particular Bill.

**Hon. Mr. Upshall:** — I'd ask you for your suggestion if you don't think this is right, but what happens in this clause is that this ensures the individual cannot attempt to apply a lien unless a custom fitting arrangement is in place. So I think this clarifies that section quite a bit in . . . historically, there has been some problems here and all this does is clarify that. But if you, if you

have a suggestion I would be willing to entertain it.

**Mr. Aldridge:** — Well, Mr. Minister, by adding the subsection that you are referring to, it does indeed state then that there has to be a prior written agreement in place between what now is a custom operator and a producer association in order that the custom operator would retain some lien rights.

But then if we go . . . I guess I should go back to the start where we were talking about . . . I guess essentially what we're trying to do is make this in synch with the animal keepers Act perhaps. Is that what section 50(8) and (9) would provide for, that having a . . . retaining lien rights if you aren't signing an agreement to an opposite effect? That would be more in keeping I guess, with the animal keepers Act, and I guess now we're defining custom operators could be animal keepers under this Bill as well.

So nonetheless, having said that, maybe the minister and his official could provide us with a little bit of history here because I know there . . . in discussions with some of the . . . oh the custom operators, I guess you would call them, I think in terms of like feedlot operators, they've made reference to me in discussions to the . . . I think they've referred to it as the stable keepers' Act. Now is this a piece of legislation that is no longer in existence and the animal keepers Act has, has succeeded, I guess you'd say and in so doing . . . I guess I'd just like to point out the fact that these are feedlot operators who've been in the business for a lot of years and yet they're not fully familiar with what stage even the current legislation is at. And given that I think you're adding an extra layer of confusion here in providing within the same subsection two different variations of how to maintain a lien right on stock that might be on your premises.

So I might just take my seat and let you have some comment on that, just some clarifications if you could, on that aspect of the Bill.

**Hon. Mr. Upshall:** — Well under The Animal Products Act it was automatic where a lien would be placed. But in recent years there has been some changes involving associations in conflict with a member or marital breakup. Individuals who are not members of the association but were part of the farm operation at which association cattle were kept claimed to have a lien on the cattle when the association attempted to recover the cattle. So what happens, this subsection 50(10) will ensure that individuals cannot attempt to apply a lien unless custom feeding arrangements have been made.

So what it does is it applies some rules to the sort of modern conditions that we all live by.

**Mr. Aldridge:** — Mr. Minister, it still really isn't addressing what I perceive as the problem here. And you're asking me for a solution, how could this legislation have been better prepared. But just for the sake of consistency it would seem what was wrong with just leaving this consistent with the other legislation and just provide that there are lien rights in place, as long as there wasn't some other, separate written agreement? Just as the

subsection 50(8) and (9) provide, rather than having within that same section of this new piece of legislation something that's somewhat contradictory and again, I might add, very confusing.

And it seems to put more onus, more responsibility, onto custom operators. Whereas I look at this Bill and it seems to, to my notion, it seems to take a little bit of the responsibility off of the lending agencies in terms of their . . . as long as they can provide that they were somewhat ignorant of the facts surrounding what happened to the monies that were loaned out to a producer association, they're essentially off the hook in terms of being responsible for the making good or seeing that the association makes good on the commitments that they originally entered into.

And then by preparing this legislation in such a way that the custom operators now have to have a written agreement in advance, it seems like you're throwing the extra responsibility onto their backs. And as I say, it seems in a number of cases there's already some confusion on their part as to what even in fact the existing legislation was, even without looking at this new Bill before us. So I would think that it would serve everyone better if within this subsection 50, if we could have just maintained some consistency. Either you have a written agreement and it waives what was your inherent lien right as provided in section 50(8) and (9), or else we go a complete reversal and we have what is essentially the other way. But by having, like all of these different scenarios, it seems like it's just adding to some confusion here on everyone's part. And I can see that it might eventually lead to some hardship too.

(1915)

But before I let you make any further comment on that, I just had one other question concerning, I guess, essentially what becomes the supervisor of the whole program — if I use the correct terminology here — somebody who is the provincial supervisor of this program. There seems to now be a fair bit of authority delegated to whoever that individual may be in terms of just who is allowed to be a so-called custom operator in the province now. And could this not in some ways be restrictive on the growth of an industry where you're keeping who is authorized to be a custom operator down to a more of a select list or a restricted list? It seems to me that this legislation might in fact lead to some problems that way and might inhibit some future growth in the industry. And might you provide us with some comments on that this evening?

**Hon. Mr. Upshall:** — Well as far as the supervisor is concerned — I'll answer your last question first — there have been situations where they've had managers who have been custom feeding and got themselves into some trouble for various reasons. And what this does is ensures that that person doesn't come back into the system, or at least doesn't come back into the system before the feeder, the institution supervisor, agree to that.

And as far as your first question is concerned, what that does, it simply assures that there is an agreement in place. Section 50(10) ensures that there is a custom feeding agreement in place in order that 50(8) and 50(9) can be applied to that

situation.

**Mr. Aldridge:** — Thank you, Mr. Deputy Chair. Mr. Minister, with respect to clause 9 and as it relates to the new access rights provisions that are within, I was wondering if you might be able to more fully explain those to me, because I've had some concern expressed to me that as a release to seizure of properties with respect to those individuals within the Act that are authorized now to have access, and as it relates to them — some of them being able to seize properties — that it might not be just restricted to properties of a particular association. They're worried that it might also involve other properties on the premises of a custom operator.

And I was wondering if you might provide some clarification there, a degree of comfort, to those who have these concerns. Whether they're valid ones or not, I'd like to hear your comments here this evening.

**Hon. Mr. Upshall:** — Well what this section does is that it gives rights to access that association and . . . (inaudible) . . . that association, even though the owner of that property may not be a member or a part of that association, because it goes back to the section 50(10) where we've had instances of matrimonial property problems and that the owner may not be part of the association and would deny access. What this does, it allows access to ensure that all the proper counting measures and so the supervisor can attend the property to make sure that there's nothing being done wrong in the association. Otherwise, how would you ever get there to count cattle or determine whether there is any problems at the association if he didn't have the right to access that property when somebody else owned it through . . . in the real case, a matrimonial dispute?

**Mr. Aldridge:** — So the fears of a custom operator who has no other relationship to the entire venture other than that they have an agreement that they're feeding this particular producer association's stock, as far as them having a fear that any of their properties may be at risk in the event of seizure of animals of a particular association, those are unfounded then is what you are saying; was a misinterpretation of the provisions that I provided then essentially. Could I just get that final clarification.

**Hon. Mr. Upshall:** — No, that's right. It's simply access for the association for the purpose of the association cattle. There's no personal liability involved in this at all for those other people.

**Mr. Aldridge:** — Thank you, Mr. Deputy Chair. And I'd also like to thank the minister and his officials for the answers he's provided tonight.

I can understand where programs are put in place such as this that are well-intentioned, well-meaning. They are to provide some access to capitals to expand . . . to allow producers to expand into enterprises such as cow-calf operations, feeder operations. However always well-meaning, well-intentioned, there is a certain segment of people who might want to take advantage of any given program and my understanding would be that some of these provisions are an attempt to try and rectify some of those problems.

So I would conclude my remarks here tonight and just thank you again for your responses.

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chair. Mr. Minister, I'd like to welcome you and your official here this evening. I have a couple of questions dealing with the access. Would the inspector also have access to determine . . . to look through the books to determine sales and to whom those sales were made, and when those sales were made?

**Hon. Mr. Upshall:** — Just for clarification, is that access related to access to a non-member's property?

**Mr. D'Autremont:** — No, this would be for access to a member's property at the custom feeder to determine the sales that may or may not have been made by that custom feeder, and where those sales were made to.

**Hon. Mr. Upshall:** — Well we don't have access to the books as such, nor would we need access to the books. What we have to have access to is the property to ensure that the numbers of cattle are there. Whether or not the association is operating for themselves in a beneficial manner is of not — I shouldn't say any concern — of not great concern to us. It's just that if we . . . We have to have access to make sure that the provisions are there; that we can count the animals. Because there have been situations where animals have disappeared.

And one of the problems, and this ties into this, is that Manitoba does not have brand inspection. And we are working with Alberta and Manitoba now to ensure . . . to try to put together sort of a prairie-wide brand inspection. Because if there were animals that, for whatever reason, mysteriously disappeared from a Saskatchewan association into Manitoba where they don't have brand inspection, nothing's stopping that. Now if those animals were replaced in the allotted period of time that's okay; but if there was some skulduggery going on, let's say, then we have to make sure we have access to determine the numbers of cattle.

But the most important part, I think of this is that we have . . . we continue the talks with Manitoba to ensure that they put in place some kind of a brand inspection program so that there's no possibility of our animals drifting to Manitoba without anyone knowing where they come from.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. As you know, my constituency borders right up against Manitoba, so . . . Okay, let's say you're supposed to have a hundred animals in a feedlot and somebody believes that there aren't a hundred there, and the inspectors go in and he counts 85. What happens beyond that point? If you have access though to the association's books and you can determine whether actually there was a hundred in there at one time — a hundred had been purchased — if any of them had died of whatever reasons, or if there had been sales, I think it would be advantageous to be able to do that to know what was happening within the association.

**Hon. Mr. Upshall:** — Let me back up just for a minute, just for clarification, and I hope I didn't mislead you, but what I was

saying is we do not have access to the feedlot's books. We do not have access to the feedlot's books, but we do have access to the association's books. And so that if there are 85 animals and there should be 100, we can then go to the association's books and say, these animals are sold on such and such a date and you have 30 days to replace those animals and if they're within that, then you should . . . nothing's wrong. If it's more than that amount of time, then you have identified a problem; then you can proceed on correcting that problem.

**Mr. D'Autremont:** — Okay, thank you, because I'm aware of a case that would sort of fall within these areas and that's why I have a concern about it, and access to the association's books would have been advantageous. And I'm not sure that the department had, at that time, that opportunity.

(1930)

Another part on the access, 54(3), where an inspector or supervisor can enter the premises . . . we're getting into Saskatchewan more and more intensive hog operations. Now I don't know whether or not there would be custom feeding of hogs, but nevertheless if it should happen, I know that most modern hog operations do not want anyone accessing their buildings because of the potential to bring in disease that's foreign to their environment. What does this Bill have in place that . . . does the department have in place to deal with those kinds of circumstances?

**Hon. Mr. Upshall:** — I just want to finish off the last topic when you're talking about the 85 versus 100. We have an opportunity to go through the public, licensed facilities and determine whether or not those animals were sold publicly or privately. So if they were sold publicly then we would . . .

**An Hon. Member:** — I know some of them were sold privately.

**Hon. Mr. Upshall:** — Sold publicly, there's no problem; but if they're sold privately or in Manitoba, then it's a problem.

And that is why we have to ensure that we have complete western . . . Canada-wide cooperation for brand inspection.

In terms of the hog operators, there are no custom feeding arrangements now that we're aware of of any magnitude. But if there were, you're right, access to these facilities is very, very restricted.

However I myself have been on and in large hog barns, but what you have to do is make sure that you comply to the bio-security provisions that they ask for in order to enter that facility. That means . . . I know when I went into one of the hog barns that means that you shower in and then put their clothes on and shower out.

**An Hon. Member:** — That's for your benefit . . .

**Hon. Mr. Upshall:** — Maybe. But in terms of if there were custom-feeding arrangements, we would . . . our people would certainly comply by the bio-security measures that were

implemented at that site.

Clause 1 agreed to.

Clauses 2 to 12 inclusive agreed to.

**Hon. Mr. Upshall:** — Mr. Chair, I would like to thank Merv Ross, my staff person, for helping me out this evening. And I would move that we report Bill No. 12, The Farm Financial Stability Amendment Act, 1997 be moved without amendment.

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chairman. I would like to thank the minister and his official for coming in this evening and for answering our questions.

The committee agreed to report the Bill.

### Bill No. 41 — The Crown Corporations Amendment Act, 1997

**The Deputy Chair:** — I invite the minister to introduce his officials.

**Hon. Mr. Wiens:** — Thank you, Mr. Chairman. With me on my right is Scott Banda, the general counsel and corporate secretary of the Crown Investments Corporation, and behind me is Mark Guillet, the general counsel for SaskEnergy.

#### Clause 1

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chair. Mr. Minister, I wonder if you could inform us as to whether or not any of these rate changes will fall under the 45-day review process.

**Hon. Mr. Wiens:** — Without making an unequivocal answer, probably not. What is being done here is simply technical wording changes that establish consistency between the words of the individual Crown corporations and the words of the Crown Investments Corporation with respect to the establishments of rates and charges and levies. And that's generally with respect to charges for services and those kinds of things.

**Mr. D'Autremont:** — Well, Mr. Minister, if someone like TransGas, who is mentioned in the Bill, makes a rate change, ultimately that is going to roll down to the consumer because it's going to cost SaskEnergy more money because they're paying for that transportation by TransGas. SaskEnergy is going to pass that on to the consumer, and there's going to be a rate increase at the consumer level.

So the consumer, in my opinion, should have an opportunity to speak to the rate increases of all Crown corporations, not just those that deliver the direct service such as SaskEnergy does with the gas because the gas costs upstream are all part of what I, as a customer, pay to the SaskEnergy.

So in that case, because it is a Crown corporation, I believe that the 45-day review process, however limited of an impact that 45-day review process has — in fact as I believe, it's totally

ineffectual — but it should nevertheless be a part of this process.

So outside of TransGas, what other services or fees or charges would be levied, and would any of those be levied directly to the consumer or are they passed on to a . . . to its parent company, which would then in turn pass it on to the consumer.

**Hon. Mr. Wiens:** — May I say again that it . . . I don't anticipate, from the description of the clarification of the wording, that it would apply to a 45-day review sorts of fees and charges. The fact is that the words here do not change anything except if SaskEnergy, for example, wanted to change a fee for doing a particular service to an installation, it clarifies the authority — whether it stays in SaskEnergy or whether they have to get our approval for that kind of a rate change; whether it's strictly an administrative charge that might apply to the cost of installing a meter or removing a meter.

With respect to the authorities for the larger rate changes, those are by definition generally dealt with at every level of authority before they're issued to the public for the 45-day review. And then they are again reviewed by cabinet for approval of the recommendation, not . . . including the individual boards.

What we're talking about here is the clarification of the authorities between the Crown corporations individually for the sorts of things they can charge themselves, and the authority that CIC (Crown Investments Corporation of Saskatchewan) has to review those fees and charges. It's simply making . . . it's not even expected to affect what's being done; it's just making the language in the two Acts consistent so that the words are the same. Generally I think the practice will not change at all but it clarifies the words so that they are the same in both Acts.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. So basically what you're talking about is SaskEnergy wants to run in a gas line into a farm. Now we're talking about the fees for that access. So roughly \$10,000 a mile for SaskEnergy to run. So it's not a fee change in the sense of how much you're going to pay every month for your natural gas, it's that service charge . . . or SaskTel running in a telephone line at 200 bucks a mile or whatever the case may be — those fees.

Well, Mr. Minister, all those fees though do add up. They're part of the cost for that service. And I think some of those fees, particularly in those kind of situations where you're charging \$10,000 a mile for natural gas, if you jack those fees up, that makes a dramatic increase to anybody who's setting up a new home or expanding their business on the farm — putting in a hog operation or a large grain dryer, any of those types of things. If you've increased the fees substantially, which you have increased them over the past few years, makes a big impact on what economic activity happens out in rural Saskatchewan. It tends to concentrate those kind of businesses into areas where the . . . particularly natural gas, where the larger service distribution lines are already in place.

So those kind of fees do have a dramatic impact and I believe, Mr. Minister, should go to the 45-day review process; even though I don't like that 45-day review process.

(1945)

**Hon. Mr. Wiens:** — Yes, I appreciate the question. And what this in fact does is it gives CIC the authority to make a decision whether or not that's then reported up and approved at our level or sent on to further levels. So it actually broadens CIC's authority relative to the authority of the individual Crowns in that regard.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. I'd like to ask you to take it under advisement though that those fee structure changes be moved into the 45-day review process. And perhaps once a year all those major fees could be reviewed if there are changes happening. I wouldn't suggest that every time a fee changes that you have the 45-day review process. But perhaps on an annual basis or something all of those fees, if they're reviewed and changed, could be done at that time.

**Hon. Mr. Wiens:** — I appreciate the advice and we will ask officials to consider that as we continue to examine our open and accountability structures for the Crowns.

Clause 1 agreed to.

Clauses 2 to 5 inclusive agreed to.

**Hon. Mr. Wiens:** — Mr. Chairman, let me first of all thank my officials, Scott and Mark, for their continuing good work on behalf of the people of the province; the opposition for their insightful advice and questions. And I will, Mr. Chairman, move that this Act be moved . . . reported without amendment.

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chair. I'd like to thank the minister and his officials for coming in this evening.

The committee agreed to report the Bill.

#### **Bill No. 56 — The Trust and Loan Corporations Act, 1997**

**The Deputy Chair:** — I'd invite the minister to introduce his officials.

**Hon. Mr. Nilson:** — Yes, I'm very pleased to have with me this evening Jim Hall, who is the Superintendent of Insurance and the registrar of credit unions, and Linda Zarzeczny, who is the deputy superintendent of insurance and deputy registrar of credit unions, and Brent Prenevost, who is with the legislative services branch of the Department of Justice.

#### **Clause 1**

**Mr. Hillson:** — Thank you, Mr. Deputy Chair. I welcome the minister here this evening and his officials, and I would also like to thank these officials and the minister for making themselves available to the opposition for an explanation of this Bill. And we had, I think, a beneficial session last week to go through the provisions of this somewhat complicated legislation. And I would like to say I appreciate that.

I think though that my first question, and in the sense everything funnels back into this question, and it's simply this: in the history of this country, and particularly in the last 10 to 20 years, the blunt fact is that provincially incorporated trust and loan companies have not had as good a track record as — say — the federally chartered banks.

And I think what the public really wants to know is what is in this legislation to protect the public and ultimately to protect our government too against claims, in view of the fact . . . And I say I hazard to bring this up, but it's a fact that, not only in this but in other provinces, provincially incorporated trust and loan companies have not always had the greatest of records in terms of solvency. And I would like to know what is in this legislation that the minister thinks identifies this and leads to the integrity of the industry and the solvency of the industry.

**Hon. Mr. Nilson:** — I think that that question can be answered in a number of ways, but practically I'll just give you a few of the ways that we see that this legislation will help in Saskatchewan. And I think your question relates directly to the kinds of losses that the public might suffer and how they are protected.

But what this legislation will do is it'll substantially increase the minimum capital requirements; it'll place an onus on the board of directors to monitor the activities of the company; it will establish committees that will conduct in-depth reviews of internal operations and related party transactions; and it also requires the company to formalize policies covering certain areas of its operation.

And basically any type of regulatory scheme is not a guarantee, but it is the best efforts of all of the players in a particular industry to make sure that it operates in a way that will protect the public. We see that this will provide more clearly defined authority for the regulators here in Saskatchewan and also some better means to intervene when problems are detected.

**Mr. Hillson:** — Mr. Deputy Chair, while we are always reluctant to suggest the hiring of more and more personnel, one of the things that concerns me in this particular area is whether we have the resources to properly manage and regulate the industry. The industry involves multimillion dollar companies with their own very high-powered staff, and it must be no easy thing to keep on top of their prospectuses, the financial information that they file or don't file.

So I'd like to ask the minister if we have the resources available to us to properly review the activities of trust and loan companies and make sure that the bad apples are culled out?

**Hon. Mr. Nilson:** — Well I think this legislation and the new legislation like this that is coming across the country, answers your question directly. Because what happens is now, in a much more coordinated fashion, every jurisdiction in the country works together with the other jurisdiction as well as the federal government. And what that means and what we're doing with this legislation is eliminating the need to go through the review that's done, for example, in Ontario here in Saskatchewan. But what we will do is those companies that are

based in Saskatchewan, they will end up with much closer scrutiny because all of the other jurisdictions in Canada where they operate will be relying on the scrutiny that we do here.

So I think rather than diminishing or diluting the ability of our regulators, this type of legislation and this legislation is actually providing greater strength and greater ability to monitor this industry in Canada.

**Mr. Hillson:** — Yes, I thank the minister for that explanation, and I did understand from the session we had that the primary regulation will be done in the home province of each trust and loan company, and so we will rely on that and others, as you say, will rely on us for a company whose primary home is Saskatchewan.

I understand that it makes a certain amount of sense. However I do have to ask the minister, if there is any danger then of flags of convenience, as it were, if there is any danger that the weakest and smallest province will become the incorporating home of choice of companies who don't want a lot of examination of their books and their activities.

**Hon. Mr. Nilson:** — Well I think the answer to that is that even if a company was licensed in another province which had lesser capital requirements, for example, we will always maintain our capital requirements before the company could operate here in Saskatchewan. So there is always a minimum standard that we would set in Saskatchewan, but obviously the plan would be for all of the jurisdictions in the country to work together and prevent this weak-sister approach that you're talking about.

**Mr. Hillson:** — It strikes me that while increasing the minimum capital is certainly part of the answer here, there's something else, and namely that . . . my understanding is that in the case of the chartered banks, their own internal rules prevent them from having too great an exposure in any one market. And when you have a huge exposure in one market, then you obviously live or die in that one market.

And particularly in the case of Principal Trust, my understanding is that quite apart from any allegations of improprieties, it was a very simple case that there was a company that was heavily into the Edmonton real estate market. If Edmonton real estate boomed, the company would boom. If Edmonton real estate went bust, then the company would follow that same fate.

So again I want to ask not just about the minimum amount of capitalization that you say is going to be dramatically increased through this legislation, and I applaud that, but are there any rules going to be in place to make sure that the capitalization won't all be focused on one little market so if something happens to that market the whole thing collapses?

**Hon. Mr. Nilson:** — Well I think if I could refer you to section 13 of the Act, the answer is completely there for you. What we have done is adopted the federal investment rules so that they're exactly the same as the federal Bank Act.

**Mr. Hillson:** — So you're saying then, Mr. Minister, that even if a company meets the capitalization rules, if that capital is all in one small market that still wouldn't be satisfactory.

**Hon. Mr. Nilson:** — Well I think there's also a requirement for prudent investment and development of investment policy and that prudent investment policy can be and will be reviewed by the regulators, which would be the superintendent.

**Mr. Hillson:** — Mr. Deputy Chair, as we all know, the rules governing our chartered banks in Canada have been very much relaxed over the last two years to the extent that we get far more services now from our chartered banks than we used to and indeed our whole expectation of our financial institution has changed over the last 10 to 20 years. And this has obviously put pressure on trust and loan companies and on credit unions, and in view to say this is, the services we get from our financial institution have simply changed a great deal over the past several years.

Is that a factor in what we are doing here in this Bill, that the people's expectations of their financial institutions have changed as a result of the changes to the Bank Act.

(2000)

**Hon. Mr. Nilson:** — Well I think the simple answer to that is yes, because the whole financial services area has changed very rapidly, and so that people have different expectations of the banks and of the trust companies, and the trust companies and the banks have different ways of doing business. And so what we're trying to do here is make sure that we're part of the regulation of the next century's banking institutions rather than being left behind in something that's 20, 30, 40 years behind.

**Mr. Hillson:** — Perhaps the most dramatic change to our banks has been to be able to buy securities through your branch, and I believe now most of the security agencies are in point of fact owned by chartered banks today. Will that be open to loan companies?

The other talk that we do see, that I understand is not in place is now, is that insurance is the next area that the banks will be asking for. I understand that's not part of this legislation, but that it is contemplated in the legislation as a possible change in the future.

**Hon. Mr. Nilson:** — Well I think the answer to your question is that the federal legislation has made changes as it relates to the sale of securities, and practically the federally chartered banks do sell securities through subsidiaries and that's the same requirement that would be here for the trust and loan companies.

As it relates to insurance services, there's a very, very narrow area of products that trust and loan companies are able to sell, very similar to what credit unions now sell — some life products and maybe a few other, but a very, very narrow area. And that would be the intention that would stay that way except as the whole financial services industry changes in Canada.

We know that the federally chartered banks and all of the related financial services industry are under constant review, and that the latest review was probably going to come through with a report within a year. And we anticipate that we may then end up having to look at this legislation again to see how the Saskatchewan-based financial institutions will fit into that national scheme.

**Mr. Hillson:** — Are you anticipating that companion Bills parallel to this will be introduced in the other provinces of Canada? And has there been a consultation with our sister provinces and with the federal government in preparing this legislation?

**Hon. Mr. Nilson:** — Well in this area, there's extensive consultation on a regular basis. Some of the provinces have already passed legislation and some haven't. But this is an ongoing process and we anticipate that all of the provinces will eventually pass similar legislation.

**Mr. Hillson:** — The main challenge I see in this area, Mr. Deputy Chairman, is the question of how we regulate and protect the public without sending out the message that government has now become a guarantor of the investment.

And of course, as the minister is aware, when Principal and Pioneer and, I believe, SaskTrust, when they ran into problems, the investors looked to government to redeem them from their situation. And I would like to hear the minister discuss for a minute, if he would, what is in place so that the message is out there that on the one hand, you know, we are assuming our obligation to try and protect the public from unscrupulous businesses, but that nonetheless this is a risk investment that is being made and it is not being guaranteed by the province of Saskatchewan.

**Hon. Mr. Nilson:** — Well I think that it's quite clear that the public understand the Canadian Deposit Insurance Corporation, with its \$60,000 guarantee, and that will cover all deposits that are related to the institutions that we're dealing with here. But on top of that, there's a . . . clearly the necessity for the institutions to do public education about that.

But another thing that . . . what our legislation does do is provide the best tools that we know of at this time for our regulators; so that they can monitor the affairs of the company and step in and intervene when there are concerns. But it has to be absolutely clear that it's regulatory legislation; it's not guarantee legislation. And I think that's the point that you want to make. And practically, \$60,000 through the Canadian Deposit Insurance Corporation . . . If your banker or person . . . trust company can't tell you that this particular money that you have in that institution is covered by that, well then you need to ask a lot of questions about why you have that money there.

**Mr. Hillson:** — Yes, I understand, Mr. Minister, that one of the things our regulators will be doing is reviewing the promotional materials and the advertising of these companies. And will they expect that part of the promotional materials will make clear to potential investors what is guaranteed, as you say, through the Canada Deposit Insurance Corporation, and where the investor

is taking a risk? Will they expect that all promotional material will make that clear to investors — where they are taking a risk, and where they cannot expect the taxpayers to come to their rescue in the event that things don't work out?

**Hon. Mr. Nilson:** — Well I think there's a . . . One of the things that's happening in Canada right now is the Canadian Deposit Insurance Corporation is entering into a, I guess I would call a public education campaign about its own role. So that it will be much clearer which deposits are covered by CDIC (Canada Deposit Insurance Corporation) and which ones aren't. So that will exist.

The other thing is that the market conduct portions of this legislation are meant to deal with exactly this problem. And the companies will be required to set forth their plans to make sure that the public knows exactly what they're getting, and that includes setting out risks in a way that's understandable for the public.

**Mr. Hillson:** — And again, Mr. Minister, I have to ask, do we have the resources to monitor promotional materials and activities of these companies without hiring armies of new staff? These are pretty big and pretty sophisticated companies we're talking about here.

**Hon. Mr. Nilson:** — Well I think that we go back to the answer that I gave, is that each province will regulate those institutions that are based in their province. So that will mean that we have fewer to monitor, for example, than Ontario, so we don't need the same resources as Ontario.

The other thing is that it is a system which is an internal compliance system that is controlled by the institution. So it will be set up in a way that they provide reports to the regulators, that we won't actually have to go in and audit the various institutions unless there's a concern, and then the powers are there to do that. But in a practical way, it will be done through people who are actually hired by the institutions themselves to provide the reports to the regulators.

**Mr. Hillson:** — I guess in that regard though, Mr. Deputy Chair, I have to ask . . . Okay, I understand that if the principal home is, say Nova Scotia, that that's where the principal regulation and monitoring will be expected to be done. But what about the case though where the company domiciled somewhere else is spreading literature, making wild claims of instant wealth here? What will we be doing to monitor that situation? Because as I say, even though the home province may be satisfied, surely we'll want to know what sort of literature and promotional material is coming in here?

**Hon. Mr. Nilson:** — Well even if the company is from Nova Scotia we will still have the ability to step in and monitor that because it relates to their market conduct in Saskatchewan. And so you know practically, we'll cooperate with all of the other provinces and the regulators in the other provinces and the federal government so that there won't be an overlap and a review of a review, if you can put it that way. If a particular Nova Scotia company decided to target Saskatchewan with some material that was pushing the boundaries of what was

appropriate, then we would have the ability to step in and raise the concerns and actually do the monitoring that we needed.

**Mr. Hillson:** — My final question, Mr. Minister, and I think we're all sort of hesitant to mention some of the bad experiences we've had over the last two years, but in a sense I think we can't avoid it. And so I'm going to ask you again, if you will, to tell us what does this legislation do that if a Principal Trust was starting up today, is there any better chance that we would catch it before it got as far . . . got as away on us as it did in the past? Is there anything in this legislation that can offer the people of western Canada some comfort that we've got better security measures in place now?

(2015)

**Hon. Mr. Nilson:** — Well I think the response I gave to you at the beginning of the question that set out some of the reasons for doing this legislation actually answers some of your questions. And one of the big ones is the higher capital . . . you know, the minimum capital requirements being higher; the other is the prudent investment requirements — some of the things related to the powers of the regulator to step in and make reviews happen maybe sooner than they might otherwise. Some of these things are exactly what is required.

And I think it's practically also the sharing of information across the country and making it clear which particular province would be the prime regulator involved with any particular company. That would go a long way to solving some of those problems.

**Mr. Hillson:** — One — I'm almost finished here — but one specific example I have to put to the minister, and I did to your officials the other day, is that I happen to know that in the case of Principal Trust, the commission structure for the salespeople was so drawn so that there was very, very little commission for safe, secure investments — investments under CDIC. There was a very healthy commission for the riskier investments. So in other words, the salespeople certainly had a strong incentive to channel people into the worst possible investments, or the riskiest investments. Well in this case of course, the risky investments certainly turned out to be the bad ones.

Will that be addressed in our regulation or will companies still be able to offer differential in commissions depending on the riskiness of the investment, say whether it's under CDIC, whether it's not?

**Hon. Mr. Nilson:** — I think the clear response to your question is that this is not a guarantee, it's a regulatory regime. But when you look at the regulation-making power under the market conduct section, it does allow for regulations to be made respecting the disclosure as to fees, charges, and commissions, or other payments. And so if that in fact is a problem as it relates to market conduct, there is a power here to make that entirely transparent. But I think I should emphasize that our whole purpose here is to provide a regulatory format for the institution to operate, and not a guarantee.

**Mr. Hillson:** — Mr. Deputy Chair, thank you to the minister

and his officials for those explanations and for our earlier meeting. And I am satisfied that the Bill may now proceed pending questions of course from the third party.

**Mr. Toth:** — Thank you, Mr. Deputy Chair, welcome to the minister and his officials and I appreciate having had the opportunity to sit down with your officials the other day, even for just part of the session. I wasn't able to get in on all of it. But just a couple of things that I picked up. In clause 48 where it talks about:

No loan broker shall contact a person at that person's residence or place of employment or business or any other place if that person has previously requested that he or she not be contacted by the loan broker.

And I guess the question that arises out of this, if you can request that you not be contacted at any place, doesn't that make it difficult for a broker to certainly get in touch and follow up on, say, funds that are owed? Or are you just talking of the fact if you've said . . . you've contacted a broker to work with, that a person may not want that broker to call them at a certain place to do business with them? What specifically are you meaning by this clause 48?

**Hon. Mr. Nilson:** — Well I think the first part of the answer is that the loan broker is not normally somebody that actually lends you the money, so who would be contacting you if you owe money would be a collections agent, not a loan broker.

This legislation is the same as in securities legislation, and it's basically to prevent people from making cold calls or bothering you at home just to see if you might want to get a loan. And so it's a way when . . . you know, some people are obviously bothered by people phoning them at home or bothering them or business . . . you know, trying to lend them money. And this is a way that they can prevent that.

**Mr. Toth:** — So what you're basically saying then, Minister, this is setting out a requirement that says to any loan broker that you can't just go and start soliciting support from the general public without the public coming to you. Is that what you mean by that?

**Hon. Mr. Nilson:** — I think it's if a person is fed up with that kind of activity and doesn't want the loan broker to contact them and they let them know that or the industry generally know that, then they'll stay away.

But I mean some people might appreciate the telephone call and the conversation, and maybe they do need a loan, and I don't think it prevents it. But it's basically as a protection to stop the activity that's unwanted.

**Mr. Toth:** — Fair enough.

Section 55(3), and it says that it allows the superintendent to exempt a trust and loan from posting a bond. However it doesn't seem to give any reasons or terms that would be associated with such an exemption. Are the terms going to be spelled out in regulations or wouldn't there be some terms or



conditions set out in regards to why a trust or loan would be exempt from posting a bond?

**Hon. Mr. Nilson:** — Well I think what this relates to is there may be a person who goes into the loan brokerage business who has substantial assets in Saskatchewan that are not readily removed from the province. And you may not require the added expense of a bond for that person because they in fact wouldn't leave the province because they have, you know, five sections of land and are operating in a manufacturing business and a few other things. So that if there ever was a problem where you had to have some money paid back from them, they'd still be in the province and you'd be able to collect your money from them.

The purpose of a bond is to deal with a fellow that goes from province to province or the person who just doesn't have financial backing, and then you want to make sure that they're able to pay for any costs if there are problems later.

**Mr. Toth:** — Mr. Minister, wouldn't it be . . . even if they do have assets or significant holdings in the province wouldn't it still be easier for them to post a bond like any other trust and loan corporation that would set up in the province, that would move in? Because at the end of the day if they don't post that bond, if that's what I catch you saying, and something arose, you would then be forced to go to court to try and derive the . . . generate the revenue or derive the revenue in order to follow up on those defaults or whatever that may take place. Is that not true?

**Hon. Mr. Nilson:** — I think that this provision doesn't really relate to the loan companies because they would have the minimum capital requirements and they would have the capital there. This relates to somebody who arranges loans and has an independent business, and there's a concern that maybe they're not as sufficiently capitalized as they should be. And so that's why you know you end up talking about if there are assets that could cover.

The other side — bonding companies usually require some kind of legal action to take place anyway to have a payment out on a bond because they would want, you know . . . sometimes they'll pay out, but often they won't until it's fully clarified by the courts.

**Mr. Toth:** — Thank you, Mr. Minister. Another question here coming out of section 50 — or clause 59 — requiring the superintendent to receive written approval from both consumer and the minister to investigate a problem with their loan broker. And I'm wondering why specifically is the minister's approval necessary if the consumer has already given the consent to an investigation?

**Hon. Mr. Nilson:** — I think you'll notice that we've moved into the next part. So this part VII is for superintendents, and basically it relates to the whole Act and not just to loan brokers.

What we're saying here is that, if the superintendent is going to take some steps on behalf of a consumer, it's prudent and important that the consumer consent in writing that their complaint would go forward at the request of the

superintendent. In other words, the superintendent can't sort of hear a rumour that a consumer is having some troubles when in fact they may not be having a serious trouble. What this does is make sure that the consumer who is making the complaint actually does it in writing and gives the consent to the superintendent to proceed with a complaint.

**Mr. Toth:** — I guess the other question there is, it also says ". . . the consumer and the consent of the minister." What do you mean by that term, "the consent of the minister"?

**Hon. Mr. Nilson:** — Well I think the simple answer to that is that anytime an action would be taken like this, using government funds, that there is a requirement that it go through all the appropriate channels. And I guess the minister, probably more likely, you know, the deputy minister . . . there be a requirement that it come forward and be approved, that any kind of action like this takes place.

And I think what you're looking at here, sometimes there would be some, you know, fairly major case that would also have an element of educating the public about a particular problem. But the key point is that if you're going to spend government resources on a lawsuit, which this is basically talking about, then you should have the approval of the consumer who is the subject of the lawsuit and the minister or the government before you proceed.

**Mr. Toth:** — So what you're basically saying, it doesn't necessarily mean there is ministerial consent is needed on all investigations. A superintendent might be called to look into . . . if a consumer asks the superintendent to investigate?

**Hon. Mr. Nilson:** — Well I think if you look at the section 59(2), basically the first section says "may do any of the things mentioned in subsection (2) if . . ." and then you get all those appropriate items.

And then in (2) it talks, "institute or assume the conduct of any proceedings; or . . . defend any proceedings." So basically this only relates to a situation where there's a lawsuit.

(2030)

**Mr. Toth:** — And then when you look at . . . moving along through subsection (2) and then subsection (3), and I guess the reason we were looking at these questions, subsection (3)(b), whereas 1(c) it mentioned the superintendent needing to obtain consent of the consumer and the consent of the minister, we then have in 3(b):

the superintendent may conduct the proceedings in any manner that the superintendent considers appropriate, without being required to consult the consumer or obtain any additional consents.

Now is this something that, after an investigation has been called for, then the superintendent then establishes how he will conduct an investigation without further consent? Or what are we specifically talking about?

**Hon. Mr. Nilson:** — All we're talking about here is the lawsuit, and so once the minister or the government lawyers are involved in the case, then they will have the conduct of the case, and this sets out clearly that that's what's intended.

**Mr. Toth:** — One further question. I understand you're changing, if I understand correctly, the level of the bond, and you were going to put that into regulation. But you're increasing the bond holding by this legislation, but moving it through regulations so that it can keep up with the changes. Is that true?

**Hon. Mr. Nilson:** — I think there's a little bit of a confusion in the terms that you're using. The only place where a bond is referred to is in the part that refers to the loan broker.

But I think what you are asking a question about is section 24, which talks about the minimum capital requirement, and there we used to have an amount set out directly in the Act. We are moving the amount out of the Act to set it out in the regulations. And basically this relates to allowing us to match, I suppose, what other provincial jurisdictions would do and the federal jurisdiction would do. But it gives more flexibility to increase that as the market changes.

**Mr. Toth:** — That's correct, Mr. Minister, and I thank you for pointing that out. Thank you, Mr. Minister, and to your officials.

Clause 1 agreed to.

Clauses 2 to 91 inclusive agreed to.

**The Deputy Chair:** — I invite the minister to move the committee report the Bill without amendment.

**Hon. Mr. Nilson:** — Thank you. Just before I do that, I'd like to thank my officials for their work this evening, but also the work over the last couple of years on this legislation and the related legislation for insurance and credit unions, which we hope to bring forward next session. And with that thank you, then I would move that we report this Bill without amendment.

The committee agreed to report the Bill.

### THIRD READINGS

**Bill No. 71 — The Alcohol and Gaming Regulation Act,  
1997/Loi de 1997 sur la réglementation des boissons  
alcoolisées et des jeux de hasard**

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

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

**Bill No. 72 — The Children's Law Act, 1997/  
Loi de 1997 sur le droit de l'enfance**

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

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

**Bill No. 73 — The Enforcement of Maintenance Orders Act,  
1997/Loi de 1997 sur l'exécution des ordonnances  
alimentaires**

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

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

**Bill No. 74 — The Family Maintenance Act, 1997/  
Loi de 1997 sur les prestations alimentaires familiales**

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

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

**Bill No. 75 — The Matrimonial Property Act, 1997/  
Loi de 1997 sur les biens matrimoniaux**

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

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

**Bill No. 12 — The Farm Financial Stability  
Amendment Act, 1997**

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

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

**Bill No. 41 — The Crown Corporations  
Amendment Act, 1997**

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

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

**Bill No. 56 — The Trust and Loan  
Corporations Act, 1997**

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

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

(2045)

## COMMITTEE OF FINANCE

**General Revenue Fund  
Municipal Government  
Vote 24**

**The Deputy Chair:** — I invite the minister to introduce her officials.

**Hon. Mrs. Teichrob:** — Thank you, Mr. Chairman. On my right is Ken Pontikes, deputy minister of Municipal Government. Just behind him is Ron Styles, the associate deputy minister of housing. On my left is Brij Mathur, the associate deputy minister for culture and recreation. And behind him Larry Chaykowski, director of finance and administration. And right behind me is Ron Davis, assistant deputy minister of municipal services.

**Item 1**

**Mr. Hillson:** — Thank you, Mr. Deputy Chair. And welcome to the minister this evening and her officials. I would like to begin this evening . . . and I see the hour is late, and I understand members of the third party are wishing to ask some questions, but I would like to begin by asking some questions about library services.

The minister will be aware that there is a new funding formula for regional libraries being proposed this year, and I would ask the minister when the new funding formula is expected to go into effect, if it will be in effect this year, and if she would kindly explain how it will affect library regions in the province, whether there will be changes then in the relative position of our various library regions and some going up and some going down.

**Hon. Mrs. Teichrob:** — Mr. Chairman, we have . . . as you know it, in this year's budget, the grants to libraries are the status quo, and we have received recently a report of the library financing review committee. We haven't had an opportunity yet, or my department hasn't had an opportunity yet to deliberate upon it and give me some recommendations. When they do, then we will be in a position to act on them.

**Mr. Hillson:** — Thank you. So then I take it that that would not likely be in effect for this fiscal year then?

**Hon. Mrs. Teichrob:** — No, Mr. Chairman, that's correct. As I said . . . I think you indicated you couldn't hear me. But you notice that the grants to libraries this year over last reflect the status quo; there is no change. So if there is a change it would be in future years.

**Mr. Hillson:** — May I ask the minister if she's in favour of a standard minimum municipal levy for the support of public libraries?

**Hon. Mrs. Teichrob:** — Mr. Chairman, if I could clarify whether the member opposite means all libraries, or is he speaking again about regional libraries. Because obviously the

levels of service at municipal libraries and the different types of libraries across the province vary greatly, and the library boards in Saskatoon and Regina, for example, go to their respective city councils for approval of their budgets. And I guess their city councils would make the determination at the political level as what is the appropriate level at which to fund libraries.

So I think the province saying that there should be a set library mill rate province-wide would not be very well received by municipalities, I believe.

**Mr. Hillson:** — My understanding, Madam Minister, is that in the province of Alberta there is a minimum library assessment in all municipalities. The municipality has the right to direct it, depending on what their library system is, and of course the municipality would have the option of increasing that. But nonetheless there is, as I understand it, in Alberta, a minimum municipal library levy that is standard across the province. It was that sort of proposal I was wondering if this government supports or not.

**Hon. Mrs. Teichrob:** — Mr. Chairman, no. As I've outlined before, in a province with the demographics of Saskatchewan, the level of library services that's appropriate varies a great deal. However, as reflected in the legislation that we passed last year with respect to regional libraries and the requirement for all municipalities to contribute to a regional library, to that extent, we do agree.

**Mr. Hillson:** — Thank you. Many libraries and regions are computerizing now, as the minister is aware, and I'd like to ask what assistance is available for computerization of libraries and of regional systems?

**Hon. Mrs. Teichrob:** — The Provincial Library, in consultation with the library system in the province, has recently completed their public library information service. And it has the effect of making . . . creating a registry where every title in a library in Saskatchewan can be accessed through an inter-library loan to any other library. So there was a great deal of assistance, if you like, in the development of the system, a great deal of cooperation amongst the various libraries and library systems in the province to reach this point. And I think it's a very progressive development in information technology for our libraries.

**Mr. Hillson:** — And will that same be available to systems throughout the province in any region of the province, Madam Minister?

**Hon. Mrs. Teichrob:** — Yes, Mr. Chairman, that is the plan and that was the reason it would be developed, so that all libraries would have access to it.

**Mr. Hillson:** — Is there any fear, Madam Minister, that as grants decrease that some systems, such as the two largest cities, may opt out of the provincial system and simply supply service to their own ratepayers? You mentioned that with computerization you're trying to develop a system where persons anywhere in the province can access titles from any library in the province. But my understanding is that as grants

decrease, there has been some talk, especially in the larger cities, that they might be better advised to go it alone, that the grants they receive are less than the cost of providing out-of-city service.

**Hon. Mrs. Teichrob:** — Mr. Chairman, first of all, under the system that we have in the legislation framework that we have, libraries are not permitted to withdraw from the system.

And in fact last year, in the fiscal year prior to this one, we made an adjustment of \$170,000 to the public library system in Saskatoon in recognition of the very heavy load of out-of-city borrowers in their system due to the number of university students and the number who are resident while the time they're students, but essentially they become non-residents of the city and non-taxpayers; and also of the large number of bedroom communities around the city which access the public library system with reciprocal borrowing through . . . by virtue of the Wheatland Regional Library card that they hold.

**Mr. Hillson:** — Mr. Deputy Chair, Madam Minister, I understand that with the most recent amendments, all municipalities are now required to join one region or another. But I have to ask, what is in place if a municipality simply refuses to follow through or refuses to sign up and join a region? What does the department intend to do if some municipalities simply decline to act?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, because they would be violating the law of the province, then there would be due recourse for those municipalities that don't obey the law.

**Mr. Hillson:** — I guess, Madam Minister, that's my point. What is this due recourse that the Madam Minister has in mind?

**Hon. Mrs. Teichrob:** — Mr. Chairman, we would hesitate to do this, and we hope that it isn't going to be necessary, that municipalities will follow the law, but we do at the end of the day make funding contributions to the library system and we could simply withhold the grant from a library where municipalities do not participate.

**Mr. Hillson:** — Mr. Deputy Chair, I understand there will be a number of changes in personnel at the Provincial Library this year and I'd like to ask the minister if she anticipates any changes to staffing levels, or if staffing levels at the Provincial Library will remain the same?

**Hon. Mrs. Teichrob:** — Mr. Chairman, there are, I believe, four early retirements from the library system, and as everything else in advanced technology, it's possible to do the same amount of work with fewer people as information systems are developed.

**Mr. Hillson:** — We hear the word amalgamation in the field of municipalities and of course in school divisions. Does the minister consider that we have the right and the appropriate number of regional library systems or does she anticipate there will be some consolidation on that front?

**Hon. Mrs. Teichrob:** — Mr. Chairman, those decisions are

made by the regional library boards. The system seems to be working fairly well. It's developed over a number of years and I don't anticipate, haven't heard of, any libraries wanting to consolidate with other libraries and we certainly wouldn't be encouraging it at this point.

(2100)

**Mr. Hillson:** — On a somewhat different front, it seems to be agreed by all municipalities in this province that the difficulties of reassessment have been made infinitely worse because of the inability of SAMA (Saskatchewan Assessment Management Agency) to provide timely, accurate information as to values. And I realize the minister has been asked about this previously and has made statements to the effect that SAMA is not under her direct control, but I think it's accepted by everyone that Municipal Affairs has some responsibility of oversight and of course some appointments to the board of SAMA. What can the minister tell us she is doing to try and alleviate the problems that say that assessment has been made more difficult than necessary, simply because municipalities got into the 1997 reassessment year and they simply didn't have the information they should've had in order to implement the assessment?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, we have had exchanges on this subject before and I stated before that the assessment roll and the assessment process is a dynamic thing. And this particular year of a general reassessment after some 32 years of neglect, if you like, is posing some particular challenges for administrators and councils. But we have notified municipalities previously that if they were going to have any problem meeting any of the statutory deadlines, that we would be pleased to act upon a request for an extension of those, feeling that it was more important to do the job accurately than to try to do it quickly to some arbitrary deadline, and we have approved a number of those extensions.

As a matter of fact I just spoke with the rural administrators convention in Saskatoon today, and I spoke to other individuals after for about an hour or so, and there was general agreement that it's been tough, but they're getting there. And there really weren't any complaints at all.

**Mr. Hillson:** — Well, Mr. Deputy Chair, valuations are dynamic, to use the minister's word there; yes, they change over time. But I understand in the case of the city of Swift Current, they got four sets of valuations in 1997 in the first couple of months. And of the fourth set of evaluations, the city council of Swift Current threw up their hands and passed a motion demanding the resignations of the top heads.

I mean that's a little bit too dynamic, surely, to lead to the stability we need for this reassessment process. And I think that most municipal councils would say that we really need better valuations than that. And well, valuations can be expected to change over the years — four valuations in two months sounds a bit too dynamic for me and a bit too dynamic for the council of Swift Current.

**Hon. Mrs. Teichrob:** — Mr. Chairman, in a year of such a magnitude of a correction, if you like, to a system that's based

on 1965, there are bound to be some anomalies; there are bound to be some mistakes made. And I have found that if a municipality has had a problem, that when they contact SAMA, that they're expeditious attempting to deal with it.

And it's always like that; there is never a year, not even a so-called normal year, where the assessment is cast in stone in the month of January or February. There's always buildings being added, buildings being renovated, buildings burning down, buildings being demolished and taken off the roll.

So the roll may be a little more dynamic in 1997 than in a normal year, but it's always a moving target. And municipalities know that, and they have the facility to adjust for it, and they've done it very well.

**Mr. Hillson:** — Madam Minister, the pitting of school boards against municipalities seems to go back to the fact that traditionally the property tax base supported approximately 40 per cent of the education costs in this province. Now that average, of course, is up to 60 per cent. And it seems to me we have to get back to that 40 per cent.

Does the minister have any good news, any hope to hold out there, that we can get back to a reasonable level of support for our school districts from the property tax level, or are we simply going to continue seeing the property tax shoulder a higher and higher burden of education as those grants cut back? Are you in communication with Education to get back the proper balance between the municipal tax load with the school tax load? Has this been part of the reassessment discussions you have in cabinet with your colleagues?

**Hon. Mrs. Teichrob:** — Mr. Chairman, the answer is yes, because when you come to the local tax effect, you have to take the assessment base and the foundation grant for education — which is very sensitive to assessment — you have to take them in tandem to find the effect on the local taxpayer.

And the Premier made a commitment at both the SUMA (Saskatchewan Urban Municipalities Association) and SARM (Saskatchewan Association of Rural Municipalities) conventions in his address to them that we recognized that perhaps it's no longer appropriate to fund education with such a high proportion of local share and that the matter would be under review, and that as soon as a substantive reduction in the local share could be picked up by the treasury on an incremental basis, as soon as that could be financially sustainable, that we would try to move in that direction.

**Mr. Hillson:** — One of the complaints that has been made by municipalities has been that when they are called to emergencies, the Jaws of Life or the fire department, that there is no payment unless they are actually used.

So the problem has been flagged particularly by — say — one is the town of Moosomin, which of course is on the Trans-Canada Highway. When they are called out to an accident scene, there is no assistance granted to them if the Jaws of Life are not actually used or if the fire department is not actually used. And of course when there is an emergency call,

we don't know initially whether these facilities are going to be required or not. So you bring out the emergency vehicles, and well there isn't a fire, so we don't need the fire department; or the victims can be safely removed from the car without the use of the Jaws of Life. So we're told that the municipality has to bear that cost with no assistance.

What can the minister tell us, for those municipalities which find that they get no help at all for servicing, say, not just the people of Moosomin but obviously all users of the Trans-Canada Highway?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, responses for emergency service providers is not something that we fund. While we do recognize services provided by a municipality for revenue-sharing purposes, we are not prescriptive about what kind of equipment is available. And it would be a council's own determination as to what level they wanted to equip their emergency service providers and how they would be reimbursed for that service.

**Mr. Hillson:** — Mr. Deputy Chair, reassessment year is difficult partly because, as the minister has pointed out, this is the first time we've done it in over 30 years. But the other two factors which have made it very difficult is that we have had reassessment year the same year as 42 per cent cuts in revenue sharing and the difficulty in getting figures from a Saskatchewan assessment.

Is there no way that the minister can't make sure that these devastating cuts to municipalities can't come at another time than when our municipalities are already having to cope with the tax shifts caused by reassessment? Why did these two have to come at the same moment in history, so that municipalities would have to deal with both together? And now I understand they're going to have to deal with the issue of policing costs as well.

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, it is difficult for municipalities, but they were given . . . they voted themselves and chose the year of 1997 on September 29, 1995; so they knew for over a year that this would be the year of reassessment. They also knew from budget time in March of 1996 that the revenue-sharing cuts would be there and that they would have to deal with them.

But I do challenge the amount that you're talking about, the cuts, because you have to . . . To be honest, you have to say that the revenue-sharing pool was reduced, but the province picked up all of the hospital, public health, and social assistance levies off the municipal tax base, or they were traded off out of the revenue-sharing pool — 5.1 was contributed back into the pool by the province and 12 million, approximately 12 million, was taken from the revenue-sharing pool.

But the fact is that the municipalities no longer have to collect those levies and pass them through to the government to the extent of \$17.6 million in the province, which created tax room where they can still, without raising their mill rate, they can now continue to collect that money and keep it for municipal purposes. So there . . . in actual fact, when you take that into

account, there are a number of municipalities that had increases in their . . . an enhancement of their situation over what it was before.

And for those who did have reductions, we created a safety net so that no municipality, no matter what the configuration, lost more than 50 per cent.

**Mr. Hillson:** — Madam Minister, I'll give you two specific examples. The RM (rural municipality) of Meota in my constituency gave the figure of cuts in grants from 53,000 down to 18,000. The city of North Battleford had a revenue-sharing cut of 47 per cent. Now are you saying there's something offsetting to those municipalities, or are you confirming that those in fact are the cuts that those councils are having to deal with and the ratepayers of those councils are having to pick up?

**Hon. Mrs. Teichrob:** — Mr. Chairman, I did make an error when I said that no municipality got reductions of more than 50 per cent. That is the revenue sharing for urban municipalities. Rural municipalities are affected somewhat differently, depending on their level of road construction and the type of construction and maintenance activities that they employ.

But if North Battleford, for instance, had a reduction of 47 per cent, then they did better than some urban municipalities which would have had reductions of 50. And I don't know whether the 47 per cent revenue cut . . . whether they add back in the levy room that they have. And if they do that, the effect of their cut would be considerably less than the percentage that you quote.

**Mr. Hillson:** — And what about . . . so I understand your answer to the city of North Battleford is you should be thankful it wasn't worse. But what about the RM of Meota — the 53,000, I believe, to 18,000? Is that again the case, that it could have been even more Draconian than it was? Is that the answer from Madam Minister? Or is there some offsetting benefit here to the RM of Meota I don't know about?

**Hon. Mrs. Teichrob:** — Mr. Chairman, for the RM of Meota, it would show that their net reduction would amount to 42.9 per cent. And that would be calculating the tax room that they gained by the offset of the levies. And in North Battleford, North Battleford's net reduction, taking into account the tax room they have by virtue of the change in the levies, is only 21.7 per cent reduction, which is only half the percentage of what some urban municipalities received.

**Mr. Hillson:** — Madam Minister, the official opposition will have further questions later; however I understand that the third party has some questions this evening, so at this point I will thank your officials for their attendance, and thank Madam Minister for her answers.

(2115)

**Mr. Heppner:** — Thank you, Mr. Deputy Chair. And welcome, Madam Minister, and to your officials this evening.

First question I have comes from page 100 on the *Estimates*

book on the infrastructure assistance. It's top of page 100, item no. 6. Now underneath that you have sub-programs. You have four programs there — this is page 100. And my question is, if you could expand a little bit what's involved in each one of those four specific programs.

**Hon. Mrs. Teichrob:** — Mr. Chairman, the operations would be administrative costs, and then the other costs are . . . there's some residual left from the previous program that while the projects have all been approved, their money hasn't all been expended yet. And then the municipal infrastructure works program, the 23 million, that is the new program just announced, where the deadline for applications is May 31. So none of that money would have been expended yet.

**Mr. Heppner:** — On what basis is that money being distributed? Like who's going to get it and on what basis?

**Hon. Mrs. Teichrob:** — Mr. Chairman, on the previous program, obviously those are all approved projects that are in progress or that have been completed and will likely be paid out very soon.

On the new program, it's difficult to say. I mean the criteria has been established but the deadline for applications is not until May 31, when we still have over two weeks left before we get there.

So I wouldn't be able to answer your question yet at this time because there would not have been the full approvals yet because all the applications aren't in.

**Mr. Heppner:** — If you have more applications than what you have finances — this usually happens — what's the criteria for cutting back on applications?

**Hon. Mrs. Teichrob:** — Mr. Chairman, SUMA and SARM and the northern municipalities are involved in the approval process, and so they were also consulted in developing the criteria. It would be a joint determination of that committee at the time.

**Mr. Heppner:** — Thank you. I'd like to move for a little while into spring run-off and floods. And every year in Saskatchewan, no matter what kind of year it is, we tend to have some run-offs and those run-offs do some damage. At what point is the damage that run-offs do categorized as being a flood situation?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, the criteria to access the provincial disaster assistance program for additional assistance to reconstruct roads and other municipal works above and beyond the normal construction allocation is . . . was previously a 3 mill deductible.

And if there's an occurrence in a municipality of either personal property or municipal property that's over a certain threshold — it would be 5,000 to an individual or 25,000 to a municipality — that municipality is then eligible, or they can request the province to declare the municipality eligible, for disaster assistance.

Then once the occurrence is over and the clean-up is done . . . it was a 3 mill deductible, and what we are saying now is that just because the assessment has changed the value of a mill, we have no intent to increase the deductible. We will, as soon as assessment is all in, we'll reduce the 3 mill number to reflect the same amount of dollars of deductible that would have been in place previously and we'll make those determinations and pay-outs after all the damage has been assessed.

**Mr. Heppner:** — In the Manitoba situation, I believe home-owners get up to something like \$100,000. There's a maximum there. I believe we also have a deductible. What kinds of coverage would a home-owner get on their house in case there's flood damage?

**Hon. Mrs. Teichrob:** — Mr. Chairman, the provincial disaster assistance program is meant to cover uninsurable property. Most dwellings are not insured for a flood occurrence of that kind. It's usually an exclusion in an insurance policy. So subject to the deductibles, the owner would be refunded.

Now in the case of the magnitude of the occurrences in Manitoba, once the claims on the provincial disaster assistance program reach a million dollars, which in Manitoba's case is not too hard to imagine, then the federal component of compensation also comes to bear.

That's what happened in Saskatchewan in 1995 where we had severe damage to municipal roads almost across the province. Fortunately, this year when we had some occurrences in the south-west and then, as you know, it was a real blessing that the weather cooled down and the rate of thaw reduced. So we're not likely to see the same magnitude of damage. It's a bit too early to say, but we may not have over a million dollars; so we may not have the federal compensation in the program this year, but in Manitoba they certainly would have.

**Mr. Heppner:** — Thank you, Madam Minister. I would still like to sort of pursue the home situation that we set up where you have that \$100,000 damage done. What kind of compensation specifically would someone in Saskatchewan get if their home, which may not have been insured, is damaged, let's say, to \$120,000. In Manitoba they would get 100,000 out of it. What would someone in Saskatchewan get?

**Hon. Mrs. Teichrob:** — Mr. Chairman, this is an outline of the cost sharing in the program where municipalities incur the deductible based on their last confirmed tax assessment, and eligible amounts over that deductible are subject to an incremental formula from 50 to 90 per cent.

And individuals incur the first 500 on basic claims plus 30 per cent on the eligible amount more than 500. And on small business claims, soil erosion claims, and so on, claimants incur the first thousand dollars damage plus 30 per cent on the eligible amount that's more than 1,000. So it varies depending whether it's municipal property, an individual or a business, and the type of damage.

**Mr. Heppner:** — Okay, still don't quite have my answer but I think I heard you say that after the deductible kicks in there is

something like 30 per cent that may come in to individuals, which would mean that someone that has \$100,000 damage done to their home in Saskatchewan would get \$30,000 of help, maybe. In Manitoba they would have got 100,000, and that's quite a disparity.

On the floods that we have had in Saskatchewan, how many individuals have applied for assistance so far this year and how many municipalities; because those are two separate categories I believe?

**Hon. Mrs. Teichrob:** — Mr. Chairman, there would be four municipalities that have already applied and been designated as eligible. There would be four that have requested designation but we may not have quite enough information to know yet whether they will be eligible. But if they are, we would approve that. And it's estimated that . . . and also we don't . . . these are municipalities. We don't have claims in yet from individuals and it's estimated that the province could be expending from 2.4 to \$3 million. So on that basis, if that materializes, then there would be some element of federal assistance in this too which would come later.

**Mr. Heppner:** — That 2.4 to \$3 million then is the collective amount between what would go to municipalities and what would go to individual home-owners?

**Hon. Mrs. Teichrob:** — Mr. Chairman, these are based upon estimates of damage that municipalities have indicated that they think would have occurred within their jurisdiction.

**Mr. Heppner:** — You mentioned that there's four municipalities that have already been designated and okayed to get some assistance. Could you overlap that with the cuts that were made to municipalities and let us know what the cuts were to those four municipalities; so we kind of know what the total damages for the year is? Because they're going to be suffering from two things happening to them this year.

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, the payments under the disaster assistance program are in no way related to the amount of revenue-sharing. If the damages are incurred, subject to the deductible, and they're uninsured, then those damages will be compensated for.

**Mr. Heppner:** — Thank you, Madam Minister. I'm aware that one isn't dependent on the other one, except for the municipalities — they're going to have to pick up some of the cost of those damages that happened because of the floods. They may also have had other cut-backs. And my question is, what kind of percentage cut-backs, as far as grants are concerned, did those four municipalities get? Like did they happen to be lucky and be municipalities that got 3, 4 per cent cuts, or were they the ones that the previous person asking questions came up with, 47 per cent and those sorts of things like Meota was?

**Hon. Mrs. Teichrob:** — Mr. Chairman, the member opposite will have to bear with me for a moment while I look up the revenue-sharing information for the respective municipalities.

**Mr. Heppner:** — I'd like to call quorum, please.

(2130)

**The Acting Chair (Mr. Pringle):** — I would ask the officials to leave, please, so we could count the members. Quorum has been called. And if the members could return to their proper seats, please. Could all the members please rise, and as your name is called, please be seated.

Lautermilch	Kowalsky	Calvert
Teichrob	Trew	Nilson
Cline	Serby	Stanger
Murray	Kasperski	Sonntag
Langford	Murrell	McLane
D'Autremont	Heppner	

**Clerk Assistant:** — Mr. Chair, including yourself there are 18 members present.

**The Acting Chair (Mr. Pringle):** — Hon. members, there being quorum, we'll proceed. Call in the officials, please.

**Hon. Mrs. Teichrob:** — Well maybe after all the excitement that the member opposite forgot the question he answered . . . asked me, but I just thought that I would render him the answer anyway.

The four municipalities that he asked about in terms of their revenue sharing was RM 135, Lawtonia, and they had a net 19 per cent reduction in revenue sharing. The RM of Rodgers, 133, had a reduction of 39 per cent. The city of Moose Jaw had a reduction of 16 per cent. And the RM of Swift Current actually had a net increase in their financial position of 13 per cent.

**Mr. Heppner:** — Thank you, Madam Minister. We were spending some time discussing government involved in aid to emergencies, and if they could respond as quick to emergencies as they did to the little one that occurred here, I'm sure the people of the province would be duly impressed.

The question on the 300,000 that is there for foreign disaster relief, how much money is set aside for provincial disaster relief?

**Hon. Mrs. Teichrob:** — Mr. Chairman, I need some clarification on the number that the member is citing because we don't have any number budgeted for the provincial disaster assistance program.

**Mr. Heppner:** — Thank you, Madam Minister. So my question then is, why not?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, it's just like you don't budget for forest fires. I mean when you do a whole budget you try to allow a little room for contingencies, but there might not be any disasters. So why in the world would you identify a fund and have it sitting there and be unused when you could put the money to some other purpose? So we don't budget for an amount and when occurrences happen we make adjustments to keep our commitments.

**Mr. Heppner:** — Thank you, Madam Minister, but I'm sure we have flood damage every year, we have forest fires every year, and yet there's \$300,000 tucked aside for foreign disaster reliefs. Those may or may not either happen every year. So if it's good for people outside of Canada, why isn't it good for people inside Saskatchewan?

**Hon. Mrs. Teichrob:** — Well, Mr. Chairman, I'm not sure what the member opposite is referring to but it's not in my budget.

He may be referring to the amount that is committed for foreign aid and relief in the Intergovernmental Affairs budget, but that is different because that is based on commitments to organizations like the Mennonite Central Committee; and where in the case of disasters it might not be accurate to say that in all years there's flood damage that reaches that threshold, or in all years there are forest fires that reaches certain threshold, these are variables and the member opposite will now that, having been a member of a council that you might have a certain amount budgeted for snow removal and you might not use a penny of it if it doesn't snow all winter.

And so these are just the kinds of things that municipalities adjust for as they happen but we don't allocate money for any purpose where we don't know that it will be committed to that use.

**Mr. Heppner:** — This is truly amazing that we would have items that occur, that are considered disaster, occur in from one type to another type on a very regular basis and there's no money set aside — and two members from across the House seem to intimate that when that happens we'll let the Mennonites take care of it.

Well I know they've got an excellent reputation for taking care of damages all around the world. But I didn't think it was the responsibility of the government's side of the House to sort of say, well the Mennonites will cover disaster in Saskatchewan. They do a great job without your help.

But this still doesn't answer the question why with all the various kinds of disasters that occur . . . And I guess to take your answer a little further, is there a year where no disasters have occurred in Saskatchewan such as no money spent on fire, and flood, and wind in any one year; that there has been a zero expenditure?

**Hon. Mrs. Teichrob:** — Mr. Chairman, I can't say whether there has been a zero expenditure in all of those categories in any one year. But for example, last year in the member's own riding, there was — I think it was on July 4 — an incident of a plough wind and a series of tornadoes that swept through the countryside in the very intensified agricultural livestock operations in his own constituency. And the same thing happened there that was subject to the deductible. It was for uninsured items only, but between 3 and \$400,000 was paid out to every eligible claimant, even though there had not been any provision made in the budget for it. There are contingencies to keep our commitments in those areas.



But as I said, it wouldn't be prudent to set aside a fund in a budget and have it not available for other use, not needed for a disaster contingency, and then at the end of the year, turn it back into the treasury. That's not an efficient way for a government to budget, it's not an efficient way for municipalities to budget, and they don't do that.

And I just want to make one mention on the plough wind incident, for example. The Mennonite disaster service, which had been active in the States in the Mississippi floods and so on, came to that area and did a very excellent job of assisting people in cleaning up and restoring their property.

**Mr. Heppner:** — Thank you, Madam Minister. You've made my point exactly, because you couldn't think of a single year that there hadn't been disaster funds that needed to be paid out, and therefore if you cannot recall a single year where that occurrence has happened, then we should probably have some money set aside on a regular basis, as we do for foreign disasters.

Changing gears here slightly, any plans for service districts amalgamation? I know the minister would probably like to see something happening there as a sort of moving on in education. What are your hopes and what are your plans? They may be different.

**Hon. Mrs. Teichrob:** — Mr. Chairman, we have said again and again that in terms of amalgamations, that governance is not the issue; that having as many dollars go to the service level rather than to administration is an issue.

So that's why we have ceased to recognize administration costs as a cost for the purposes of revenue sharing. And we have budgeted again this year for a transition fund where it consists of a hundred thousand dollars, which is not a lot of money, but it will be available within some criteria to give some municipalities who want to look at their combined governance a bit of a financial boost.

But again I say that inter-municipal cooperation in the delivery of services on a voluntary basis is much more important than the governance structure and where the boundaries are. The important thing is service and dollars finding their way to the service level, to the ratepayers of the province.

**Mr. Heppner:** — Thank you. I want to move over a little bit to policing and RCMP (Royal Canadian Mounted Police) cut-backs because that affects municipalities and towns, especially in rural Saskatchewan, in a major sort of a way. There have been substantial cut-backs. The RCMP are cutting back 22 highway patrol positions. On top of that, what's been happening, and I think my community is an example of this, where the highway patrol was taken out of the community, put into Saskatoon, and almost never gets out to that particular area. So my question generally is, how does this sort of thing affect safety? How much will it add to the fatalities across the province and the social cost?

**Hon. Mrs. Teichrob:** — Mr. Chairman, with respect, I think that these questions relating to the level of police service, R

CMP (Royal Canadian Mounted Police) service in the province of Saskatchewan, would be more appropriately directed towards the Minister of Justice, as it's his responsibility.

And as you know, legislation has been introduced which will give you adequate opportunity in debate and in committee to raise those questions and get accurate answers.

**Mr. Kowalsky:** — I move we report progress.

### General Revenue Fund Energy and Mines Vote 23

**The Deputy Chair:** — I invite the minister to introduce his officials.

**Hon. Mr. Lautermilch:** — Thank you very much, Mr. Chair. To my right is Ray Clayton, deputy minister of Energy and Mines. Dan McFadyen to his right is the assistant deputy minister of resource policy and economics. Donald Koop is right behind me, assistant deputy minister of finance and administration; Bruce Wilson — where's Bruce? — Bruce is to my left, executive director of petroleum and natural gas; and George Patterson, to my right and just a little behind, is the executive director of exploration and geological services.

(2145)

**The Deputy Chair:** — Thank you, Minister. I neglected to tell committee members this department was last before the committee on April 14.

#### Item 1

**Ms. Julé:** — Thank you, Mr. Deputy Chair. Mr. Minister, welcome to you this evening, and to your officials.

To begin with, Mr. Minister, I'd like to invite you to tell us why the Department of Energy and Mines is indispensable to the well-being and prosperity of the mining industry.

**Hon. Mr. Lautermilch:** — Well I think to begin I would want to say, Mr. Chair, that the Department of Energy and Mines has a long, long history in our province as an arm of our government. It has been responsible for delivering much-needed resource dollars by virtue of the regulation and licensing capacity that it is charged with enacting.

It has been, I think as well, an arm of government that has been able to work with industry, the mining sector, the energy sector; and with communities, with farmers, with people in whose areas non-renewable resources and renewable resources are extracted.

And so I guess in terms of the economic well-being of our province, Energy and Mines has played a very large role.

They're responsible as well for anticipating the future in terms of what we might be able to expect from those who work with

us in developing our resources.

The number of jobs that are created directly and indirectly by the activity that happens is a result of the fact that we have been very fortunate in . . . we have a large number of resources in this province — oil, gas, potash, uranium, and others.

And I think as well, they've been very much responsible for encouraging investment in Saskatchewan by people who look at resource extraction as their way of doing business and have been able to, I think, work certainly with me as the minister in terms of developing a good, very good working relationship with business.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, can you give me some concrete examples where Energy and Mines has played a pivotal role in instigating and stimulating exploration, development and production, and processing.

**Hon. Mr. Lautermilch:** — I think one only has to look at the activity in our province with respect to the amount of oil and gas development that's taken place, particularly I can speak, since 1991 — the growth in that industry, the activity in the heavy oil industry.

When I look at the fact that we are about 35 per cent of world production with respect to potash, when I look at the new mines coming on stream in northern Saskatchewan in terms of uranium, I look at the incremental activity that has taken place with respect to base metal exploration in this province last year over this year — I think those are some very prime examples of the activities that the department has been responsible for, been very much part of. And I think all of us in Saskatchewan owe a debt to the people who work in that department. It's a small department, has a very small budget, but it has a very large impact.

And so those are the . . . I guess just off the top of my head, those would be the kind of activities that I think we as Saskatchewan people can be very proud of. Energy and Mines has certainly been a very large and integral part of making that kind of activity happen in our province.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, I note that between 1992 and 1996, the cumulative increases in mining industry operating costs due to budget measures are conservatively — and I mean small "c" conservative — estimated at \$140 million. So my question is, are you trying to tax the mining industry out of existence?

**Hon. Mr. Lautermilch:** — No, I think what we're attempting to do is to ensure that we are extracting these resources. Many of them are non-renewable. And that we are attempting to do what the mining industry and what the oil and gas companies are doing. They're trying to maximize the return on their investment for their shareholders. We are trying to return and maximize the investment that the people of Saskatchewan have on a resource that in some cases will never be here again.

And as I speak of resources, they're owned by the people of this province. We have a responsibility to maximize their

return. It's really no secret that we have got a one-time shot at many of these resources. So we have to ensure that those royalties and taxation revenues that come as a result of these activities are turned into roads and into highways and health care and education — all of the things that we use to maintain Saskatchewan as a great place to live. And so quite clearly, we have a responsibility on one hand as a government to ensure we maximize our return, as the mineral and oil and gas sector tend to do for their shareholders.

What we have really done, I think, has been successful in attracting investment to this province which is quite evidenced in the blue book. As you go through the revenue numbers that will be generated, I think it says something about the fact that we have been able to build a balance and a bridge between industry and government, and we found something really that works very well.

International markets will always come to play, but unless we have a good environment here at home, it's not going to work. And I think the numbers are evidence that we have been able to make something work here.

**Ms. Julé:** — Thank you. Mr. Minister, the value of Saskatchewan people owning Crown corporations, right from the years of Tommy Douglas, was to serve and enhance the quality of life for all residents no matter where and how they lived. If that is the case, what planning are you doing to extend natural gas services to northern Saskatchewan communities and other rural communities around the province that, as of yet, have not been favoured with the same subsidized rate as the areas of the province who have enjoyed this subsidy?

La Ronge, as we all know, is a bustling community of 4,500 people without the benefit of relatively inexpensive natural gas, and the impetus for and development with natural gas there is unlimited. So regarding La Ronge first, I would like to ask the minister when the government is going to hook La Ronge up with natural gas, considering the potential for growth there.

**Hon. Mr. Lautermilch:** — Well I can speak to La Ronge and other communities that aren't served by natural gas; it really has nothing to do with the Department of Energy and Mines, as that's not part of their mandate. It's not part of what they do. SaskEnergy is a Crown corporation, as you will know, that is charged with the transmission and distribution of natural gas. And that would probably be more appropriately reviewed under Crown Corporation estimates. And I would certainly be more than willing to answer those questions for you.

I think the answer there though, will be similar to what I would give in any forum. Although we would like to see every community in Saskatchewan have the service of natural gas, which is an efficient and energy . . . you know, it's a clean-burning fuel. And quite clearly we would like to see that service all over Saskatchewan, whether it be La Ronge or Uranium City or Creighton. But I think when you do those kinds of projects, you need to look at the cost effectiveness. You need to look at your return on your investment and whether or not you can get a return on your investment that equals what you're investing to put the infrastructure in place.

So at that, I just say to the member, it would be much more appropriately asked in Crown Corporation estimates. With Energy and Mines, I can say to you though that we certainly work very closely with Energy and Mines . . . Department of Energy and Mines works closely with the Crown corporation, and we do what we can to assist and to facilitate when they ask us for information that's pertinent to natural gas.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, there has been a lot of discussion about SaskPower's future generation needs with reports that we may be short on generating capacity in the not-too-distant future and could face a disaster should there be a power failure during a cold snap or should the power poles burn down or whatever. Can the minister provide some ironclad guarantees that Saskatchewan residents will not freeze to death or sweat to death because of lack of generating capacity?

**Hon. Mr. Lautermilch:** — Well again, you know, certainly it is energy related — your question — but it would be much more appropriately asked under Crown Corporations under SaskPower. But I can say to you that our commitment, and I think the commitment of all of us in this legislature, is to ensure that one of the things we achieved in this province many, many years ago was rural electrification. And I think that it's something that we can all be proud of and certainly it's something that we will strive as a government to ensure — that there is an adequate supply of electrical energy.

I can say that although it's not part of Energy and Mines' purview and what this department deals with on a day-to-day basis, as a minister I understand quite clearly your concern. And I can give you all measure of assurance that we will ensure there will be an adequate and a secure supply of electricity around this province whether it be north, south, east, or west.

One of the initiatives we've embarked on quite recently is the construction of the Condie-QE line, which you will be familiar with, which will not only be an energy efficient construction project — it will save 20 megawatts of line loss — it will certainly assist to ensure that in the west and in the north-west we will have an adequate supply of electricity up there.

**Ms. Julé:** — Thank you, Mr. Minister, and I am asking you to bear with me with SaskEnergy and SaskPower questions if you would. I would really appreciate you answering some of these.

Do you know when your government is expecting to build the next generating station possibly, if there's going to be one?

**Hon. Mr. Lautermilch:** — We have recently done a study in this province with respect to the options. It was tabled in this legislature — the *Energy Options* document — I think it was 1995 if I'm right, March or April that we tabled it. And what it is is a study that outlined the different options that we have when we might require incremental electrical energy in the province. That study suggested to us that we did have a number of options; one of them was non-utility generation internal to the corporation. We have an opportunity or certainly the ability to expand some of our existing facilities.

And the other component of that I guess, is what we're attempting to do with energy conservation. The Department of Energy and Mines is working with our two major Crown corporations, our energy Crowns, SaskPower and SaskEnergy, and the Saskatchewan Research Council in terms of programs and programming for businesses and businesses' buildings in the province.

(2200)

As you will know, energy conservation is certainly an option to rebuilding or retooling an existing plant or putting on a new plant. And so if we can work together with business to ensure energy conservation initiatives to reduce the amount of capacity that's required for generation, that that will do, you know, some very positive things for us here in this province and for us as a global society. Greenhouse gas emissions are something that we're all concerned with. And we are a major producer of coal-fired energy, and what we can do to reduce the amount of CO<sub>2</sub> emissions by a reduction in consumption, I guess is for all of us a very positive thing.

I want to say that the Department of Energy and Mines has been very instrumental in helping to coordinate SaskPower, SaskEnergy, and the Saskatchewan Research Council in putting together what I think will show to be a very effective program. I believe that industry and business, and communities — Battlefords, Prince Albert — are involved in energy efficiency programs.

So I think that those are very positive signs that people in Saskatchewan are willing to work together.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, what are the current ratios of aboriginal versus non-aboriginal employees in the entry-level jobs in your department and in SaskPower and SaskEnergy?

**Hon. Mr. Lautermilch:** — I was attempting to work from memory on SaskEnergy, and I don't have the officials here to help me with that. I can say that SaskEnergy certainly has a very positive track record. I will get to you the numbers in terms of aboriginal employment within the department, and we'll send that across to you.

**Ms. Julé:** — Thank you, Mr. Minister. While you're at it if, in addition to that, you could tell me what the ratios are in middle and upper management positions, or do you have that with you right now?

**Hon. Mr. Lautermilch:** — That would be part of the same answer. We'll send that across at the same time.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, the government is trumpeting its regulatory reform program which will reduce regulations at the blinding speed of 2.5 per cent a year over the next 10 years. This of course is meaningless, inasmuch as in your zeal to regulate everyone and everything, your annual increase in regulatory production far exceeds 2.5 per cent. However, assuming for a moment the government is indeed serious about a 2.5 per cent reduction, would you inform

us if your department is part of the process? And if so, what regulatory areas of your department are under scrutiny, and who are the potential candidates for reform?

**Hon. Mr. Lautermilch:** — Well I can say to the member from Humboldt that we have made significant change within the department. One of the areas that we have been very successful in thus far is with respect to the way natural gas reporting takes place.

We are doing an overall review within the department, through the whole department, and our goal is to reduce the red tape and the burden that business faces in terms of doing business with this government. I might want to say to the member that one of the comments that I get that are very favourable in terms of doing business in Saskatchewan as opposed to other provinces, so many times there are comparisons with our neighbouring province, Alberta.

And what I hear from the oil and gas sector on a regular basis, and I think almost every time I'm dealing with industry, they speak very positively about the fact that they have access to our officials at a senior level, that I guess the ability to do business with our department is very much constricted in terms of process. They don't need to go through near the process here in Saskatchewan that they do in Alberta.

And so I think that speaks something for what we have in place already, but that doesn't mean that we aren't improving. We are reviewing through our department from one end to the other to see where we could reduce the red tape and the paper flow.

And part of that is we just don't have the people to do it. It's a small department. They have faced the same constraints that other departments within government have faced, and there isn't the manpower to put to tasks that aren't absolutely necessary. So what we're attempting to do is eliminate areas of, I guess burden, paper burden, red tape, that aren't absolutely necessary, but at the same time ensuring that we have the ability still to keep the records for people who want to do, I guess, exploration in the province, records for those who want to see what has been done in terms of exploration in the past, and just to allow quick and expedient access to a decision within the department.

So we're going through from one end to the other, and certainly we as a department are going to do our part.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, a survey of the economic impact of mining in Saskatchewan showed that in 1994, besides paying \$25.8 million in provincial corporate income tax, the mining sector paid \$40 million under The Crown Minerals Act, \$44 million under the Saskatchewan mineral taxation Act, 18.1 million in other provincial production royalties, and 15.9 million in other mineral taxes.

That's astounding. Can the minister explain the thinking and the rationale behind each of these tax and royalty measures?

**Hon. Mr. Lautermilch:** — Well okay, you know, the member cites a number of gross figures. And I guess those are all

dependent on the amount of activity. If we have little activity in the province, we will have little revenue because that's what most of the royalties and the taxation is based on. The taxation is based on profit, the royalties similarly. And if the activity isn't there the money isn't going to be there. As an overall figure, in this province we generate in the neighbourhood of three-quarters of a billion dollars a year from oil, gas, uranium, potash, and others. So I guess it's fine to talk about a number but what you need to do is have a look at whether or not industry is doing activity in your jurisdiction, you know. And certainly if you're competitive you'll have investment. If you have investment you have jobs created and you have royalties and you have taxation.

So in terms of a detailed explanation of each and every one of the numbers you know that you have questioned, we can give you a detailed analysis inasmuch as can be done of all of those different numbers, but I think it's fair to say that the larger the number the more the activity. And the more revenue we can generate in this province the more jobs will be created and the more that we can put into programming around the province with respect to health care, education, social services, and other services that we as government deliver and would want to continue to deliver.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, do each of those taxes apply across the mining industry as a whole or are they targeted at specific mining activities, for instance, at uranium or potash or coal or oil or gas?

**Hon. Mr. Lautermilch:** — Well you know each specific sector will have a different royalty and taxation structure and those will be based on negotiations and discussions that happen with industry. There are, I don't know how many tiers of royalties with respect to oil because there are a number of different types of oil and there are a number of different circumstances that will create a different rate of return and a different cost of doing business, and therefore the royalties will be negotiated to reflect what those costs are.

Potash will have a number of different royalties and taxation regimes and structures, and they change over the years. So there isn't just one shoe that fits all. It's not one size fits all. It's a matter of looking at what your, you know, what your ability to generate return for the people who invest in this particular initiative, looking at what we can do in terms of a reasonable return on the resource for the people of Saskatchewan.

So they really do vary with every sector and it's . . . they're all fairly complex. So it's not just a matter of one size fits all in oil or in natural gas or in potash or uranium. They are very complex regimes.

**Ms. Julé:** — In terms of the level of mining taxes and royalties, where does Saskatchewan rank among the provinces across the country?

**Hon. Mr. Lautermilch:** — Well I would think it's fair to say with oil and natural gas we would rank as a . . . and what is being recognized as a fairly high tax province.

I have had this discussion with oil and gas producers. We've done analysis of other jurisdictions. And so with respect to royalties and taxation, I would give that we are a fairly high tax jurisdiction. But I think it's also fair to say if you look at the activity that's been happening in Saskatchewan, the amount of oil wells that have been drilled, the increasing number of oil wells, the land sales and the fact that land sales have been ever growing, it would be fair to say that investors see this as a reasonable place to do business. Our land costs are cheaper than other jurisdictions.

And so there are a number of things that have to be factored in. And I guess one of them would be the environment that we as a government have created and the working relationship that we have built with industry would suggest to me that although we are a high tax province . . . we recognize that. We've had a major debt load and we've had some circumstances here in Saskatchewan that we've had to deal with. And I think the industry recognizes that, and that's been evidenced by the fact that they're here. They're doing business, and they're very comfortable doing business with us here in Saskatchewan.

**Ms. Julé:** — Thank you, Mr. Minister. Mr. Minister, I would suggest that the high tax rate for the oil and gas industries has had an impact on the competitiveness of the Saskatchewan mining industry.

Mr. Minister, the corporation capital tax resource surcharge is unique to Saskatchewan in that it is the only province to levy a resource surcharge — a levy that has no relation to the company's ability to pay it. This surtax results in significant production cost increases. Resource companies will, to the extent possible, sometimes at the cost of eroding their competitive position, pass the surtax on to their customers. In the case of coal, the coal companies pass the full resource surcharge cost on to SaskPower, which in turn passes on the additional cost by increasing electrical rates to Saskatchewan businesses and households. Can the minister tell us the total amount collected from the resource surcharge tax on corporate capital and specifically the annual surtax collected from coal?

**Hon. Mr. Lautermilch:** — I'm told by my officials that this is an issue that is dealt with by the Department of Finance, and that would be best asked . . . The Minister of Finance will be before this House in the next few days, and that would be the appropriate place to ask that question.

(2215)

**Ms. Julé:** — According to the economic survey in 1994, the mining industry purchased \$451 million worth of Saskatchewan goods and services and paid 415 million in various taxes, levies and royalties. And it employed 5,300 workers. Saskatchewan is one of the few, if not the only province, which does not exempt direct agents used in mining and mineral processing from sales tax.

Mr. Minister, in light of as yet the untapped vast potential in exploration and development, extraction and processing, has the government considered exempting direct agents in mining in order to stimulate growth in job creation?

**Hon. Mr. Lautermilch:** — I think again that would be a question that would be best directed to the Department of Finance in that that is not a tax that we as a department levy. But I think it's fair to say that we have a very good understanding of industry's concerns in terms of different levels of taxation and different types of taxation. We deal with them on a regular basis so we hear what they have to say.

I think one of the things that we have attempted to do is in Saskatchewan, with respect to our whole level of taxation in this budget, is to find an area of tax reduction that gives everyone a little bit. And I think with the reduction of the sales tax from 9 to 7 per cent everyone gets a little bit — farmers get a little bit, home-owners, small business, large business. So I think we found a bit of a balance. And based on that, with respect to this last budget, we've been able to be somewhat successful. But the specific question that you ask I think is one that the Minister of Finance would be more than willing to address when she does her estimates.

**Ms. Julé:** — Thank you, Mr. Minister. I would like to suggest that actually maybe exempting direct agents in mining would certainly in the long run lead to lesser rates for the consumers out there. And I think it's something government should think about.

Every year the government estimates the various expenditure and revenue components of the General Revenue Fund. Revenues from non-renewable resources are a large part of the government's revenues. So, Mr. Minister, what role does Energy and Mines play in the annual forecasting for non-renewable resources?

**Hon. Mr. Lautermilch:** — Well we prepare the forecasts that go as part of putting the budget together.

**Ms. Julé:** — On what factors other than prices and quantities are the forecasts based?

**Hon. Mr. Lautermilch:** — Those are the factors that would be put together in terms of forecasting revenue flow.

**Ms. Julé:** — Thank you. Mr. Minister, non-renewable resource revenues were underestimated every year between 1992-93 and the 1996-97 fiscal years to the cumulative tune of \$931 million.

Mr. Minister, I'd like to know if it's a deliberate policy by Sask Energy and Mines to underestimate projected non-renewable resource revenues, or is this simply poor forecasting?

**Hon. Mr. Lautermilch:** — Oh it's certainly not poor forecasting. This is based on industry across this country and businesses across this country who do forecasting. And what we have done in the estimate that I've been involved in is taken the average. What we have been in Saskatchewan is very fortunate to get more than, I guess in some cases, our share of the exploration and the development activity and the extraction activity.

So I think what it says is a couple of things — that this government doesn't come before the people of Saskatchewan to

give them a snow job. When we tell them that we think we can balance the budget, we do that. We might, in some cases, be a little small "c" conservative in terms of our estimates. But it's based on industry. It's not based on an isolated, picked-out-of-the-air figure. But I think it's fair to say that people of Saskatchewan would far sooner be surprised with a small nest egg after the end of the year, after industry has created thousands of incremental jobs, than to be forecasting and end up with a deficit that people aren't ready for.

**Ms. Julé:** — Thank you, Minister. Mr. Minister, the Provincial Auditor has for several years recommended that the *Estimates* should present payments by Energy and Mines to the NewGrade upgrader as department expenditures. In 1991, 1992, and 1993 both the Standing Committee on Public Accounts and the Assembly concurred. Then on December 31, 1996 the committee reversed itself. I am curious about this reversal.

But leaving that aside, Mr. Minister, why are you so reluctant to call a spade a spade and acknowledge the department's royalty remissions to NewGrade for what they are, namely a grant paid by Energy and Mines to NewGrade and therefore an expenditure?

**Hon. Mr. Lautermilch:** — I would want to say to the hon. member that this is an agreement that took place, I believe in the late 1980s. It was accounted for in the fashion that it is based on legal opinion from the Department of Justice in terms of the propriety of accounting for it in the fashion that it is. It's true that Public Accounts is . . . had, I guess, a couple of different views on the appropriateness of accounting in this fashion. But I think it's fair to say that we have remained as a department consistent. We have had opinion that would suggest this is the appropriate way to account for that particular issue that you describe.

I think what the people of Saskatchewan want to know is that the methodology of reporting might not be as important as the fact that there is an open and an accountable reporting system.

**Mr. D'Autremont:** — Thank you, Mr. Deputy Chair. I'd like to welcome the minister and his officials here this evening.

Mr. Minister, I'd like to start off with the Surface Rights Board if we could, please. I wonder if you could tell us who the members of the board are.

**Hon. Mr. Lautermilch:** — That is a board that is appointed, Mr. Chairman, by, I believe the Department of Justice, and the members are selected by . . . I'm not sure what process they use, but it's certainly separate and apart and arm's length from my department.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Does your department then deal with regulations of the Surface Rights Arbitration Board?

**Hon. Mr. Lautermilch:** — No.

**Mr. D'Autremont:** — Well I guess I'll have to direct these questions then to the Minister of Justice perhaps when his

estimates come up because the Southeast Saskatchewan Surface Rights Association, dealing with oil leases, Energy and Mines, has a great deal . . . or some problems with the Surface Rights Arbitration Board.

And some of them are fairly menial problems that I think could be resolved fairly easily — such as the board hearings all start at 9 o'clock in the morning so that means anybody coming in to do a presentation or have a hearing before the board has to drive in the night before and stay overnight. Because they're always held in Regina rather than being held in some other place in the province, some locale much more centrally located to the actual problem for both the landowner and the oil company involved.

They're always dealt with in Regina here and they should be spread around the province, be it in the south-east or up at Lloydminster or Swift Current, wherever the actual circumstances are being dealt with.

I don't know if you want to comment on any of these, Mr. Minister, but there are a number of other problems such as the fact that perhaps mediation should be in place before it goes to a board hearing, that it be compulsory that there be some mediation — not that the result be accepted but that there is a sit-down and some attempt at mediation. I wonder if you'd care to comment on that, Mr. Minister?

**Hon. Mr. Lautermilch:** — Well certainly it's a process that's not under the purview of our department. I can say that the Department of Energy and Mines attempts to work with landowners and with industry to assure . . . or to help to facilitate disagreements and resolution to disagreements.

Certainly they're not always successful, but I want to say that in the time that I've spent responsible for this department, Energy and Mines has worked with landowners and oil companies. I think what everybody wants to see is harmony.

There is some bad operators out there and no one will deny that. Certainly the practices of industry have improved in the last couple of decades and I think that that is a very positive sign. There are problems that exist and that will happen when you're doing that amount of activity. And as the amount of activity with respect to oil and gas development in Saskatchewan increases, there will be more impact on landowners, and consequently there will be more disagreements.

With respect to the meetings and timing and the place of meetings, I can say to you that the minister responsible for the arbitration board is in the House this evening. He's, I'm sure, heard what you've said. But I will undertake to have a chat with him in terms of seeing if we can't make it a little more accommodating for landowners in the next very short while.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. And I hope that the Minister of Justice was listening and that some of these changes can be made before the next millennium starts.

Mr. Minister, we presented your department with global

questions. Have those global questions been received? Do you have the answers for those global questions? And if you don't have them with you tonight, when can we expect them, Mr. Minister?

**Hon. Mr. Lautermilch:** — As I understand it, they've been prepared and they are in process and they should be to you shortly.

**Mr. D'Autremont:** — Okay, thank you, Mr. Minister. How many trips did you take this year, Mr. Minister? And where did you go to? And what benefits were accrued from those?

**Hon. Mr. Lautermilch:** — I have a list of out-of-province trips and I can just send the list over if you'd like, rather than reading them into the record.

**Mr. D'Autremont:** — Thank you, Mr. Minister, that would be more than acceptable. I wonder if you could indicate what kind of successes you had on those trips, whether any contracts were signed and what benefit is Saskatchewan going to accrue from these benefits.

**Hon. Mr. Lautermilch:** — Mr. Chairman, I guess I would say to the member opposite, he's probably had an opportunity to look through my list of out-of-province trips. He will notice that the vast majority of these trips are to Calgary. It's . . .

(2230)

**An Hon. Member:** — It's an exotic place.

**Hon. Mr. Lautermilch:** — Yes, it's a very exotic place in the winter. And it's where we have to attend to do business. Many of the oil and gas companies that do business in Saskatchewan are headquartered there. Canadian Association of Petroleum Producers are headquartered there and the other organizations that we work with.

I guess the one . . . if there was . . . well I don't know if Yellowknife is an exotic trip, but we were in Yellowknife to attend the Mines ministers conference along with the other Mines ministers across Canada and the federal minister.

And I can tell you that the other out-of-country trip, other than two to Toronto I guess, was to Hong Kong. That was to attend meetings with Canpotex, which is the marketing arm of our potash companies. We attended to an international symposium on fertilizer, had meetings with bureaucrats and politicians from the Department of Agriculture. We also met with the State Science and Technology Commission.

And I think it's fair to say that if we look at the interaction between Saskatchewan and the People's Republic of China, that the connections that we have been able to develop over the years here in Saskatchewan with that country really are very important. They are our largest off-shore market, are big users of Saskatchewan potash. We're facing now competition with some other jurisdictions and certainly we want to keep our toe in the water. It's an important market for us. It means thousands of jobs here in Saskatchewan, and so I found the trip was very

well worthwhile.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. I realize that the leadership debate for the national election was on TV tonight and in Toronto. I didn't realize that because of that they had separated and that Toronto was an out-of-country trip. Now perhaps many of us would wish Toronto would separate but to my knowledge it hasn't happened yet.

The trip to Canpotex though, the trip to Hong Kong and Beijing for Canpotex, did your trip though actually make any difference? Was the trade with China on the verge of collapsing or was there any meaningful reason for going there to actually visit with them that had an impact, that made a change that is going to continue the relationship? Or was it just a nice warm and fuzzy trip, Mr. Minister, that says yes, we in Saskatchewan support the Potash Corporation and the sale of potash to China and we think you're great guys and keep buying our potash — when they never had any intentions of not buying our potash, Mr. Minister. So was there actually any measurable value to this trip other than a warm and fuzzy meeting with the officials from China?

**Hon. Mr. Lautermilch:** — Well I can report to the member that I just met a week ago with Minister Chen, who is the Minister of Chemical Industries. He was one of the contacts that I made which I hope and I think was very instrumental in opening up a new market opportunity for us in China.

My conversation with him, when he came back to have a reciprocal meeting here in Saskatchewan, was very positive. And he spoke, frankly, very highly of us as a province. He spoke highly of the people of Saskatchewan; in fact of Canada. We had a very positive exchange, and I believe that it was very well worthwhile and I think the avenues that we were able to open in our meetings with him will not only benefit us this year but I think in years to come.

It's very difficult to do business in an environment and in a climate that you're not familiar with. The political climate in China certainly is much different than that of North America, the rest of North America, where we do a lot of our business as well.

China is very important to us as a trading partner and I think anything that we can do to enhance and to ensure a good, positive relationship continues with them, as we have built as a province, is very much worthwhile.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. Certainly the trade with China is extremely important to Saskatchewan, not only for potash but for wheat. After all it was Alvin Hamilton, the MP (Member of Parliament) from my home area, under the Progressive Conservative government of George Diefenbaker, that initiated the trade with China in wheat.

And I think that has been a very worthwhile and ongoing relationship that we've had with China, expanding from . . . (inaudible interjection) . . . Yes, Mr. Hamilton did an excellent job. And that ongoing relationship has developed into this potash relationship that we have now; also with the exploration

for oil and gas in China with Canadian companies.

So a long-term relationship with China is certainly worthwhile. I hope that the potentials that you speak of actually come to fruition, Mr. Minister. And I think it's important that the public of Saskatchewan know that the \$8,000 that you spent on the trip was worthwhile and of value to them.

So, Mr. Minister, we'll be waiting to see what develops from that trip, whether or not any economic spin-offs actually do accrue from that.

Well, Mr. Minister, I'd like to move on to Wascana Energy now. And it was pretty clear that the privatization of Saskoil, now Wascana Energy, has brought hundreds of jobs and millions of dollars to this province, and especially regarding the recent proposal of CanOxy to purchase Wascana Energy.

Now, Mr. Minister, I was wondering if you can tell us what kind of provisions, if any, you are making to ensure that the head office of Wascana remains in Saskatchewan and what kind of positions will be in that head office?

**Hon. Mr. Lautermilch:** — I can say to the member opposite that that is not a responsibility of this department; that is under the Crown Investments Corporation portfolio. And those questions would be better directed to that minister.

I can say to you that we have been, as a government, on public record as indicating we would be enforcing the terms and the conditions of the legislation.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. In question period you wanted to take responsibility for the entire government; now you don't want to take any responsibility.

Mr. Minister, perhaps this is one area in which you can answer the question; and if not, you should at least be interested in it. And that is, under the CanOxy take-over of Wascana, what effect is that going to have on the rural oilfield jobs around Saskatchewan?

**Hon. Mr. Lautermilch:** — Well in my discussions with both Wascana people and prior to the take-over, and Canadian Occidental officials, I can report to you that there is a great degree of interest in developing and working with this government to developing Saskatchewan's heavy oil patch. I think it's fair to say that there are some opportunities in terms of research and development. The technology that we use to abstract our heavy oil, I think will be very well served by CanOxy, as it was by Wascana.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. But CanOxy and Wascana are not involved just in the heavy oil; they were involved both in the south-east and in the south-west. And I have constituents . . . and I've had phone calls from the member from Estevan's constituency regarding this issue, as to what's going to happen to the jobs, particularly in the field offices, the administration offices they have in those areas. Under the proposal that was being put forward by Talisman, the fear was that the jobs, particularly in Estevan, were going to be

lost. Is the same circumstance likely to happen now with CanOxy, or are those jobs in a more secure position?

**Hon. Mr. Lautermilch:** — I would expect just by virtue of CanOxy's operations prior to the take-over, there would be little impact. They had virtually no operations in that area. It's basically a take-over of a new entity for them. And there wouldn't be a lot of duplication. I would think had maybe another take-over bid been successful, that might have not been the case, where there was some existing infrastructure offices. But I think with CanOxy, Wascana, you'll see very little because there really was no duplication. But certainly that will be a corporate decision that they will make.

I can only say that we certainly encourage and urge maximizing job opportunities here in Saskatchewan. And from what I can tell, this will be a very favourable initiative for the people of Saskatchewan.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. I'm certainly hopeful that that is the case because in my area CanOxy did not have any administrative offices even though they had a few wells contract operated.

I was wondering, Mr. Minister, if you could give us a breakdown of the oil production and incomes by the various types of oil such as light, medium, and heavy?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I can for the member opposite, give him a more detailed breakdown if he'd like more than what I'm about to share with him. But the Lloydminster area — the total revenue — which is you will know is basically heavy crude, is about 97.9 million; Kindersley-Kerrobot, which is a mixture, about 68.4; Swift Current — 96.6; and the Weyburn-Estevan area, and you might be a little interested in this, and now this is a dandy — 279. So I think you can see that the area you represent is certainly a major component of that.

But if you want any further breakdown for this we can do that. But it breaks down basically a third heavy, a third light, and a third medium.

**Mr. D'Autremont:** — Thank you, Mr. Minister. These will be the royalty revenues to the government, not the gross revenues produced by the oil patch, I'm assuming.

Mr. Minister, I wonder if you can give any indication as to what royalty rates are for each of the various oils — light, medium, and heavy. I'm not so much interested in whether they're exploratory wells, step-out wells, or if they're new oil versus old oil. Basically the rates for new oil.

**Hon. Mr. Lautermilch:** — I can use an exhibit I hope, Mr. Chairman. But . . .

**An Hon. Member:** — Exhibits.

**Hon. Mr. Lautermilch:** — Well these are graphs. I just snuck one in. I want to pass them over to the member opposite. Just as an example say, a 40-well-per-day with non-heavy third tier oil



would be in the —oh, what — 20, I guess about \$25. Or 25 per cent, sorry. But what I will do is I'll send you these different graphs over. And it's all public information but it might be interesting for you to have.

And if there's any other information that we can give you in this regard, we'd be more than willing to share that with you as well.

**Mr. D'Autremont:** — Okay. Thank you, Mr. Minister. That's appreciated. Mr. Minister, if a member of the public wants to find out from Energy and Mines what the results of any drilling are, what's the procedures for doing that? Is that information available? And how soon after a well is drilled is that information available?

(2245)

**Hon. Mr. Lautermilch:** — Basically, Mr. Chairman, I'm told that an exploratory well, the information is withheld for one year, but other than that, it's 30 days.

**Mr. D'Autremont:** — Mr. Minister, there's been a lot of talk about the upgraders, both here in Regina and in Lloydminster . . . (inaudible interjection) . . . and they're doing excellent. Yes, they were good projects to start off with, and I think we have to credit the previous administration for that.

Mr. Minister, how much oil is upgraded on a daily basis, and what is the enhanced value of that oil? What does it start off at? What does it end up at?

**Hon. Mr. Lautermilch:** — Mr. Chairman, both of the upgraders will produce in the neighbourhood of 50 to 60,000 barrels a day, and I guess the incremental value depends on the differential. If the differential is \$4, it would be one figure; just multiply it through. And if they're all working and none of them are down or if it's \$5, it'd be, you know, that much more. So that's roughly the amount.

**Mr. D'Autremont:** — Thank you, Mr. Minister. I think that's all my questions for oil, but now I'll move on to the mining sector.

Mr. Minister, how much . . . there is a fund set up for the mining industry to pay into for the time that comes for abandonments. I'm wondering how much money would be in those funds at the present?

**Hon. Mr. Lautermilch:** — We have no such fund within the department. I think you might be referring to a fund within Environment and Resource Management.

**Mr. D'Autremont:** — Another time when the minister doesn't take responsibility.

Mr. Minister, high uranium and potash sales have boosted the province's mining record in 1996 to revenues close to \$2 billion. How much of that money goes directly into the government coffers from these industries? So what's the royalty on the potash and uranium sales?

**Hon. Mr. Lautermilch:** — Yes, Mr. Chairman, uranium would be in the neighbourhood of 55 million and somewhat just over a hundred million for potash.

**Mr. D'Autremont:** — What sort of projections, Mr. Minister, do you have for 1997 for both of those industries, the potash and uranium?

**Hon. Mr. Lautermilch:** — Those are the figures I just gave you.

**Mr. D'Autremont:** — Okay, thank you very much. Diamond exploration has increased from \$4 million in '95 to 6 million last year. What's the prospects in the future for this industry? And what is your government doing in particular to encourage exploration for diamonds?

**Hon. Mr. Lautermilch:** — Yes, Mr. Chairman, our main role would be to provide geological, technical information to the companies who are interested in exploring. It's part of the records and the records that we keep.

**Mr. D'Autremont:** — Okay, thank you, Mr. Minister. I thought I was done with oil, but it turns out I'm not; I found some more questions. I didn't have to look all that hard though.

The royalty rates and operating costs for enhanced oil recovery, EOR projects, have been under a microscope in Saskatchewan as Saskatchewan looks for new ways to pump investment into this province. What have you done towards these projects? I'm thinking of things like the Midale project to pump CO<sub>2</sub> (carbon dioxide) underground to enhance the recovery. And what's happening in that area? What kind of royalty changes have you made to encourage those projects?

**Hon. Mr. Lautermilch:** — Mr. Chairman, there's a generic EOR royalty structure, as you will know, in place in Saskatchewan. That has been in place for some time. I can say to you that there is quite a bit of excitement in this province with respect to enhanced oil and what's been happening over the last number of years — a lot of activity in lots of different areas. And your area is certainly one that there has seen some development and some research done on different ways of enhancing recovery. And we certainly think that there's some very positive signs down the road for us as a province because of the technology that's been developed.

**Mr. D'Autremont:** — Thank you, Mr. Minister. What other kinds though of enhanced recovery methods are we talking about? Water has been used for a long time; CO<sub>2</sub> is just starting; fire flood out of Swift Current; *in situ* projects in the Fosterton field. What other types are we talking about here? What else is Saskatchewan looking at?

**Hon. Mr. Lautermilch:** — Well I guess you . . . the only one you might have missed is steam and that is . . .

**An Hon. Member:** — I never worked on that area.

**Hon. Mr. Lautermilch:** — The only one I don't know. Maybe hot air isn't a possibility; I'm not sure. But certainly, you know

steam injection, water flood, fire, and CO<sub>2</sub> certainly look like and are showing very good potential.

**Mr. D'Autremont:** — Thank you, Mr. Minister. The Minister of Finance took one small step this year in the reduction of the PST (provincial sales tax) to providing a more level playing-field and to aid in the investment in this province. But other areas of government are disincentives, such as the cost of power in this province with the cost of oil operations roughly 30 per cent being electrical, Mr. Minister. And you as the . . . also the minister responsible for SaskPower, what are you doing in this area to try and reduce those costs to oil production to increase investment?

When we look at our neighbouring jurisdictions — be that Alberta, Manitoba, or North Dakota — we seem to be somewhat out of step both in the costs of operating our oilfields and in the royalty structures in comparison to them — such that our investors are taking a serious look at going elsewhere rather than doing exploration and investment in this province.

So what means and what measures is your department taking to try and encourage the investment to stay here, to encourage further investment to come here by reducing the costs, both through the operating costs and through the royalties?

**Hon. Mr. Lautermilch:** — Well I think, Mr. Chairman, it's fair to say that the government overall has taken very seriously the investment with respect to oil and gas development in this province, and that is very much evidenced by the number of wells that have been drilled in Saskatchewan in the last few years and the fact that that number is growing. It's evidenced by the fact that land sales have been increasing dramatically.

And I want to say, Mr. Speaker, that we have been in conversation with the oil and gas sector over the past few months in terms of looking at the cost of doing business here in Saskatchewan, not only within the department but looking at what we might be able to do with respect to energy costs. As you say, SaskPower is a supplier of electrical energy for many of the oilfields. It's gone through a major restructuring to reduce the costs of operation to make it a more efficient corporation. And I think that ultimately will result in lower power costs for the oil and gas sector.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. We talked about EORs here just a little bit ago, but there's also the federal program of incentives to mainly the tar sands area, and that impacts very little in Saskatchewan, and yet we have other EOR projects that are happening. We've talked about the CO<sub>2</sub> at Midale, fire-flood, steam in the Lloydminster area. Are you approaching the federal government to provide some incentives for those other EOR projects besides those in the tar sands?

**Hon. Mr. Lautermilch:** — Mr. Chairman, and to the member opposite, we have been working with the federal government over the last number of months. We recognized some, I guess unfairness between the heavy oil sands treatment in . . . the tar sands treatment in Alberta and our heavy oil here. We see, frankly, some similarities and some reasons that they should be treated equally.

We have been able to achieve some small successes from the federal government, although not what we would have liked to have seen, but we have made some movement in that regard. And certainly we will continue to ensure that Saskatchewan is treated on a fair and equitable basis with other jurisdictions in Canada.

**Mr. D'Autremont:** — Well, thank you, Mr. Minister. The tar sand operations are obviously expensive but so are some of the other EOR projects and I think the incentive should be in place, at least on a percentage basis compared to the value of cost recoveries, in those areas.

Mr. Minister, the Alliance Pipeline plans to build a 3,600-kilometre pipeline from Fort St. John, Alberta to Chicago, and yet a number of — relatively few actually, 20 — landowners are attempting to hold up this particular project, which includes two of my constituents from the Alameda area. What is the status of the Alliance Pipeline? Is it going ahead? And what's happening with those landowners that are trying to hold up the project? I understand that your department, your ministry at least, has dealt with the Condie line landowners that were somewhat hesitant about allowing that project to proceed. Will the same measures be used to allow the Alliance Pipeline to go ahead?

**Hon. Mr. Lautermilch:** — Mr. Chairman, that will be under the control of the NEB, the National Energy Board. It crosses provincial boundaries and so isn't part of the jurisdiction of us; so that would certainly be a quarrel that might want to be taken up with the federal government. And I'm certain that wouldn't offend you at this time if you were to start on that. But it's a federal responsibility, it's certainly not ours.

**Mr. D'Autremont:** — Yes, it's those darn Liberals again that keep throwing monkey wrenches into everything. But, Mr. Minister, I'm coming to the end of my questions as you and your colleagues will both be pleased to know. But I do have one question left. Energy and Mines belongs to a web site on the Internet. What sorts of information are available on this site and has anybody visited it?

(2300)

**Hon. Mr. Lautermilch:** — Mr. Chairman, I'm glad you asked that question. We have about 3 to 400 visits a month, which really does say to me that that has been a very successful project.

It deals with everything from the personnel within the department to the services the department offers to information about our geological formation and mineral deposits here in Saskatchewan. We're certainly encouraged by the number of people who have visited the Internet, and I think that as Saskatchewan is a relatively unexplored area of North America, that kind of interest will hopefully turn into economic development opportunities for Saskatchewan people.

So it's been very much a success and I want to thank you for that question.

Item 1 agreed to.

Items 2 to 6 inclusive agreed to.

Vote 23 agreed to.

**Hon. Mr. Lautermilch:** — Mr. Chairman, if I could I would just like to thank the members opposite for their questions and I would like to thank my officials for their assistance tonight. And we may do this again next year.

**Mr. D'Autremont:** — I would like to thank the minister and his officials for coming in tonight and now they can all go home and go to bed.

**Ms. Julé:** — Thank you, Mr. Deputy Chair. I too would like to thank the minister and his officials and I wish you a fine evening.

The committee reported progress.

#### ADJOURNED DEBATES

#### SECOND READINGS

#### Bill No. 46

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Upshall that **Bill No. 46 — The Highways and Transportation Act, 1997** be now read a second time.

Motion agreed to, the Bill read a second time and referred to a Committee of the Whole at the next sitting.

The Assembly adjourned at 11:05 p.m.



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